



**Meeting:** Cabinet

**Date/Time:** Tuesday, 3 February 2026 at 2.00 pm

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

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

**Email:** [jenny.bailey@leics.gov.uk](mailto:jenny.bailey@leics.gov.uk)

### **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>	<u>Key Decision</u>
4. Provisional Medium Term Financial Strategy 2026/27 to 2029/30.	Director of Corporate Resources	(Pages 3 - 236) Yes



This page is intentionally left blank



## **CABINET – 3 FEBRUARY 2026**

### **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 present the County Council's proposed 2026/27 to 2029/30 Medium Term Financial Strategy (MTFS) for approval, following consideration of the draft MTFS by the Cabinet in December 2025 and the Overview and Scrutiny bodies in January and receipt of the provisional Local Government Finance Settlement.

##### **Recommendations**

2. It is recommended that Cabinet
  - (i) Notes the comments of the Overview and Scrutiny Committees and the Scrutiny Commission (Appendix Q to this report);
  - (ii) Determines the Council Tax increase for 2026/27 and the resulting precept, to be recommended to County Council for approval;
  - (iii) Recommends the following to the County Council:
    - (a) That subject to the items below, approval be given to the Medium Term Financial Strategy (MTFS) which incorporates the recommended net revenue budget for 2026/27 totalling £613.4m as set out in Appendices A, B and E of this report and includes the growth and savings for that year as set out in Appendix C;
    - (b) That approval be given to the projected provisional revenue budgets for 2027/28, 2028/29 and 2029/30, set out in Appendix B to the report, including the growth and savings for those years as set out in Appendix C, allowing the undertaking of preliminary work, including business case development, engagement and equality and human rights impact assessments, as may be necessary to achieve the savings specified for those years including savings under development, set out in Appendix D;

- (c) That each Chief Officer, in consultation with the Director of Corporate Resources and following consultation with the relevant Cabinet Lead Member(s), undertake preparatory work as considered appropriate to develop proposals and associated investment required to reduce the financial gap in all four years of the MTFS, to enable the Cabinet, subject to scrutiny processes, to consider a new multi-year transformation programme;
- (d) That approval be given to the early achievement of savings that are included in the MTFS, as may be necessary, along with associated investment costs, subject to the Director of Corporate Resources agreeing to funding being available;
- (e) That the level of the General Fund and earmarked reserves as set out in Appendix K be noted and the planned use of those earmarked reserves as indicated in that appendix be approved;
- (f) That the risk assessment at paragraph 140 and the Director of Corporate Resources assurance statement at paragraph 155 be noted;
- (g) That the recommended Council Tax increase for 2026/27 and the resulting precept be approved;
- (h) That the Chief Executive be authorised to issue the necessary precepts to billing authorities in accordance with (g) above and the tax base notified by the District Councils, and to take any other action which may be necessary to give effect to the precepts;
- (i) That approval be given to the 2026/27 to 2029/30 capital programme, totalling £501m, as set out in Appendix F;
- (j) That the Director of Corporate Resources following consultation with the Cabinet Lead Member for Resources be authorised to approve new capital schemes and revenue spend to save schemes, including revenue costs associated with their delivery, shown as future developments in the capital programme, to be funded from funding available;
- (k) That the financial indicators required under the Prudential Code included in Appendix N, Annex 2 be noted and that the following limits be approved:

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Operational boundary for external debt				
i) Borrowing	194	200	225	255
ii) Other long term liabilities	1	1	1	1
<b>TOTAL</b>	<b>195</b>	<b>201</b>	<b>226</b>	<b>256</b>
Authorised limit for external debt				
i) Borrowing	204	210	235	265
ii) Other long term liabilities	1	1	1	1
<b>TOTAL</b>	<b>205</b>	<b>211</b>	<b>236</b>	<b>266</b>

(l) That the Director of Corporate Resources be authorised to effect movement within the authorised limit for external debt between borrowing and other long-term liabilities;

(m) That the following borrowing limits be approved for the period 2026/27 to 2029/30:

(i) Maturity of borrowing:-

	<u>Upper Limit</u>	<u>Lower Limit</u>
	%	%
Under 12 months	30	0
12 months and within 24 months	30	0
24 months and within 5 years	50	0
5 years and within 10 years	70	0
10 years and above	100	25

(ii) An upper limit for principal sums invested for periods longer than 364 days is 25% of the portfolio.

(n) That the Director of Corporate Resources be authorised to enter into such loans or undertake such arrangements as necessary to finance the capital programme, subject to the prudential limits in Appendix N;

(o) That the Treasury Management Strategy Statement and the Annual Investment Strategy for 2026/27, as set out in Appendix N, be approved including:

(i) The Treasury Management Policy Statement, Appendix N; Annex 4;  
(ii) The Annual Statement of the Annual Minimum Revenue Provision as set out in Appendix N, Annex 1;

(p) That the Capital Strategy (Appendix G), Investing in Leicestershire Programme Strategy (Appendix H), Risk Management Policy and Strategy (Appendix I), Earmarked Reserves Policy (Appendix J) and Insurance Policy (Appendix L) be approved;

- (q) That it be noted that the Leicester and Leicestershire Business Rate Pool has been revoked for 2026/27;
- (r) That the Director of Corporate Resources, following consultation with the Cabinet Lead Member for Resources, be authorised to amend the provisional MTFS in response to changes arising between the Cabinet and County Council meetings, noting that any changes will be reported to the County Council on 18 February 2026;
- (s) That the Leicestershire School Funding Formula is subject to capping and scaling and continues to reflect the National Funding Formula for 2026/27;
- (t) That delegated authority be given to the Director of Children and Family Services, following consultation with the Cabinet Lead Member for Children and Family Services, to agree the funding rates for early years providers for 2026/27.

(KEY DECISION)

### **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, to allow efficient financial administration during 2026/27 and to provide a basis for the planning of services over the next four years.
4. To enable early work to be undertaken on the development of new savings and transformation programme to address the serious financial position.
5. Applying capping and scaling to the Leicestershire School Funding Formula for 2026/27 will ensure the cost does not exceed the Schools Block Dedicated Schools Grant whilst continuing to fully reflect the National Funding Formula.
6. To enable rates to be set for early years providers for 2026/27. The delegation will enable the rates to be set for the providers within the government prescribed timeline.

### **Timetable for Decisions (including Scrutiny)**

7. On 16 December 2025 the Cabinet agreed the proposed MTFS, including the 2026/27 revenue budget and 2026/27 to 2029/30 capital programme, for consultation. The Overview and Scrutiny Committees and the Scrutiny Commission then considered the proposals at their meetings in January 2026 (the comments of these bodies will be circulated separately as Appendix Q).
8. The County Council meets on 18 February 2026 to consider the MTFS including the 2026/27 revenue budget and capital programme. This will enable the 2026/27 budget to be set before the statutory deadline of the end of February 2026.

## **Policy Framework and Previous Decisions**

9. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council on 19 February 2025.
10. 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
11. 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.
12. 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. In October 2025 the Cabinet gave approval to commission an external efficiency review to support the Council to continue to make progress in closing the gap in its finances.

## **Legal Implications**

13. The Director of Law and Governance has been consulted on this report.
14. 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.
15. 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 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 S151 Officer

believes that the Council is unable to set or maintain a balanced budget. In addition, there is a requirement set out in the Local Government Act 2003 and relevant regulations<sup>1</sup> for the council when carrying out its duties to have regard to the Prudential Code for Capital Finance in Local Authorities.

16. Under Section 31A of the Local Government Finance Act 1992, the County Council, as a precepting authority (i.e. setting a Council Tax precept for the billing authority to bill and collect), must set a budget and precept by 1<sup>st</sup> March. In setting the budget, Members jointly and severally (collectively and individually) have a fiduciary duty to Council taxpayers. This means that they have a duty to facilitate, rather than obstruct, the setting of a lawful budget. Failure to set a lawful budget in time can lead to a loss of revenue, significant additional administrative costs and reputational damage. It may leave the Council at risk of a legal challenge from council taxpayers and/or intervention from the Secretary of State under section 15 of the Local Government Act 1999.
17. The Council is further charged with a duty to secure best value by making 'arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness'. This duty is supplemented by statutory guidance to which the Council must have regard.
18. The function of the County Council in setting its budget in due course will engage the public sector equality duty which is addressed 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.
19. The County Council, as a major precepting authority, is required to consult representatives of business rate payers and details of the budget consultation are set out below. There is no statutory requirement to undertake a public consultation on the MTFS but it is important to bear in mind that decisions which flow from the MTFS in relation to a change of provision or service may require adequate and proper lawful consultation before any decision is made as well as an equalities assessment to comply with the Public Sector Equality duty as referred to above. The preparatory work to be undertaken by Chief Officers as set out in the recommendations is key to contributing to lawful decision-making.
20. There is a requirement for the precept to be approved by the Council and notified to the billing authorities by no later than 1 March 2026.
21. Section 106 of the Local Government Finance Act 1992 applies; this means that a member who has not paid an amount due in respect of Council Tax for at least two months after it has become payable is subject to various restrictions if they attend a meeting at which matters relating to the calculation of the precept are

---

<sup>1</sup> Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

considered. The effect of the restriction means that a member in this position must declare this fact and they cannot vote. It is an offence to vote or to fail to make this declaration.

### **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 education 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. Early in 2025 the Government set out principles for funding reform. Key elements of the principles were that funding allocations would be made based upon the best possible analysis and reflect factors which drive demand. Following a consultation in the summer changes were then made in the draft local government finance settlement 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.”*

24. 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.
25. The draft Local Government Finance Settlement was announced on 17 December 2025. The final Settlement is expected in early February.
26. 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, although the 2024/25 outturn position had improved to the extent that reserves did not need to be used. The current MTFS had a gap of £38m in year two rising to £91m in year four.
27. The position in 2025/26 has worsened. The latest forecast shows that the £5m use of reserves will still be required, and an additional net overspend of £1m 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 (£10m) and the High Needs Block deficit has increased by 200% from £15m to £45m 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.

28. 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 overall capital shortfall.
29. This revised MTFS for 2026-30 projects a revenue gap of £18m in the first year that (subject to changes from later information such as the final Local Government Finance Settlement) will need to be balanced by the use of earmarked reserves. There is then a gap of £36m in year two rising to £85m 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.
30. Alongside the £85m 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.
31. 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 £127m, primarily to meet the forecast increase in demand for social care. The MTFS also includes a net £55m 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.
32. Balancing the budget is an ongoing and increasingly difficult challenge. The aim is always for the December draft budget report to present a balanced budget for the following year and a small deficit for year two. 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, although the 2024/25 outturn position had improved sufficiently so reserves were not needed by year end. The draft 2026-30 MTFS only forecasts a balanced budget next year after assuming the use of £18m of earmarked reserves to meet the funding gap, with the following three years all being increasingly in deficit.
33. The £36m 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. The Council has always aimed to have two years of reserve cover in the Budget Equalisation reserve to give assurance that a balanced budget could be set in the event that savings delivery is slower than required. The total reserve cover available is not sufficient to cover the 2026/27 and 2027/28 combined deficits of £54m. Heightened focus on the County Council's finances continues to be required whilst this situation remains.

34. The external Efficiency Review, commissioned in October, is making good progress and the first tranche of savings identified have been included in the budget proposals. Further information on these is given at paragraph 86 below. The focus is on long term stability and identifying opportunities with sufficient financial benefits to significantly reduce the MTFS gap.
35. The MTFS gap and the uncertainty over government funding makes the decision on Council Tax even more crucial. The referendum limit has been set by the government at 4.99% for 2026/27 (2.99% core and 2% Adult Social Care) which would raise approximately £21.1m in additional income, and ensure that council tax is maximised for future years. The proposed 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.
36. 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, the prudent course of action is for Council Tax to be increased by the maximum possible. This would not only provide additional ongoing income to reduce the gap in each year of the MTFS. 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.
37. The draft four-year capital programme totals £501m. 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 £426m, with the balance of £75m being temporarily funded from the County Council's internal cash balances, with external borrowing potentially being required in future years.
38. 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**

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

**Officers to Contact**

Declan Keegan, Director of Corporate Resources,  
Corporate Resources Department,  
(0116) 305 7668  
E-mail [Declan.Keegan@leics.gov.uk](mailto:Declan.Keegan@leics.gov.uk)

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

## **PART B**

### **Changes to the draft Budget proposed in December 2025**

40. The report on the draft MTFS taken to the Cabinet on the 16 December provided a lot of detail on the Chancellor's statement, the national financial context, the local government financial settlement and expected service and funding reforms. That detail is not repeated in this report, which focuses on what has changed since then. These changes are summarised in the table below:

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Shortfall at 16 December 2025	23.3	49.0	78.2	106.1
<b>Funding changes</b>				
Provisional Settlement – net gains	-3.0	-3.0	-6.1	-6.1
Business Rates – inflation in 29/30	0.0	0.0	0.0	-1.9
Council Tax – updated tax base	0.1	0.1	0.1	0.1
Council Tax - collection funds reduced surplus	0.8	0.0	0.0	0.0
<b>Other Changes</b>				
Growth	-2.4	-2.4	-3.6	-3.6
Inflation / Other	-2.1	-4.0	-6.0	-8.0
Savings	-0.2	-1.4	-3.3	-3.6
Financing of Capital	0.0	0.0	-0.6	-0.5
Bank and Other Interest	0.0	-1.0	-1.0	-1.0
Contribution to Reserves	1.6	-1.7	-0.6	3.0
<b>Contribution from Reserves</b> (to balance 26/27)	-18.1	0.0	0.0	0.0
<b>Revised Shortfalls</b>	<b>0.0</b>	<b>35.5</b>	<b>57.2</b>	<b>84.5</b>

41. The changes are as detailed below:

- Provisional Settlement. The Settlement shows an improvement over the previous forecasts of a net £3m in 2026/27 rising to £6.1m from 2028/29, subject to more clarity on the requirements on the Families First grant in particular. The Final Settlement is awaited and may include further changes.
- Business Rates. The Provisional Settlement includes increases of around 2% each year on Business Rates up to 2028/29. It is assumed that a similar 2% will apply to Business Rates in 2029/30, amounting to £1.9m.
- The district councils have provided tax base figures for 2026/27 which are slightly lower than the estimate included at the time of the Cabinet Report in December 2025. There will be a decrease of £0.1m in the Council Tax precept.
- Council tax collection fund estimates for 2025/26 have now been received from the billing authorities and are £0.8m lower than the previous estimate.

- Growth changes include
  - Children and Family Services:
    - Social care placements reduced by £2.3m in 2026/27 rising to £3.1m by 2029/30 based on the latest estimates;
    - Oakfield expansion growth reduced by £0.2m;
  - Additional growth of £0.1m in Chief Executive's Department for subscriptions to the Local Government Association and the County Councils Network;
  - Revisions to the Growth Contingency of £1.2m in 2028/29 and 2029/30 to provide overall totals of growth in each year of £27m.
  - One-off £0.1m to develop the Flood Wardens service offer, create 5 pilot sites and work with resilience team on model to set up on a permanent basis.
  - Recognising the growing impact of flooding a further £0.05m has been earmarked to review the County Council's and key partners approach to preventing and reacting to flooding incidents.
- Inflation – changes of -£2.1m in 2026/27 rising to -£8.0m in 2029/30. The central inflation contingency has been amended for the latest information.
- Savings -£0.2m in 2026/27 rising to -£3.6m in 2029/30 mainly due to additional savings from the Efficiency Review of £3.4m by 2029/30.
- Financing of Capital (-£0.6m in 2028/29, -£0.5m in 2029/30) reflecting the latest forecasts and reduced capital funding gap.
- Bank and Other Interest – £1.0m increase from 2027/28 based on the latest forecasts of balances and interest rates.
- Contribution to Reserves – adjustments to the forecast requirements over the MTFS, mainly relating to maintaining contributions to the Budget Equalisation Reserve that match 50% of the High Needs Block forecast deficits.
- The remaining budget gap of £18.1m in 2026/27 will be funded by a contribution from the Budget Equalisation earmarked reserve, in the absence of any other savings or Council Tax increase, to enable the Council to meet its legal duty to set a balanced budget for 2026/27 following the processes set out in the Local Government Finance Act 1992. The amount to be funded from reserves is subject to any changes in the final settlement announcement.

### **Final Local Government Settlement**

42. The final Local Government Settlement has not yet been received and is due in early February 2026. Any significant changes will be reported to the Cabinet and Council.

## **Spending Power**

43. The Government uses a measure of Core Spending Power (CSP) in assessing an authority's financial position. The latest version of CSP for the County Council is shown in the table below.

### **Core Spending Power (CSP) table: Leicestershire County Council**

Illustrative Core Spending Power:	2024-25	2025-26	2026-27	2027-28	2028-29
	£m	£m	£m	£m	£m
Revenue Support Grant (RSG)	0	0	80.1	105.2	109.8
Business Rates (baseline/top-up)	0	0	90.6	92.6	94.5
Local Authority Better Care Grant	0	0	21.8	-	-
Legacy Business Rates	92.2	93.2	0	0	0
Legacy Grant Funding	62.2	67.5	0	0	0
Local Authority Better Care Grant	17.7	21.8	0	0	0
Council tax requirement	397.9	422.5	449.3	477.8	508.2
Domestic Abuse Accommodation Grant	1.2	1.5	1.5	1.5	1.5
Families First Partnership	1.8	3.3	6.6	6.6	5.6
Grants rolled in to RSG	1.9	1.9	0	0	0
<b>Core Spending Power Total</b>	<b>574.8</b>	<b>611.6</b>	<b>649.8</b>	<b>683.7</b>	<b>719.6</b>

44. CSP includes an assumption that councils will increase council tax by the maximum amount permitted in each year, including raising the full adult social care precept.

45. The inherent problem with both the previous and the latest Government methodologies to setting funding is that neither takes account of the relative funding position of individual authorities.

46. The provisional settlement covers three years, rather than the recent pattern of single year announcements, but years two and three are subject to change. In addition there is a lack of clarity over whether some of the grant funding, particular the Families First Partnership funding, may be accompanied by requirements to incur additional expenditure. Consequently, there are still significant risks due to the uncertainty of future funding levels.

## **Business Rates**

47. 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.

48. When the Government has made changes to the national Business Rate Scheme compensation for funding losses have been made in previous years through a series of grants, referred to as Section 31 grants. As part of the Business Rates Reset, there is a change of treatment so that the County Council will receive income from the District Councils on a gross basis rather than the

previous net basis, and the Section 31 grants will be paid to the District Council collection funds.

49. The revised MTFS includes the “baseline” and “top up” figures issued by the Government as part of the Provisional Settlement. Those figures show increases of around 2%, in line with the OBR forecasts of CPI inflation. As the Settlement covers 2026/27 to 2028/29 an assumption has been included in the MTFS that a similar 2% will apply in 2029/30.
50. 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.
51. 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.
52. The Government has changed the basis of Safety Nets and Levies from 2026/27 onwards. 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. As a consequence, the partners decided in January 2026 that the Pool should be revoked.

### **Council Tax**

53. 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, the Councils will be permitted to raise an additional 2% to fund adult social care (the adult social care precept).
54. 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. Whilst there is a gap between income and expenditure in the MTFS, applying the maximum Council Tax increase each year is the most prudent decision to protect financial sustainability and service delivery as far as possible. 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.

55. 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 potentially; £75m capital programme borrowing requirement; and the SEND deficit.
56. The 2026/27 draft budget uses a 2.99% increase (£13m of additional income) to demonstrate the impact on the MTFS and the projections in the table at paragraph 40 above reflect this.
57. 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 Council’s 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.
58. The Council’s current Council Tax amount is lower than comparator authorities, contributing to its low funded position. Some examples are shown below:

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

59. The latest information on Council Tax increases for 2026/27 from neighbouring County Councils is - Derbyshire 4.9%, Nottinghamshire 3.99%, Warwickshire 3.89%. These are all subject to approval through the usual process.
60. 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 national living wage are at 4.1% 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 £18m 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.

61. 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 a 4.99% increase, for example, is 65p per week on a Band D bill, and £8.6m in additional income for the Council, and the difference between a 2.99% and a 3.99% increase is 32p per week on a Band D bill, and £4.3m in additional income for the Council :

% increase in Council Tax for 2026-27	Impact on Band D Council Tax annual bill	Impact on Band D Council Tax weekly bill	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
2% general	£33.63	£0.65	£8.6m
2% ASC precept	£33.63	£0.65	£8.6m
4% total	£67.26	£1.29	£17.2m
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

*ASC :Adult Social Care*

62. 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 which should be considered, alongside the advice of the Section 151 Officer and the assurance statement. Whilst there is a significant budget gap the prudent 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.

63. 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.

64. 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.

65. Whilst 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.
66. The financial rationale for the Council setting a budget with the maximum Council Tax increase includes:
  - Demand pressures continuing to grow – with £46m of extra service demand in 2026/27 alone
  - Inflationary pressures, not in the Council's control, such as 4.1% on the National Living Wage which drives cost pressures in Adult Social Care, the Council's largest spending service and over 5% in Children's placements costs.
  - Continued uncertainty over DSG deficits with the government's plans to resolve this unclear and an estimated deficit of £265m at the point the statutory override is due to end.
  - The national funding formula assuming Council's take their maximum Council Tax increases. This is factored into Core Spending Power and the 100% equalisation methodology
  - Limiting the risk of service reductions in future years – whilst there are sufficient reserves in 2026/27 to fund the gap, these can only be used once and the budget equalisation reserve is not sufficient to fund the gap in 2027/28, increasing the risk of service reductions in future years
  - A lower than maximum Council Tax rise is an irreversible decision as the Referendum Limits in place mean that the lost income cannot be recovered in later years
67. A 4.99% Council Tax increase raises a further £8.5m of income in 2026/27 alone compared to the current assumption of 2.99%. This continues in future years and with taxbase increases would generate £40m of additional income over the MTFS. It reduces the financial risk that the Council faces in the future, helps to ensure that increased income keeps pace with inflationary cost increases and ultimately will have a direct link to the level of services that the Council can provide.
68. Council Tax base growth in 2026/27 of 1.48% is marginally lower than the 1.5% anticipated in the current MTFS. The proposed 2026-30 MTFS assumes increases of 1.5% in subsequent years.
69. Collection fund forecasts have been received from the district councils in January 2026 and show a reduction of £0.8m from the £2.0m net surplus included in the draft MTFS reported to the Cabinet in December 2025.

## **Budget Consultation**

70. The County Council has undertaken its annual consultation on the draft budget. The consultation period ran from 17 December 2025 until 18 January 2026 and asked for view on the planned savings and growth included in the draft budgets as well as on the level by which council tax should be increased. A detailed report on the consultation outcome is attached as Appendix O.

71. Of those that expressed a preference on the Council's proposed growth and savings programme, the majority were supportive of the approach taken.

72. With respect to Council Tax, including the ASC precept:

- 68% supported an increase – of which 36% supported an increase of 3% and 32% an increase of 5%.
- 21% supported no increases, and
- 11% supported a decrease.

73. Respondents were also supportive of the Council's plans for new savings opportunities, with over 70% agreeing with the proposals.

## **2026/27 - 2029/30 Budget**

74. The 2026/27 budget is summarised in Appendix A and detailed in Appendix E. The detailed four-year MTFS is set out in Appendix B and is summarised in the table below.

<b>Provisional Budget</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29 £m</b>	<b>2029/30 £m</b>
Services including inflation	566.4	631.6	666.6	705.0
Add growth	46.3	27.0	27.0	27.0
Less savings	<u>-23.1</u>	<u>-12.0</u>	<u>-7.6</u>	<u>-5.7</u>
	589.6	646.6	686.0	726.3
Central Items	<u>4.6</u>	<u>8.6</u>	<u>11.7</u>	<u>14.3</u>
	594.2	655.2	697.7	740.6
Contributions to:				
Earmarked reserves	36.3	39.2	45.8	54.0
General Fund	1.0	1.0	1.0	1.0
Contribution from Budget Equalisation reserve (to balance 2026/27)	<u>-18.1</u>			
<b>Total Spending</b>	<b><u>613.4</u></b>	<b><u>695.4</u></b>	<b><u>744.5</u></b>	<b><u>795.6</u></b>
Funding				
Revenue Support Grant	-80.1	-105.2	-109.8	-109.8
Business Rates	-90.6	-92.6	-94.5	-96.4
Council Tax	<u>-442.7</u>	<u>-462.1</u>	<u>-483.0</u>	<u>-504.9</u>
<b>Total Funding</b>	<b><u>-613.4</u></b>	<b><u>-659.9</u></b>	<b><u>-687.3</u></b>	<b><u>-711.1</u></b>
<b>Shortfall</b>	<b><u>0.0</u></b>	<b><u>35.5</u></b>	<b><u>57.2</u></b>	<b><u>84.5</u></b>

75. The MTFS shows a shortfall of £18.1m in 2026/27, which will need to be met by a transfer from the Budget Equalisation earmarked reserve. There are shortfalls of £36m in 2027/28 rising to £85m 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.

76. 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 £36m in the MTFS from 2027/28 it is 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 £18.1m required for the 2026/27 gap, this reserve does have a sufficient balance to fund the gap currently forecast for 2027/28 but this would only be called upon if other mitigations are not successful or take longer to deliver. The use of reserves to balance the budget gap is not a sustainable position and so urgent attention will need to be given to identifying further savings or income generation opportunities that can be delivered from 2027/28 onwards.

### **Savings and Transformation**

77. Although the provisional settlement includes some additional grant funding, the Council continues to face significant shortfalls in funding and it is clear that significant additional savings will still be required on top of the £48m that have been identified, £23m of which are to be made in 2026/27.

78. 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 terms reduction in Government grants, which is in excess of £100m since 2010. In recent years, service demand pressures have become the main driver.

79. The identified savings are shown in Appendix C. 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 (£16.6m). This includes £5.0m from increased Better Care Fund income, £4.6m from prevention reviews and £4.4m from Efficiency Review savings.
- 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 (£4.0m). 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.

80. The £48m identified savings can be grouped into four main types:
  - a) Service re-design and delivery (£19m)
  - b) Better commissioning and procurement (£21m)
  - c) Other (£1m)
  - d) Additional income (£7m)
81. The savings include £4.5m of initial financial benefits arising from the Efficiency Review. This is made up of £4.4m for reablement in Adult Social Care and £0.1m of additional income from changes to Fees and Charges.
82. Further savings or additional funding will be required to close the budget shortfall of £36m in 2027/28 rising to £85m in 2029/30.
83. 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 the main 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.
84. 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 £66.1m are planned over the MTFS period.
85. Despite these savings, the High Needs Block deficit continues to grow and is a significant 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**

86. To address the financial challenge that the Council faces, the Council commissioned Newton Consulting to undertake an external Efficiency Review to identify opportunities to reduce costs or increase income. The review commenced in December, and is making good progress with the latest identified savings included in the MTFS position presented in this report. The Council is acutely aware that long term reliance on reserves is not viable and that it must continue to embrace transformational change, opportunities to generate income,

and a focus on efficiency to safeguard essential services for residents and communities.

87. 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.

88. From initial diagnostic work, Newton have identified themes and opportunities with the greatest potential for financial savings and impact on service efficiency and will now progress these to benefit proposals which will set out the operational impact on residents, the quantified financial opportunity profiled over the MTFS and the actions needed to deliver the savings.

89. From the initial phase of work, 6 directorate level opportunities have been identified which focus on demand management and enabling residents to be as independent as possible. These opportunities cover a range of Adult Social Care, and Children and Family Services – increasing family-based placements and supporting more residents outside of residential care for example.

90. Alongside the directorate specific opportunities, six cross-directorate themes have been identified, representing more fundamental system and service transformation. These are summarised below and further information is shown at Appendix R:

Theme	Description
Targeted and effective Prevention	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Early intervention for Children and Young People (CYP) to keep families together.</li> <li>• Maximise the impact of Public Health grants</li> </ul>
Commissioning for the Future	<ul style="list-style-type: none"> <li>• Ways to manage and mitigate external provider costs</li> <li>• Growing the Council's provision and managing the market in a different way</li> </ul>
Procurement and Third Party spend	<ul style="list-style-type: none"> <li>• Review third party spend across the Council to consolidate suppliers.</li> <li>• Category and Contract Management</li> </ul>
Maximising income	<ul style="list-style-type: none"> <li>• Uplifts to fees and charges, especially where charges are currently lower than others.</li> </ul>

	<ul style="list-style-type: none"> <li>• Introduce new charges where opportunities exist e.g. Network Management.</li> <li>• Maximise returns on commercial assets.</li> </ul>
Council Operating Model and workforce capacity	<ul style="list-style-type: none"> <li>• Consolidation and digital support to 'front door' customer contact.</li> <li>• Review staffing and management structures across the Council.</li> <li>• Using AI and technology to support staff, using benchmarks and best practice to test how efficiently the Council is using resources.</li> <li>• Reduction in agency spend across the Council.</li> <li>• </li> </ul>
Having the best assets and estates for the future	<ul style="list-style-type: none"> <li>• Right sizing of property estate to ensure effective use of space.</li> <li>• Maximise commercial income from commercial assets</li> </ul>

91. A strong theme of the review has been to improve residents 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.
92. The review stage of work was focused on any immediate opportunity to accelerate existing MTFS savings. At this stage a total of £4.5m has been included in the proposed MTFS arising from the Efficiency Review. This is made up of £4.4m for reablement in Adult Social Care and £0.1m of additional income from changes to fees and charges including country parks parking fees and monitoring fees of section 106 obligations funded by developers. The reablement saving in Adult Social Care 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 draft MTFS in December of £1m is now forecast to increase by £3.4m by 2029/30, building on an existing saving in this area of £1.9m.
93. The County Council is taking decisive action to close the budget gap and build a financially resilient organisation. The review is due to conclude in March and will result in a revised Transformation Programme underpinned by strong governance and innovation to accelerate delivery and embed new ways of working ongoing.
94. The revised Transformation Programme will be presented to the Cabinet for approval at the conclusion of the review. The Scrutiny Commission will also receive an update. At that stage a decision will also be made on how to implement the recommendations arising from the review and any external support needed under phase 2 of the current contract. 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 MTFS budget gaps. 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**

95. Over the period of the MTFS, growth of £127.3m is required to meet demand and service pressures with £46.3m required in 2026/27. The main elements of growth are:

- Children and Family Services (£58.3m). This is mainly due to £47.9m 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 Executive's (£0.3m) for increased childcare legal cases (£0.2m) and subscriptions to the Local Government Association (LGA) and the County Councils Network (CCN) (£0.1m).
- Corporate Resources (£1.0m) for Commercial Services (£0.7m) and ICT cyber security (£0.3m).
- Corporate Growth (£16.7m). 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.

96. Details of proposed growth to meet spending pressures are shown in Appendix C.

97. In addition, in response to the Council motion in December, a one-off allocation of £0.1m has been provided for in the inflation contingency to develop the Flood Wardens service offer, create 5 pilot sites, and work with resilience team on model to set up on a permanent basis. This will allow the on-going operational costs to be determined and transfer of resource between teams. Temporary funding through the inflation contingency will need to be managed in-year for 2026/27 before being formalised in on-going budgets for future years.

98. Recognising the growing impact of flooding £0.05m has been earmarked to identify way to improve the approach to preventing and reacting to flooding incidents in Leicestershire. This will include engaging with partner agencies and local stakeholders to ensure our individual and collective contributions are maximised.

## Charnwood Geopark

99. As a key partner and champion of the Charnwood Forest Regional Park, and following its selection to be the UK's submission to UNESCO for Geopark status, a provision for the Council's share of the cost (being £37,500 per year over four years from 2027/28) has been made within the 2026-30 MTFS funded from earmarked reserves. The achievement of UNESCO Geopark status has the potential to increase economic activity in Leicestershire as a result of the expected increase in visitors and tourism, as well as the ability of local businesses to promote their connections to the Geopark by becoming a Geopartner. A decision on the success of the bid is expected April 2027.

## Inflation

100. The Government's preferred measure of inflation is the CPI. In December 2025 this was 3.4%. 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.

101. 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.

102. The impact of the National Living Wage (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.

103. 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. This allowance will also need to cover any impacts of the Employment Rights Act.

104. 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 Cabinet considers this report.

105. 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.

106. 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**

107. 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, £12.7m in 2028/29 and £13.4m in 2029/30, as a result of the increasing financing requirement for the capital programme.
108. Interest income relating to Treasury Management investments is budgeted at £11.0m in 2026/27 and is estimated to reduce to £7m in 2027/28, £4m in 2028/29 and £2.0m 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)**

109. 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.
110. 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.
111. 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.
112. 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
113. 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.

114. 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.

115. 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.

	<b>2026/27 £m</b>	
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
<b>Total BCF Plan</b>	<b>86.3</b>	

116. 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.

117. 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.

118. 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.

119. 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**

120. There are a number of other specific grants included in the MTFS. The main grants are shown below:

- Public Health – £33.1m
- Local Authority Better Care Grant - £21.8m
- Asylum Seekers – estimated £11m
- Bus Service Improvement Plans -£9.1m
- Families First Partnership -£6.6m
- Extended Producer Responsibility -£5.9m
- Pupil Premium – estimated £5.4m
- Universal Infant Free School Meals – estimated £2.3m
- Music Education Hubs Grants – £1.5m
- Domestic Abuse Safe Accommodation - £1.5m
- PE and Sports – estimated £1.1m

121. It should be noted that the Crisis and Resilience Fund is £1m lower than the Household Support Fund that it replaced. A revised offer, reflecting Government's new criteria will need to be developed.

## **Dedicated Schools Grant Settlement 2026/27**

### **Schools Block**

122. 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.

123. 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.

- 124. 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.
- 125. The December 2025 allocation is £583.9m based on updated October 2025 census information. This is an increase of 4% from the latest 2025/26 allocation.
- 126. 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. An increase in the number of pupils eligible within the NFF for Free School Meals (FSM) and Low Prior Attainment (LPA) has resulted in an affordability gap of £1.99m. Whilst this is not the first instance of an affordability gap in Leicestershire, many authorities regionally and nationally have had, and continue to be in this position. In order to close that gap and ensure that the funding formula is fully delivered within the grant available it has been necessary to enact the DfE's mechanism of capping and scaling school level increases, and this has required a cap of 2.77% scaled by 50%.
- 127. 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.
- 128. 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

- 129. 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.
- 130. 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

- 131. The entitlement to Early Years Education for 2026/27 is;

- (a) 30 hours for eligible working parents for children aged 9 months to 2 years. (this has been extended from 15 hours from September 2025)
- (b) 15 hours for 2 years olds for families requiring additional support, this was formally disadvantaged 2-year-olds.
- (c) Universal offer of 15 hours for 3- and 4-year-olds.
- (d) An additional 15 hours extended entitlement for working parents for 3- and 4-year-olds.

132. The Early Years DSG settlement is estimated to be £128.6m and based on funding rates of £6.20 per hour for the 3 – 4-year-olds, £7.90 for 2-year-olds and £10.67 for under 2's. Local authorities are required to pass through 97% of the settlement to providers, the remaining 3% meeting the cost of the Early Learning and Childcare service. Work is underway within the service to enable the local authority to calculate and notify providers of their funding rates no later than 28 February 2026. A delegation to the Director of Children and Family Services following consultation with the Cabinet Lead Member is recommended to set the rates for 2026/27.

### High Needs

133. The High Needs Block allocation is estimated to be £124m in 2026/27. Confirmation of the 2026/27 grant is not expected until March / April 2026. For financial year 2026/27 the DfE announced it was temporarily suspending the high needs national funding formula (NFF), which in previous years has been used to calculate local authorities' high needs allocations. Instead, local authorities' allocations will be based on their 2025 to 2026 allocations, with some adjustments - including the annualisation of historic grant funding. Whilst it is challenging to compare the 2026/27 allocation with 2025/26 on an exact like-for-like basis due to the change in funding methodology, the 2026/27 allocation reflects a net real-term increase of 1.2% in funding, compared to an assumed 3% increase which had been assumed for financial planning, which adds an additional financial burden for the following financial year. Following wider reforms to the SEND system, which the government will set out in early 2026, the DfE will review the methodology for allocating high needs funding for future years so that it supports the SEND reforms.

134. On the basis that high needs funding allocations for 2025/26 are significantly below projected spend levels, and with the 2025/26 allocation being used to calculate 2026/27 allocations, it is expected that the current unsustainable financial position will continue into 2026/27, pending any further updates to funding linked to SEND reform announcements anticipated early in 2026.

135. At the end of 2024/25 the accumulated High Needs deficit stood at £64.4m and is now projected to rise to £111.9m 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 £462.5m by March 2030, as shown in the projection below (although projections/supporting mitigations will require refreshing early into 2026 aligned with outputs and impact of any announcement around SEND reforms and projections of current demand):

	2026/27 £,000	2027/28 £,000	2028/29 £,000	2029/30 £,000
Grant Income	-124,684	-126,202	-127,838	-129,604
Total Expenditure	212,564	238,001	269,089	303,787
Total Savings	-15,363	-33,403	-49,634	-66,146
<b>Annual Revenue Funding Gap</b>	<b>72,517</b>	<b>78,396</b>	<b>91,617</b>	<b>108,036</b>
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	47,482			
<b>Cumulative High Needs Funding Gap</b>	<b>184,397</b>	<b>262,793</b>	<b>354,410</b>	<b>462,446</b>

136. Although it had been stated that from 2028/29 the Government will absorb SEND costs, it has not specified how this will be achieved and how it will be funded. Government has subsequently qualified that support may not be for all costs and could be conditional. This may mean that local authorities would not build up further DSG deficits from 2028/29, but government have not identified any additional funding from 2028/29 within the Spending Review plans. At the point of the Statutory Override ending at 31 March 2028, based on current policy, local authorities would then be required to recognise the historic DSG deficits, which are expected to reach £14bn 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 Government has not set out how it will address this issue other than to state that support to deal with SEND deficits will not be unlimited. Plans to support Councils with historic and accruing deficits and conditions for accessing such support is expected alongside the final settlement. The Council can only set its budget and MTFS on what it knows and so the current strategy of making some provision for SEND deficits has continued through the MTFS.

137. With the High Needs Block continuing to face significant financial pressures, with allocations falling well below projected demand, to mitigate this, a whole-system approach is being implemented through six key actions: strengthening early intervention and mainstream inclusion, applying robust EHCP gatekeeping and reviews, expanding local specialist provision, reducing early years specialist placements, and improving commissioning and demand management. These measures aim to slow cost growth and improve sustainability, but given the scale of demand, the financial position remains challenging and will require ongoing review alongside national reform developments

138. Despite current and planned 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.

139. 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.

#### **Adequacy of Earmarked Reserves and Robustness of Estimates**

140. 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.

141. 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:

<b>Impact of (+ or -)</b>	<b>Like-lihood</b>	<b>Equates to (+ or -)</b>
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 (excludes ASC contract inflation)	Medium	£1.6m
1% ASC demand growth	Medium	£2.2m

142. The financial environment continues to be challenging with a number of known major risks over the next few years. These include:

<b>Risk Area</b>	<b>Commentary</b>	<b>Mitigation/Provision</b>	<b>RAG</b>
Inflation	High inflation persisting for longer than expected leading to increased costs and continuation of Cost of Living crisis.	Inflation allowance within the budget and MTFS	Amber
Non achievement of savings and income targets	The requirement for savings and additional income totals £199m over the next four years of which £85m is unidentified	Strong governance in place to maximise savings delivery and early identification of any slippage. MTFS risks contingency	Amber

		and budget equalisation reserve in place	
SEND spend in excess of grant	A cumulative deficit in excess of £400m is anticipated by the end of 2029/30. Expenditure each year is expected to be between £73m and £108m more than high needs block funding, despite £66m of savings being targeted.	Statutory override currently in place but significant risk if this ends and no alternative arrangements are put in place by government	Red
National Living Wage and salary increases	Increases in the NLW have been estimated for 3 of the 4 years of the MTFS and pay awards are unknown for any year. Each 1% increase in the NLW increases the Council's cost base by around £2m per annum. Whilst there is some provision for this in the inflation allowance, there is a risk that it may not be sufficient.	Inflation allowance to manage in-year fluctuations	Amber
Local Government Finance Reform and other policy reforms	There are a number of delayed government initiatives which may impact in later years of the MTFS. These include: <ul style="list-style-type: none"> <li>• Review of SEND reforms</li> <li>• Adult Social Care charging reforms</li> <li>• Children's Social Care reforms</li> </ul>	Additional government funding to meet new burdens, MTFS risk contingency, growth contingency.	Amber
Further service demand	Unforeseen service pressures resulting in an overspend, particularly demand-led children's and adult social care.	Balanced growth assumptions in the MTFS, financial controls, MTFS contingencies	Amber
Adult Social Care - Fair Pay Agreement	Risk that Central Government funding is insufficient leaving the shortfall with local government.	Feedback to Government, potential reduced provision of and access to services, MTFS risk contingencies.	Amber
Local Government Reorganisation	A decision is expected from MHCLG in the summer on the preferred LGR option for LLR, the outcome of which is likely to lead to significant resource requirements over the short to medium term.	The Council's strong balance sheet will facilitate the ability to finance any early implementation costs	Amber

143. No budget can ever be completely free from risk. Necessarily, assumptions are made which means that the budget will always have an amount of uncertainty. However, these assumptions are based on the best available evidence with sensitivity analysis undertaken where appropriate.

144. There are a number of ways that risks will be mitigated and reduced which are highlighted above and explained further below:

- General Fund
- MTFS contingencies
- Earmarked reserves
- Effective risk management arrangements.

## General Fund

145. 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 4.2% of the 2026/27 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.
- Government solution for SEND reform and funding of deficits not being sufficient

146. To put the level of resources into context, with the exclusion of schools, the County Council spends around £75m a month.

147. The proposed MTFS also includes a contingency of £8m 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.

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

## Earmarked Reserves

149. The estimated balance for revenue earmarked reserves as at 31 March 2026 is £171m. This is set out in detail in Appendix K to this report. The final level of earmarked reserves will be subject to the current year budget outturn.

150. Earmarked reserves and balances are held for specific purposes in line with the Council's Earmarked Reserves Policy attached as Appendix J. The main earmarked reserves and balances projected at 31 March 2026 are:

- (a) Capital Financing and Improvement Projects (£91m). Holds MTFS revenue contributions for the capital programme or one-off projects.
- (b) Budget Equalisation (£113m). This reserve is held to manage variations in funding across financial years including MTFS funding gaps. It also includes funding towards the increasing pressures on the High Needs element of the DSG which was in deficit by £64m as at 31 March 2025 and is forecast to increase to in excess of £400m by the end of 2029/30. The temporary statutory override on the DSG is currently to the end of March 2028. The reserve can be used to fund spend to save initiatives.
- (c) Insurance (£17m). Held to meet the cost of future claims not covered by insurance policies.
- (d) Transformation (£8m). Used to invest in transformation projects to achieve efficiency savings and also to fund severance costs.
- (e) Earmarked reserves are held for specific departmental infrastructure, asset renewal , other initiatives and partnership funds (£38m).
- (f) DSG Reserve (-£96m). Forecast deficit balance, which includes the High Needs SEND deficit.

- 151. The overall forecast position on earmarked reserves shows earmarked reserves potentially being overdrawn by £64m as at 31 March 2028, and higher in later years, due to the increasing forecast DSG deficit. The statutory override, requiring the DSG deficit to be held outside of reserves (in an adjustment account on the balance sheet) currently expires on 31 March 2028. Details are expected from the DfE in early 2026 with regards to SEND Reforms and how Council's will be supported to manage DSG deficits. More details may also come in the final Local Government Finance Settlement.
- 152. The level of earmarked reserves and balances is monitored regularly throughout the year. Where funds have been identified that are no longer required transfers have been made. Assessments are undertaken during the summer, in February as part of the MTFS and at year end.

### School Balances

- 153. Balances are also held by schools. They are held for two main reasons: firstly, as a contingency against financial risks and secondly, to meet planned commitments in future years. The balance at 31 March 2025 was £0.7m. The balance at 31 March 2026 has not been estimated but is expected to have reduced as a result of spending pressure. It is also affected by the number of schools converting to Academies.

### Risk Management

- 154. The Council's risk management policy statement and strategy, and insurance policy are reviewed annually and are included as Appendix I and L respectively. The policies were considered and noted by the Corporate Governance Committee on 23 January 2026.

### Robustness of Estimates and Adequacy of Reserves

155. The Director of Corporate Resources provides detailed guidance notes for departments to follow when producing their budgets. As well as setting out certain assumptions such as inflation, these notes set a framework for the effective review and compilation of budget estimates. As a result, all estimates have been reviewed by appropriate staff in departments. In addition, each departments' Strategic Finance Manager has identified the main risk areas in their budget and these have been evaluated by the Director of Corporate Resources. The main risks are described earlier in the report.
156. All savings included in the MTFS have had an initial deliverability assessment so that a realistic financial plan can be presented. Saving initiatives that are at an early stage of development, or require further work to confirm deliverability, have not been included in the MTFS, but are reported for information as savings under development. The initial savings included from the Efficiency Review are supported by a benefits proposal setting out assumptions, evidence and risks. No further savings targets from the Efficiency Review have been included, pending completion of the review and assurance that benefit proposals are robust and deliverable.
157. The Cabinet and the Scrutiny Commission receive regular revenue and capital monitoring reports, budget and outturn reports. In addition, further financial governance reports, including those from the External Auditor are considered by the Corporate Governance Committee. This comprehensive reporting framework enables members to satisfy themselves about both the financial management and standing of the County Council.
158. 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. If the specifically earmarked reserves are not adequate the County Council has flexibility in its approach to funding the capital programme to provide further assurance. Although this would be detrimental to the long term sustainability of the council. However it should be noted that there remains a considerable financial risk in relation to the Council's High Needs Deficit and at the time of writing the report no further information has been released by the government on plans to manage the historic and ongoing SEND deficits. The MTFS has been prepared on the basis of the current trajectory of demand across all years, and continuation of the current strategy to make a partial provision against the deficit.
159. By March 2026, the Council is forecast to hold approximately £110m of debt arising from historic unfunded expenditure on SEND. This represents the Council's most significant financial risk and is becoming unaffordable as the deficit grows. The ability to present a balanced budget is currently dependent on the statutory override, a temporary measure that takes precedence over standard accounting rules. This override allows SEND deficits to be excluded

from the Council's balance sheet; however, it does not resolve the underlying funding gap or reduce the accumulated deficits. Despite efforts to manage demand and costs - including participation in the Department for Education's Delivering Better Value programmes - the SEND deficit continues to grow, and this is a trend seen nationally. Current projections indicate a cumulative deficit of approximately £14bn by March 2028, when the statutory override is scheduled to end.

160. By this point, the County Council's cumulative deficit will stand at £265m based on current forecast, which will exceed all available earmarked reserves.. Therefore, whilst the current budget and MTFS has been based on the best information available and an assessment of risk, the future sustainability of the Council does rely on the government setting out plans for managing both the historic SEND deficit and future funding of the SEND service. Even if responsibility for funding SEND transfers to government from 2028/29, other dependencies will remain with the Council which have financial implications e.g. SEN assessment and SEND transport services will remain a Council General Fund responsibility.
161. The aim is to balance the budget without the use of reserves, so that on-going services are funded by income that is also expected to be on-going. It has become common place across Local Government that this is not possible. If reserves are required to ensure that there is sufficient time for remediation plans to be enacted 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 and 2027/28 in part. There is still a £18m gap for 2026/27 and £85m by 2029/30, based on a 2.99% Council Tax increase each year. Therefore, taking the maximum Council Tax increase of 4.99% in each year of the MTFS is the financially prudent course of action. This will help to ensure that the Council remains robust and financially resilient and maximises locally generated resources. This is particularly important as it is a far more stable and certain than other types of funding, such as government grant and business rates. The Council continues to experience escalating demand for services as well as inflationary cost pressures, which government funding is not keeping pace with.
162. Adopting a 5% increase will raise £8.5m more funding than the current budget assumption and would reduce the gap to £10m. The current budget projections in this report will require the use of £18m of reserves to be used to be able to recommend a balanced budget to Council. Whilst use of reserves can be a useful short-term strategy, the Council's MTFS cannot rely on reserves to balance the budget in the medium to longer term.
163. 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. The Efficiency Review has the potential to have a significant positive impact on the MTFS. The nature of the review is to maximise the potential for savings across a wide range of areas. Due to the high level of ambition it is likely that the benefit for 2026/27 will be limited due to the time for improvement to be implemented.

164. Alongside the Efficiency Review it is important that other disciplines to manage the short fall are maintained, namely:

- Prioritise reduction of the deficit over discretionary services if the financial position improves
- Look to minimise borrowing through continued restrictions on the capital expenditure and maximisation of capital receipts

### **Concluding Comments – Revenue Position**

165. The draft MTFS is balanced in 2026/27, but only by using £18.1m of one-off reserves. There is then a financial gap of £36m in 2027/28 rising to £85m by 2029/30.

166. The Council has used a small level of reserves when setting the budget for the last two financial years, although the outturn position for 2024/25 had improved to a position where reserves were then not needed. Reliance on reserves long term is not sustainable, and 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. If sufficient reserves are not available additional borrowing for the Capital Programme is likely to be the next short term mitigation, although this would have a greater long term financial detriment. 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.

167. Whilst the Spending Review and Fair Funding proposals have improved the Council's funding position compared to the previous MTFS estimates, looks likely to remain one of the lowest funded county areas in the country, which makes the financial challenge even harder. Core Spending Power per head for Leicestershire for 2026/27 is £1,078, which is 19% below the national average of £1,333 per head.

168. 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.

169. 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.

170. Maintained schools and academies are under significant financial pressure; this could affect the County Council through its statutory responsibilities relating to education, for example to ensure the provision of sufficient school places.

171. 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.
172. 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.
173. The delivery of this MTFS rests on several 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
  - Prioritising closure of the financial gap above discretionary spending
  - The need to have very tight cost control, especially over demand-led budgets, such as social care and special education needs.
  - Management of the capital programme expenditure and capital receipts
  - The need to manage other risks that could affect the Authority's financial position and clarity from the government on plans to manage SEND deficits.
  - To retain sufficient reserves to manage the risks that the Council faces and to provide enabling funds for the implementation of recommendations from the Efficiency Review

### **Treasury Management Strategy Statement**

174. The Treasury Management Strategy Statement, which includes the minimum revenue provision (MRP) statement and annual investment strategy, must be approved in advance of each financial year by the County Council. Appendix N to this report sets out the Treasury Management Strategy Statement for 2026/27.
175. The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The Council is required to approve an annual MRP statement and set prudential and treasury indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are included with the Treasury Management Strategy as Annex 1 and Annex 2.
176. The legislation requires the Council to set its treasury strategy for borrowing and to prepare an annual investment strategy (for treasury management investments). This sets out the Council's policies for managing its treasury management investments and for giving priority to the security and liquidity of those investments. This Strategy should be read in conjunction with the Investing in Leicestershire Programme (IILP) Strategy (Appendix H), which sets out the Council's approach when considering the acquisition of investments for the purposes of inclusion within the IILP, and the Capital Strategy (Appendix G),

which sets out the Council's approach to determining its medium term capital requirements.

#### Minimum Revenue Provision Review

177. The Local Authorities (Capital Finance and Accounting) Regulations 2003 require local authorities to charge to their revenue account in each financial year a minimum amount to finance capital expenditure. This is referred to as Minimum Revenue Provision (MRP). The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
178. In 2019/20 the Council reviewed the expenditure that is required under statute relating to a prudent MRP. Based on the average economic remaining life of assets held, the MRP calculation for supported and unsupported borrowing was amended to a period of 40 years, which reduced the MRP charge to around £6m per annum.
179. During 2024/25 the Council has reassessed the MRP policy to assess its continued appropriateness. The review has identified that changes to the existing policy can be made to remain prudent and to more accurately reflect the time value of money through the use of an annuity calculation. This results in a consistent charge to the General Fund for assets over their useful lives. Setting the annuity rate at the Bank of England's Monetary Policy Committee's inflation target rate of 2% is considered appropriate and prudent. MRP will increase by this percentage each year. This reflects the time value of money and can be considered to be fairer on council tax-payers as it produces a consistent charge as measured in real terms. The revised approach was approved by the Council in February 2025 and is being applied from 2025/26.
180. CIPFA's Practitioners' Guide to Capital Finance in Local Government supports the use of the Annuity method on the basis that the MRP charge to the General Fund takes account of the time value of money.
181. It should be noted that the revised approach does not change the overall amount of MRP payable; the same amount is simply repaid over a different time period but is more aligned with the period over which the underlying assets provide benefit. The MRP strategy can be found in Annex 1 to this strategy.
182. Overall capital financing costs, MRP (annuity basis) and external debt interest, are forecast to be £12.4m in 2026/27 and to then rise to £13.4m in 2029/30 as a result of the requirement for new borrowing. This estimate assumes the required new borrowing is from internal cash balances. The capital financing costs do not include the cost of interest returns foregone by using internal cash balances, this will be reflected in a reduction to the bank and other interest budget.
183. The Treasury Management Strategy has been prepared on the basis that there will be no new external borrowing by the County Council in the period covered by this MTFS, see capital section below for further details.

184. The Council continues to maintain a low risk approach to the manner in which its list of authorised counterparties is produced and takes advice from the Council's treasury management advisors on all aspects of treasury management.

185. The strategies were considered and noted by the Corporate Governance Committee on 23 January 2026.

### **Capital Programme 2026/27 to 2029/30**

186. 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 (circa10 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.

187. The draft capital programme totals £501m over the four years to 2029/30. The programme is funded by a combination of Government grants, capital receipts, external contributions, revenue balances and earmarked funds.

### **Changes to the Capital Programme 2026-30**

188. Since the draft capital programme to the Cabinet in December the following expenditure changes, all fully funded, have been included in the updated capital programme – all in the Environment and Transport programme.

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Local Authority Bus Grant	2.7	2.8	2.8	2.9	11.1
Consolidated Active Travel Fund*	-	0.9	0.9	0.9	2.7
Highway Maintenance Incentive Fund**	-	-	2.6	2.6	5.2
Transport Asset Management Programme	4.9	5.3	7.0	8.7	25.9
<b>Total</b>	<b>7.6</b>	<b>9.0</b>	<b>13.3</b>	<b>15.1</b>	<b>45.0</b>

\*amounts for 2026/27 and \*\*2027/28 were already included in the draft capital programme.

189. Local Authority Bus Grant – notification of combined grant from the Department for Transport (DfT) that merges previous funding streams; including Bus Service Improvement Plans (BSIP) and the Local Authority Bus Service Operators' Grant (LA BSOG) - for greater flexibility in supporting and enhancing bus services and infrastructure.
190. Consolidated Active Travel Fund - notification of DfT funding to support local transport authorities to develop and build infrastructure for walking and cycling.
191. Highways maintenance – increased estimates for the incentive element of the grant allocations following a review of the guidance.
192. Transport Asset Management programme – review of the grant conditions enabling the maximisation of the capital grant and reversing the previous substitution to the revenue budget.
193. In addition to the expenditure changes, additional funding is available through the capital financing and improvement projects reserve (£2m) and updated estimates of future capital receipts (£6.7m). This has the impact reducing the overall capital shortfall previously reported to the Cabinet from £84m to £75m reducing the need for future borrowing and lowering capital financing costs.
194. The updated capital programme and funding is shown below.

<b><u>Capital Programme 2026-30</u></b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>Total</b>
	£m	£m	£m	£m	£m
Children and Family Services	38.6	37.7	7.7	3.2	87.2
Adults and Communities	8.4	5.9	5.9	5.6	25.8
Environment and Transport	73.7	63.0	67.9	70.1	274.7
Chief Executive's	0.2	-	-	-	0.2
Corporate Resources	2.0	2.0	1.3	1.8	7.1
Corporate Programme	11.3	27.1	32.0	35.5	105.9
<b>Total</b>	<b>134.2</b>	<b>135.7</b>	<b>114.9</b>	<b>116.2</b>	<b>501.0</b>

<b><u>Capital Resources</u></b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>Total</b>
	£m	£m	£m	£m	£m
Grants	59.3	65.4	71.8	77.0	273.5
Capital Receipts from sales	3.1	10.2	6.3	3.4	23.1
Revenue/ Reserve Contributions	51.1	31.6	0.2	0.2	83.0
External Contributions	20.7	19.2	5.8	0.6	46.3
<b>Total</b>	<b>134.2</b>	<b>126.4</b>	<b>84.1</b>	<b>81.2</b>	<b>426.0</b>
<b>Funding Required</b>	<b>0</b>	<b>9.2</b>	<b>30.7</b>	<b>35.0</b>	<b>75.0</b>

195. 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.

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

Service Improvements	£317m
Invest to Save	£31m
Investment for Growth	£90m
Future Developments/ Risk Contingency	£63m
<b>Total</b>	<b>£501m</b>

## **Funding and Affordability**

### **Forward Funding**

197. 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.

198. 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.

199. 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.

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

201. 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.

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

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

204. 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**

205. Grant funding for the capital programme totals £274m 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).

### Children and Family Services

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

- a) Basic Need – this grant provides funding for new pupil places by expanding existing schools and academies or by establishing new schools. Funding is determined through an annual submission to the DfE which identifies the need for additional school places in each local authority area. 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

207. Capital funding for the Disabled Facilities Grant (DFG) programme has not yet been announced for 2026/27 and later years. An estimate of £5.5m in line with current years allocation has been included in the capital programme.

#### Environment and Transport

208. 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.
- d) Local Authority Bus Grant - £11.1m in total.

209. 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 year's 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 the purpose of the 2026-30 MTFS Capital Programme, 100% incentive funding has been assumed, and will be reviewed at each MTFS refresh.

## **Capital Receipts**

- 210. The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £23m across the four years to 2029/30.
- 211. 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**

- 212. To supplement the capital resources available and avoid the need for borrowing, £83m of revenue/ reserves funding is being used to fund the programme.
- 213. The capital financing and improvement projects 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**

- 214. A total of £46m is included in the funding of capital programme 2026-30. This relates to section 106 developer contributions funded capital schemes over the next four years.

## **Funding from Internal Balances**

- 215. Overall a total of £75m 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.
- 216. 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 2% to 3%.
- 217. The overall cost of using internal balances to fund £75m 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 £6m 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 £3m per annum. Because of the uncertainty on interest rates,

this position will be kept under review as part of the treasury management strategy.

218. 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**

219. Over the period of the MTFS, a capital programme of £501m is required of which £134m is planned for 2026/27. The main elements are:

- 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.
- 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).
- Environment and Transport - £275m – completion of major schemes including Zouch Bridge replacement, £195m 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.
- Chief Executive's - £0.2m, Legal case management system.
- Corporate Resources - £7m. Investment in ICT, Transformation and Property.
- Corporate Programme - £106m. Investment in the Investing in Leicestershire Programme (IILP) £43m (subject to business cases), the future developments fund £38m (subject to business cases), and the major schemes portfolio risk fund of £25m.

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

### **Capital Summary**

221. The capital programme totals £501m 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 2040.

222. Longer term infrastructure schemes (outside of the MTFS period) are not included in the programme.

223. 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.

- 224. Overall £75m from internal cash balances will be used to fund the 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 c.£4m per annum, on the basis of internal borrowing.
- 225. 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.
- 226. A significant portion of the programme enables revenue savings; delays or unsuccessful schemes will directly affect the revenue position.
- 227. 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.

### **Investing in Leicestershire Programme**

- 228. The Council directly owns and manages properties, including Industrial, Office and County Farms as part of the Investing in Leicestershire Programme (iLP). 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.
- 229. 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.

### **Other Funding Issues**

#### East Midlands Freeport

- 230. 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.
- 231. 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 Implications**

232. 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.

233. 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.

234. An equality impact assessment (EIA) of the outline proposals is undertaken annually, Appendix P. The purpose is 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.

235. This assessment is at a high level and is an overview of the MTFS. 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.

236. Overall, the assessment found that the Council's budget changes will have the potential to adversely impact older people, children and young people, carers, 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 November 2025 of the Leicestershire Community Insight Survey found that a

significantly higher percentage of women, middle-aged people, non-white British people, and people with a disability responded that they had been affected a “fair amount” or a “great deal” by national and local public sector cuts.

- 237. 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.
- 238. If potential negative impacts are identified, these will be subject to further assessment and mitigating action will be considered.
- 239. 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**

- 240. 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**

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

### **Environmental Implications**

- 242. The MTFS includes schemes to support the Council’s response to climate change and to make environmental improvements.

### **Partnership Working and Associated Issues**

- 243. 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**

- 244. 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 Cabinet 16 December 2025 – Provisional Medium Term Financial Strategy 2026/27 to 2029/30 – Proposals for Consultation

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7882&Ver=4>

Report to the County Council 19 February 2025: Medium Term Financial Strategy  
2025/26 – 2028/29

<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: 2026/27 Revenue Budget

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

Appendix C: Growth and Savings 2026/27 to 2029/30

Appendix D: Savings under Development

Appendix E: Detailed Revenue Budgets 2026/27

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

Appendix G: Capital Strategy

Appendix H: Investing in Leicestershire Programme Strategy

Appendix I: Risk Management Policy and Strategy

Appendix J: Reserves Policy

Appendix K: Earmarked Reserves forecasts

Appendix L: Insurance Policy

Appendix M: Council Tax and Precept

Appendix N: Treasury Management Strategy Statement and Annual Investment Strategy

Appendix O: MTFS Consultation Report

Appendix P: Equality Impact Assessment

Appendix Q: Comments of the Overview and Scrutiny Committees and Scrutiny Commission (to follow)

Appendix R: Efficiency Review Opportunities

REVENUE BUDGET 2026/27

	Gross Expenditure								Gross Income (external)				NET TOTAL	
	Base including inflation	Growth	Savings	Gross Expenditure	Base including inflation	Growth	Savings	Gross Income						
		£	£			£	£	£	£	£	£			
<b>Spending</b>														
Services :														
Children & Family Services *	521,653,690	27,730,000	-6,730,000	542,653,690	-384,009,120	0	0	-384,009,120	158,644,570					
Adults & Communities	387,432,880	14,830,000	-4,390,000	397,872,880	-150,875,150	-2,660,000	-2,625,000	-156,160,150	241,712,730					
Public Health	35,830,770	0	0	35,830,770	-37,917,240	0	0	-37,917,240	-2,086,470					
Environment & Transport	149,455,320	5,110,000	-5,090,000	149,475,320	-34,779,120	0	-590,000	-35,369,120	114,106,200					
Chief Executives	21,546,710	255,000	-345,000	21,456,710	-5,519,460	0	-235,000	-5,754,460	15,702,250					
Corporate Resources	68,361,750	1,005,000	-2,820,000	66,546,750	-28,652,990	0	-305,000	-28,957,990	37,588,760					
	1,184,281,120	48,930,000	-19,375,000	1,213,836,120	-641,753,080	-2,660,000	-3,755,000	-648,168,080	565,668,040					
DSG (Central Dept recharges)	0				0	-2,285,000			-2,285,000		-2,285,000			
MTFS Risks Contingency	8,000,000				8,000,000	0			0		8,000,000			
Contingency for inflation/ Living Wage	18,250,000				18,250,000	0			0		18,250,000			
<b>Total Services</b>	<b>1,210,531,120</b>	<b>48,930,000</b>	<b>-19,375,000</b>	<b>1,240,086,120</b>	<b>-644,038,080</b>	<b>-2,660,000</b>	<b>-3,755,000</b>	<b>-650,453,080</b>	<b>589,633,040</b>					
Central Items:														
Financing of capital	14,832,000				14,832,000	-2,432,000			-2,432,000		12,400,000			
Bank & other interest	0				0	-11,000,000			-11,000,000		-11,000,000			
Central expenditure	4,085,300				4,085,300	-915,000			-915,000		3,170,300			
<b>Total Central Items</b>	<b>18,917,300</b>	<b>0</b>	<b>0</b>	<b>18,917,300</b>	<b>-14,347,000</b>	<b>0</b>	<b>0</b>	<b>-14,347,000</b>	<b>4,570,300</b>					
<b>Total Services &amp; Central Items</b>	<b>1,229,448,420</b>	<b>48,930,000</b>	<b>-19,375,000</b>	<b>1,259,003,420</b>	<b>-658,385,080</b>	<b>-2,660,000</b>	<b>-3,755,000</b>	<b>-664,800,080</b>	<b>594,203,340</b>					
Contribution to earmarked reserves	36,300,000				36,300,000	0			0		36,300,000			
Contribution to General Fund	1,000,000				1,000,000	0			0		1,000,000			
Contribution from budget equalisation reserve to balance 2026-27 revenue budget	-18,126,120				-18,126,120	0			0		-18,126,120			
<b>Total Spending</b>	<b>1,248,622,300</b>	<b>48,930,000</b>	<b>-19,375,000</b>	<b>1,278,177,300</b>	<b>-658,385,080</b>	<b>-2,660,000</b>	<b>-3,755,000</b>	<b>-664,800,080</b>	<b>613,377,220</b>					
<b>Funding</b>														
Revenue Support Grant											-80,093,970			
Business Rates - Top Up											-52,467,830			
Business Rates Baseline/Retained											-38,083,610			
Council Tax Precept											-441,556,540			
Council Tax Collection Fund net deficit / (surplus)											-1,175,270			
<b>Total Funding</b>	<b></b>	<b></b>	<b></b>	<b></b>	<b></b>	<b></b>	<b></b>	<b></b>	<b></b>	<b></b>	<b>-613,377,220</b>			
<b>Council Tax</b>														
Council Tax Base											254,971.43			
Band D Council Tax											£1,731.79			
Increase on 2025/26 (£1,681.50)											2.99%			

This page is intentionally left blank

## 2026/27 - 2029/30 REVENUE BUDGET \*

	2026/27 - 2029/30 REVENUE BUDGET *																																
	TOTAL 2025/26 Restated		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	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000				
<b>Spending</b>																																	
Services :																																	
Children & Family Services	140,368	-2,724	27,730	-6,730	158,645	0	9,520	-5,000	163,165	959	10,200	-4,400	169,923	0	10,800	-4,175	176,548																
Adults & Communities	223,234	13,323	12,170	-7,015	241,712	21,824	6,060	-5,190	264,406	0	5,190	-3,030	266,566	0	6,290	-1,410	271,446																
Public Health **	-2,746	660	0	0	-2,086	0	0	0	-2,086	0	0	0	-2,086	0	0	0	-2,086	0	0	0	0	0	0	0	0	0	0	-2,086					
Environment & Transport	110,841	3,835	5,110	-5,680	114,106	1,725	4,465	-1,150	119,146	1,000	8,305	-95	128,356	1,000	3,445	0	132,801																
Chief Executives	16,888	-861	255	-580	15,702	0	0	-10	15,692	0	0	0	15,692	0	0	0	15,692	0	0	0	0	0	0	0	0	0	0	0					
Corporate Resources	39,039	670	1,005	-3,125	37,589	35	0	-650	36,974	132	0	-85	37,021	90	0	-100	37,011																
DSG (Central Dept recharges)	527,626	14,903	46,270	-23,130	565,668	23,584	20,045	-12,000	597,297	2,091	23,695	-7,610	615,473	1,090	20,535	-5,685	631,413																
Growth Contingency	-2,285	0	0	0	-2,285	0	0	0	-2,285	0	0	0	-2,285	0	0	0	-2,285	0	0	0	0	0	0	0	0	0	-2,285						
Service Investment Fund	1,200	-1,200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0					
MTFS Risks Contingency	8,000	8,000	0	0	8,000	0	0	0	8,000	0	0	0	8,000	0	0	0	8,000	0	0	0	0	0	0	0	0	0	0	0					
Contingency for inflation/ Living Wage	34,430	-16,180	0	0	18,250	0	18,500	0	36,750	0	17,800	0	54,550	0	17,950	0	72,500																
Central Items:	568,970	-2,477	46,270	-23,130	589,633	42,084	27,000	-12,000	646,717	19,891	27,000	-7,610	685,998	19,040	27,000	-5,685	726,353																
Financing of capital	14,800	-2,400	0	0	12,400	100	0	0	12,500	200	0	0	12,700	700	0	0	13,400																
Bank & other interest	-12,000	1,000	0	0	-11,000	4,000	0	0	-7,000	3,000	0	0	-4,000	2,000	0	0	-2,000																
Central expenditure	3,015	155	0	0	3,170	-100	0	0	3,070	-100	0	0	2,970	-100	0	0	2,870																
<b>Total Services &amp; Central Items</b>	<b>574,785</b>	<b>-3,722</b>	<b>46,270</b>	<b>-23,130</b>	<b>594,203</b>	<b>46,084</b>	<b>27,000</b>	<b>-12,000</b>	<b>655,287</b>	<b>22,991</b>	<b>27,000</b>	<b>-7,610</b>	<b>697,668</b>	<b>21,640</b>	<b>27,000</b>	<b>-5,685</b>	<b>740,623</b>																
Contributions to earmarked reserves	22,600	0	0	0	36,300	0	0	0	39,200	0	0	0	45,800	0	0	0	54,000																
Contributions to General Fund	1,000	0	0	0	1,000	0	0	0	1,000	0	0	0	1,000	0	0	0	1,000																
Contributions from reserves to balance budgets	-4,653	0	0	0	-18,126	0	0	0	-18,126	0	0	0	-18,126	0	0	0	-18,126																
<b>Total Spending</b>	<b>593,732</b>				<b>613,377</b>				<b>695,487</b>				<b>744,468</b>				<b>795,623</b>																
<b>Funding</b>																																	
Revenue Support Grant	-68,290	0	0	0	-80,094	0	0	0	-105,237	0	0	0	-109,807	0	0	0	-109,807																
Business Rates - Top Up	-42,912	0	0	0	-52,468	0	0	0	-53,671	0	0	0	-54,754	0	0	0	-55,849																
Business Rates Baseline/Retained	-31,818	0	0	0	-38,084	0	0	0	-38,957	0	0	0	-39,743	0	0	0	-40,538																
S31 grants - Business Rates	-17,713	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																
Business Rates Pool - share of Levy	-8,000	0	0	0	-441,556	0	0	0	-461,580	0	0	0	-482,510	0	0	0	-504,390																
Council Tax Precept	-422,465	0	0	0	-1,175	0	0	0	-500	0	0	0	-500	0	0	0	-500																
Council Tax Collection Fund net deficit / (surplus)	-1,493	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																
New Homes Bonus Grant	-1,041	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																
<b>Total Funding</b>	<b>-593,732</b>				<b>-613,377</b>				<b>-659,945</b>				<b>-687,314</b>				<b>-711,084</b>																
<b>VARIANCE</b>	<b>0</b>				<b>0</b>				<b>35,542</b>				<b>57,154</b>				<b>84,539</b>																
<b>Band D Council Tax</b>		£1,681.50			£1,731.78				£1,783.56				£1,836.88				£1,891.81																
<b>Increase</b>		4.99%			2.99%				2.99%				2.99%				2.99%																

\* provisional for 2027/28 and later years

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

This page is intentionally left blank

References		2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
<b>GROWTH</b>					
<b><u>CHILDREN &amp; FAMILY SERVICES</u></b>					
** G1	Demographic growth & increasing cost of Social Care Placement mix	22,200	30,200	38,700	47,900
** 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	800	800	800	800
<b>TOTAL</b>		<b>27,730</b>	<b>37,250</b>	<b>47,450</b>	<b>58,250</b>
<b><u>ADULTS &amp; COMMUNITIES</u></b>					
** 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
<b>TOTAL</b>		<b>12,170</b>	<b>18,230</b>	<b>23,420</b>	<b>29,710</b>
<b><u>ENVIRONMENT &amp; TRANSPORT</u></b>					
<b>Highways &amp; Transport Services</b>					
** G16	Special Educational Needs transport - increased client numbers/costs	4,975	7,290	10,325	13,275
** G17	Mainstream School Transport - increased client numbers/costs	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 Service	65	90	90	90
<b>Total</b>		<b>5,005</b>	<b>7,470</b>	<b>10,735</b>	<b>13,915</b>
<b><u>Waste Management Services</u></b>					
** 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
<b>Total</b>		<b>80</b>	<b>2,080</b>	<b>7,120</b>	<b>7,385</b>
<b><u>Department Wide</u></b>					
* G25	HGV Driver Market Premia	25	25	25	25
<b>Total</b>		<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>
<b>TOTAL E&amp;T</b>		<b>5,110</b>	<b>9,575</b>	<b>17,880</b>	<b>21,325</b>
<b><u>CHIEF EXECUTIVES</u></b>					
G26	Legal Services - Childcare team	175	175	175	175
G27	Local Government Association (LGA) and County Councils Network (CCN) subscriptions	80	80	80	80
<b>TOTAL</b>		<b>255</b>	<b>255</b>	<b>255</b>	<b>255</b>
<b><u>CORPORATE RESOURCES</u></b>					
** G28	ICT cyber security	330	330	330	330
G29	Commercial Services	675	675	675	675
<b>TOTAL</b>		<b>1,005</b>	<b>1,005</b>	<b>1,005</b>	<b>1,005</b>
<b><u>CORPORATE GROWTH</u></b>					
** G30	Growth contingency	0	6,955	10,260	16,725
<b>TOTAL</b>		<b>0</b>	<b>6,955</b>	<b>10,260</b>	<b>16,725</b>
<b>TOTAL GROWTH</b>		<b>46,270</b>	<b>73,270</b>	<b>100,270</b>	<b>127,270</b>
<i>Overall net additional growth</i>					
* items unchanged from previous Medium Term Financial Strategy					
** items included in the previous Medium Term Financial Strategy which have been amended					

**SAVINGS****References used in the following tables**

\* items unchanged from previous Medium Term Financial Strategy

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

Eff - Efficiency saving

SR - Service reduction

Inc - Income

**CHILDREN & FAMILY SERVICES**

*	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
<b>TOTAL</b>				<b>-6,730</b>	<b>-11,730</b>	<b>-16,130</b>	<b>-20,305</b>

**ADULTS & COMMUNITIES****Adult Social Care**

*	AC1	Inc	Increased income from fairer charging and removal of subsidy / aligning increases	-100	-200	-300	-400
*	AC2	Eff	Implementation of digital assistive technology to service users	-150	-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 Reprocurement)	-150	-260	-260	-260
AC16	Eff		Transforming Commissioning (Community Life Choices Reprocurement)	-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
AC22	Eff		Increasing Reablement Capacity through recruitment of additional staff	0	-1,180	-3,070	-3,380
AC23	Eff		Increasing Brokerage fees	-25	-25	-25	-25
<b>Total ASC</b>				<b>-7,015</b>	<b>-12,205</b>	<b>-15,195</b>	<b>-16,605</b>

**Communities and Wellbeing**

**	AC24	Eff	Implementation of revised service for communities and wellbeing	0	0	-40	-40
			<b>Total C&amp;W</b>	<b>0</b>	<b>0</b>	<b>-40</b>	<b>-40</b>
<b>TOTAL A&amp;C</b>				<b>-7,015</b>	<b>-12,205</b>	<b>-15,235</b>	<b>-16,645</b>

**ENVIRONMENT & TRANSPORT****Highways & Transport Services**

**	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
<b>Total</b>				<b>-5,065</b>	<b>-5,900</b>	<b>-5,900</b>	<b>-5,900</b>

## References

	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
--	-----------------	-----------------	-----------------	-----------------

SAVINGS

		<b>Waste Management Services</b>			
**	ET6 Inc	Trade Waste income	-100	-100	-100
**	ET7 Eff/Inc	Food Waste implementation	-260	-575	-670
**	ET8 Inc	Fees and Charges Uplift	-5	-5	-5
	ET9 Inc	Recycling Materials increased income	-250	-250	-250
		<b>Total</b>	<b>-615</b>	<b>-930</b>	<b>-1,025</b>
		<b>TOTAL E&amp;T</b>	<b>-5,680</b>	<b>-6,830</b>	<b>-6,925</b>
<b>CHIEF EXECUTIVE</b>					
*	CE1 Eff	Trading Standards Review	-10	-20	-20
**	CE2 Inc	Additional Registrars fees and income	-135	-135	-135
	CE3 Eff/SR	Staff vacancy	-100	-100	-100
	CE4 Eff	Review of Communities Management	-95	-95	-95
	CE5 Eff	Travel reduction	-10	-10	-10
	CE6 SR	Hospitality reduction	-10	-10	-10
	CE7 Eff	Democratic Services - Staff Review	-55	-55	-55
	CE8 Eff	Departmental Efficiencies	-125	-125	-125
	CE9 Inc	Increasing monitoring fees for Section 106 obligations, funded by developer	-40	-40	-40
		<b>TOTAL</b>	<b>-580</b>	<b>-590</b>	<b>-590</b>
<b>CORPORATE RESOURCES</b>					
<b>Corporate Resources Department</b>					
**	CR1 Eff/Inc	Use of office space	-175	-595	-595
**	CR2 Eff	Customer Programme (cross cutting)	-85	-195	-280
*	CR3 Eff	Transformation Unit efficiencies	0	-70	-70
**	CR4 Eff	Energy Efficiency Initiatives	-50	-80	-80
**	CR5 Eff	ICT efficiencies	-925	-925	-925
**	CR6 Eff	Property Service efficiencies	-180	-180	-180
*	CR7 Eff	Transfer of temporary Departmental/Administrative savings to permanent	300	300	300
	CR8 Inc	Tax Opportunities - review of opportunities for payroll tax savings	-40	-50	-50
	CR9 Eff	Rationalisation of Multi-Functional Devices (Photocopiers)	0	-10	-10
	CR10 Eff	Communications team efficiency (Social Media Strategy and Delivery)	-55	-55	-55
	CR11 Eff	Early Payments Partnership	-50	-50	-50
	CR12 Inc	Country Parks- increasing parking fees	-80	-80	-80
			<b>-1,340</b>	<b>-1,990</b>	<b>-2,075</b>
		<b>Central Items</b>			
	CR13 Eff	Minimum Revenue Provision Review - assessment of alternative prudent approaches	-1,600	-1,600	-1,600
	CR14 Inc	ESPO Increased Dividend Yield	-185	-185	-185
			<b>-1,785</b>	<b>-1,785</b>	<b>-1,785</b>
		<b>TOTAL</b>	<b>-3,125</b>	<b>-3,775</b>	<b>-3,860</b>
		<b>TOTAL SAVINGS including additional income</b>	<b>-23,130</b>	<b>-35,130</b>	<b>-42,740</b>
		<b>MTFS net shortfalls - savings required</b>	<b>-18,126</b>	<b>-35,542</b>	<b>-57,154</b>
		<b>TOTAL SAVINGS REQUIRED - EXCLUDING DSG</b>	<b>-41,256</b>	<b>-70,672</b>	<b>-99,894</b>
<b>Dedicated Schools Grant - Deficit reduction activity</b>					
		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			
			-15,363	-33,403	-49,634
			<b>-15,363</b>	<b>-33,403</b>	<b>-49,634</b>
		<b>TOTAL SAVINGS REQUIRED - INCLUDING DSG</b>	<b>-56,619</b>	<b>-104,075</b>	<b>-149,528</b>

This page is intentionally left blank

## **SAVINGS UNDER DEVELOPMENT**

Initiative title	RAG
<b>Children and Family Services</b>	
Service Efficiency Rolling Programme.	A
Parental Mental Health and Substance Misuse.	A
<b>Adults and Communities</b>	
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
<b>Environment and Transport</b>	
SEN Post-16 Transport Review: Review of discretionary transport for post-16 SEN students, focusing on appeals, financial controls, and alternative options such as increasing Personal Transport Budget (PTB) 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. The commercial appetite for using the workshop to generate income will also be explored.	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: Assessing potential to generate new/increased income for the Authority from highways assets, including street lighting columns and bus shelters. This will require legal agreements and market testing to confirm appetite, as well as being dependent on external parties.	A
Lane Rental Scheme: Once NMIP is complete, the Council will explore the ability to charge utility companies and developers for occupying roads during works. This would incentivise quicker completion and generate income.	A
RHWS Income and Service Efficiency: Improve efficiency at RHWS and explore further income generating options, e.g. re-use shops, and maximising contract performance.	A
Forestry Service Review: Review and consolidate under Environment and Transport Department (currently, the service sits within two Council departments) to reduce costs, improve safety and deliver a consistent, accountable service.	A
<b>Chief Executives</b>	
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
<b>Corporate Resources</b>	
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 - Digitizing Caseworker Notes: Exploring automation of manual case recording processes to reduce administrative burden, improve data accuracy, and release staff time for frontline services.	G

Initiative title	RAG
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
IiLP - 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
<b>Cross cutting</b>	
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

## CHILDREN &amp; FAMILY SERVICES DEPARTMENT

Net Budget 2025/26		REVENUE BUDGET 2026/27							Schools	Early Years	High Needs	Dedicated Schools Grant	LA Block					
		* Employees	Running Expenses	Internal Income	Gross Budget	External Income	Net Budget 2026/27											
£	1,807,330	C&FS Directorate	1,776,280	94,240	0	1,870,520	-30,850	1,839,670	18,120	43,630	150,800	212,550	1,627,120					
2,830,420	C&FS Safeguarding	S	3,040,780	2,619,600	-2,375,420	3,284,960	-588,000	2,696,960	0	0	0	0	2,696,960					
150,130	LSCB	S	353,990	324,300	-88,820	589,470	-439,340	150,130	0	0	0	0	150,130					
<b>2,980,550</b>	<b>Safeguarding, Improvement &amp; QA</b>		<b>3,394,770</b>	<b>2,943,900</b>	<b>-2,464,240</b>	<b>3,874,430</b>	<b>-1,027,340</b>	<b>2,847,090</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,847,090</b>				
7,510,200	Asylum Seekers	S	1,786,620	14,529,980	0	16,316,600	-8,076,510	8,240,090	0	0	0	0	8,240,090					
6,393,860	C&FS Fostering & Adoption	S	5,659,500	471,310	0	6,130,810	-21,500	6,109,310	0	0	0	0	6,109,310					
65,622,860	C&FS Operational Placements	S	65,680	83,044,180	0	83,109,860	-146,500	82,963,360	0	0	0	0	82,963,360					
4,727,890	Children in Care Service	S	3,816,530	957,630	0	4,774,160	-47,500	4,726,660	0	0	0	0	4,726,660					
<b>84,254,810</b>	<b>Children in Care</b>		<b>11,328,330</b>	<b>99,003,100</b>	<b>0</b>	<b>110,331,430</b>	<b>-8,292,010</b>	<b>102,039,420</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>102,039,420</b>				
4,156,870	Family Safeguarding North	S	2,644,070	1,862,510	0	4,506,580	0	4,506,580	0	0	0	0	4,506,580					
3,142,470	Family Safeguarding South	S	2,644,160	398,020	0	3,042,180	0	3,042,180	0	0	0	0	3,042,180					
1,052,930	Children's Management	S	1,199,750	1,424,860	0	2,624,610	-1,615,430	1,009,180	0	0	0	0	1,009,180					
4,165,160	C&FS First Response	S	3,952,820	76,370	0	4,029,190	-35,000	3,994,190	0	0	0	0	3,994,190					
2,290,580	Child Sexual Exploitation Team	B	2,049,270	118,100	0	2,167,370	0	2,167,370	0	0	0	0	2,167,370					
47,000	Social Care Legal Costs	S	0	47,000	0	47,000	0	47,000	0	0	0	0	47,000					
3,876,310	C&FS Disabled Children	S	824,890	4,389,400	0	5,214,290	0	5,214,290	0	0	0	0	5,214,290					
<b>18,731,320</b>	<b>Field Social Work</b>		<b>13,314,960</b>	<b>8,316,260</b>	<b>0</b>	<b>21,631,220</b>	<b>-1,650,430</b>	<b>19,980,790</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,980,790</b>				
<b>541,430</b>	<b>Practice Excellence</b>		<b>507,490</b>	<b>21,220</b>	<b>0</b>	<b>528,710</b>	<b>-10,000</b>	<b>518,710</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>518,710</b>				
<b>324,590</b>	<b>Community Safety</b>		<b>301,250</b>	<b>207,070</b>	<b>-42,780</b>	<b>465,540</b>	<b>-152,700</b>	<b>312,840</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>312,840</b>				
4,491,750	C&FS Children Family Well-being Service East	B	4,258,060	217,350	0	4,475,410	-53,650	4,421,760	0	0	0	0	4,421,760					
5,795,070	C&FS Children Family Well-being Service West	B	4,941,450	296,630	0	5,238,080	0	5,238,080	0	0	0	0	5,238,080					
3,818,770	C&FS Children Family Well-being Service Youth	B	4,566,720	804,010	-738,510	4,632,220	-978,370	3,653,850	0	0	0	0	3,653,850					
369,410	C&FS Children Family Well-being Service Central	B	30,000	359,170	-19,770	369,400	0	369,400	0	0	0	0	369,400					
-2,586,820	Supporting Leicestershire Families / Teen Health	B	1,690,200	1,194,240	0	2,884,440	-8,981,470	-6,097,030	0	0	0	0	-6,097,030					
3,144,210	C&FS Family Help	B	3,231,050	198,340	-532,990	2,896,400	0	2,896,400	0	0	0	0	2,896,400					
<b>15,032,390</b>	<b>C&amp;FS Children &amp; Families Wellbeing</b>		<b>18,717,480</b>	<b>3,069,740</b>	<b>-1,291,270</b>	<b>20,495,950</b>	<b>-10,013,490</b>	<b>10,482,460</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,482,460</b>				
<b>1,214,620</b>	<b>Education Sufficiency</b>		<b>1,788,060</b>	<b>28,620</b>	<b>-436,340</b>	<b>1,380,340</b>	<b>-180,200</b>	<b>1,200,140</b>	<b>494,830</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>494,830</b>	<b>705,310</b>				
110,819,390	C&FS 0-5 Learning	S	3,279,970	126,435,090	0	129,715,060	-30,000	129,685,060	0	128,083,040	1,602,020	129,685,060	0					
695,610	C&FS 5-19 Learning	B	1,164,030	421,610	-597,770	987,870	-316,040	671,830	406,870	0	0	406,870	264,960					
5,605,600	Inclusion	S	2,047,750	695,970	-68,280	2,675,440	-791,880	1,883,560	0	0	553,410	553,410	1,330,150					
1,849,120	Oakfield	S	0	5,282,670	0	5,282,670	0	5,282,670	0	0	4,058,550	4,058,550	1,224,120					
54,740	Music Services	B	1,584,800	478,640	0	2,063,440	-2,063,440	0	0	0	0	0	0					
736,520	Education of Children in Care	S	1,149,330	1,566,910	-476,230	2,240,010	-1,552,060	687,950	0	0	0	0	687,950					
<b>119,760,980</b>	<b>Education Quality &amp; inclusion</b>		<b>9,225,880</b>	<b>134,880,890</b>	<b>-1,142,280</b>	<b>142,964,490</b>	<b>-4,753,420</b>	<b>138,211,070</b>	<b>406,870</b>	<b>128,083,040</b>	<b>6,213,980</b>	<b>134,703,890</b>	<b>3,507,180</b>					
121,578,430	C&FS SEN	S	3,409,970	176,651,030	-674,790	179,386,210	-1,350	179,384,860	0	0	175,864,860	175,864,860	3,520,000					
2,445,910	C&FS Specialist Services to Vulnerable Groups	B	3,339,650	246,450	0	3,586,100	-147,200	3,438,900	0	0	3,438,900	3,438,900	0					
1,392,720	C&FS Psychology Service	B	2,203,350	102,550	-111,500	2,194,400	-285,000	1,909,400	0	0	0	0	1,909,400					
1,150,760	HNB Development Programme	D	193,380	2,349,900	-193,380	2,349,900	0	2,349,900	0	0	2,349,900	2,349,900	0					
-15,254,890	DSG Reserve income	N/A	0	0	-72,179,650	-72,179,650	0	-72,179,650	0	0	-72,179,650	-72,179,650	0					
<b>111,312,930</b>	<b>SEND &amp; Children with Disabilities</b>		<b>9,146,350</b>	<b>179,349,930</b>	<b>-73,159,320</b>	<b>115,336,960</b>	<b>-433,550</b>	<b>114,903,410</b>		<b>0</b>	<b>0</b>	<b>109,474,010</b>	<b>109,474,010</b>	<b>5,429,400</b>				

**CHILDREN & FAMILY SERVICES DEPARTMENT**

**REVENUE BUDGET 2026/27**

Net Budget 2025/26		* B S	Employees	Running	Internal	Gross	External	Net Budget 2026/27	Schools	Early Years	High Needs	Dedicated Schools Grant	LA Block	
				Expenses	Income	Budget	Income							
8,635,200	CFS Dedicated Operational Delivery Support Services	B	7,852,320	592,870	-428,790	8,016,400	0	8,016,400	0	296,360	144,120	440,480	7,575,920	
2,285,220	Central Charges	B	0	2,285,220	0	2,285,220	0	2,285,220	1,434,680	210,850	639,690	2,285,220	0	
1,196,470	C&FS Finance	B	0	1,256,470	-60,000	1,196,470	0	1,196,470	1,130,920	0	0	1,130,920	65,550	
1,349,900	C&FS Human Resources	S	1,399,900	0	0	1,399,900	-50,000	1,349,900	674,900	0	0	674,900	675,000	
1,402,700	C&FS Commissioning & Planning	B	1,265,420	93,090	-48,490	1,310,020	0	1,310,020	0	0	0	0	1,310,020	
2,855,970	C&FS Sub Transformation	S	0	639,830	0	639,830	0	639,830	8,570	0	0	8,570	631,260	
505,990	Education Strategy	S	937,810	-1,310	0	936,500	0	936,500	0	0	0	0	936,500	
<b>18,231,450</b>	<b>Business Support &amp; Commissioning</b>			<b>11,455,450</b>	<b>4,866,170</b>	<b>-537,280</b>	<b>15,784,340</b>	<b>-50,000</b>	<b>15,734,340</b>	<b>3,249,070</b>	<b>507,210</b>	<b>783,810</b>	<b>4,540,090</b>	<b>11,194,250</b>
-73,940	C&FS Miscellaneous			0	0	0	0	0	0	0	0	0	0	0
-233,264,360	C&FS Dedicated Schools Grant	S	0	-14,073,800	13,915,260	-158,540	-257,240,810	-257,399,350	-4,479,610	-128,633,880	-124,285,860	-257,399,350	0	
560,875,000	Delegated School Budgets	S	0	600,922,110	0	600,922,110	-9,042,210	591,879,900	584,216,640	0	7,663,260	591,879,900	0	
-559,086,540	Delegated Dedicated Schools Grant	S	0	0	0	0	-583,905,920	-583,905,920	-583,905,920	0	0	-583,905,920	0	
0	Dedicated Schools Grant Recoupment	S	0	-492,773,810	0	-492,773,810	492,773,810	0	0	0	0	0	0	
<b>-231,549,840</b>	<b>C&amp;FS Other</b>			<b>0</b>	<b>94,074,500</b>	<b>13,915,260</b>	<b>107,989,760</b>	<b>-357,415,130</b>	<b>-249,425,370</b>	<b>-4,168,890</b>	<b>-128,633,880</b>	<b>-116,622,600</b>	<b>-249,425,370</b>	<b>0</b>
<b>142,642,560</b>	<b>Total</b>			<b>80,956,300</b>	<b>526,855,640</b>	<b>-65,158,250</b>	<b>542,653,690</b>	<b>-384,009,120</b>	<b>158,644,570</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>158,644,570</b>

\* S/D/B : indicates that the service is Statutory, Discretionary or a combination of both

ADULTS AND COMMUNITIESREVENUE BUDGET 2026/27

Net Budget 2025/26	£	*	Employees	Running Expenses	Internal Income	Gross Budget	External Income	Net Budget 2026/27
		*	£	£	£	£	£	£
<b>Care Pathway - Operational Commissioning</b>								
1,092,520	Heads of Service (OC) & Lead Practitioners	S	1,153,770	50,270	0	1,204,040	-104,390	1,099,650
8,504,140	Cognitive & Physical Disability (C&PD)	S	7,763,880	1,958,620	0	9,722,500	-705,450	9,017,050
4,850,600	Learning Disability & Autism (LD&A)	S	5,581,110	46,590	-39,520	5,588,180	-599,820	4,988,360
8,555,390	Mental Health & Safeguarding (MH&S)	S	9,345,960	2,279,560	0	11,625,520	-2,108,680	9,516,840
<b>23,002,650</b>	<b>TOTAL</b>		<b>23,844,720</b>	<b>4,335,040</b>	<b>-39,520</b>	<b>28,140,240</b>	<b>-3,518,340</b>	<b>24,621,900</b>
<b>Care Pathway - Integration, Access &amp; Prevention</b>								
289,360	Heads of Service (IAP) & Strategic Service Managers	S	739,720	269,770	-74,010	935,480	-680,790	254,690
-25,290	Integration Team	D	386,820	179,000	0	565,820	-596,040	-30,220
3,485,270	Access & Digital Services	S	4,629,680	1,264,120	-51,340	5,842,460	-2,277,180	3,565,280
10,855,680	Home First	S	15,959,300	856,990	0	16,816,290	-5,042,390	11,773,900
<b>14,605,020</b>	<b>TOTAL</b>		<b>21,715,520</b>	<b>2,569,880</b>	<b>-125,350</b>	<b>24,160,050</b>	<b>-8,596,400</b>	<b>15,563,650</b>
<b>Direct Services</b>								
599,990	Direct Services Managers	S	547,620	3,640	0	551,260	0	551,260
5,565,790	Supported Living, Residential and Short Breaks	S	5,222,220	161,030	0	5,383,250	0	5,383,250
361,270	Shared Lives Team	D	320,590	26,800	0	347,390	0	347,390
25,620	Direct Services Review	S	2,000	-138,130	0	-136,130	0	-136,130
<b>6,552,670</b>	<b>TOTAL</b>		<b>6,092,430</b>	<b>53,340</b>	<b>0</b>	<b>6,145,770</b>	<b>0</b>	<b>6,145,770</b>
<b>Early Intervention &amp; Prevention</b>								
629,370	Extra Care	S	0	629,370	0	629,370	0	629,370
0	Eligible Services	B	0	481,430	0	481,430	-281,430	200,000
990,290	Secondary (e.g. Carers & Community Assessments)	B	0	971,790	0	971,790	0	971,790
325,310	Tertiary (e.g. Advocacy)	B	0	663,810	-54,000	609,810	-257,970	351,840
<b>1,944,970</b>	<b>TOTAL</b>		<b>0</b>	<b>2,746,400</b>	<b>-54,000</b>	<b>2,692,400</b>	<b>-539,400</b>	<b>2,153,000</b>
<b>Strategic Services</b>								
295,030	Heads of Strategic Services	S	308,490	1,400	0	309,890	0	309,890
2,296,360	Business Support & Strategy and Planning	S	2,056,550	284,080	-22,580	2,318,050	0	2,318,050
2,861,440	Commissioning & Quality	S	4,093,180	278,330	0	4,371,510	-1,456,830	2,914,680
<b>5,452,830</b>	<b>TOTAL</b>		<b>6,458,220</b>	<b>563,810</b>	<b>-22,580</b>	<b>6,999,450</b>	<b>-1,456,830</b>	<b>5,542,620</b>
<b>Demand Led Commissioned Services</b>								
99,662,800	Residential & Nursing Care	S	0	153,836,550	0	153,836,550	-50,741,780	103,094,770
1,576,680	Shared Lives Residential	S	0	1,576,670	0	1,576,670	0	1,576,670
48,863,820	Supported Living	S	0	51,526,850	0	51,526,850	0	51,526,850
51,678,790	Home Care	S	0	50,238,790	0	50,238,790	0	50,238,790
46,057,030	Direct Cash Payments	S	0	46,007,030	0	46,007,030	0	46,007,030
9,907,690	Community Life Choices (CLC)	S	0	10,252,690	0	10,252,690	0	10,252,690
590,750	Shared Lives - CLC	S	0	590,750	0	590,750	0	590,750
75,000	Other Support	S	0	75,000	0	75,000	0	75,000
-39,300,040	Non-Residential Income	S	0	0	0	0	-40,565,040	-40,565,040
<b>219,112,520</b>	<b>TOTAL</b>		<b>0</b>	<b>314,104,330</b>	<b>0</b>	<b>314,104,330</b>	<b>-91,306,820</b>	<b>222,797,510</b>
-39,833,370	<b>Better Care Fund (Balance)</b>	S	0	0	0	0	-43,055,720	-43,055,720
1,246,750	<b>Department Senior Management</b>	S	978,640	434,570	30,250	1,443,460	-232,420	1,211,040
<b>232,084,040</b>	<b>TOTAL ASC</b>		<b>59,089,530</b>	<b>324,807,370</b>	<b>-211,200</b>	<b>383,685,700</b>	<b>-148,705,930</b>	<b>234,979,770</b>
<b>Communities and Wellbeing</b>								
375,520	C&W Senior Management	B	369,310	5,500	-35,090	339,720	0	339,720
2,477,090	Libraries Operational	S	2,433,690	337,000	-8,240	2,762,450	-397,630	2,364,820
1,254,670	Libraries Resources	S	314,070	959,790	0	1,273,860	-30,000	1,243,860
1,060,970	Museums & Heritage	D	1,097,260	369,600	0	1,466,860	-480,550	986,310
506,310	Participation	D	463,540	24,850	0	488,390	0	488,390
1,137,990	Collections & Learning	B	1,650,740	506,840	-155,000	2,002,580	-692,990	1,309,590
0	Externally Funded Projects	D	314,170	154,190	0	468,360	-468,360	0
0	Adult Learning	D	4,691,370	1,023,900	-330,310	5,384,960	-5,384,960	0
16,040	C&W Efficiencies		0	0	0	0	0	0
<b>6,828,590</b>	<b>TOTAL C&amp;W</b>		<b>11,334,150</b>	<b>3,381,670</b>	<b>-528,640</b>	<b>14,187,180</b>	<b>-7,454,490</b>	<b>6,732,690</b>
<b>238,912,630</b>	<b>TOTAL ADULTS &amp; COMMUNITIES</b>		<b>70,423,680</b>	<b>328,189,040</b>	<b>-739,840</b>	<b>397,872,880</b>	<b>-156,160,420</b>	<b>241,712,460</b>

\* S/D/B : indicates that the service is Statutory, Discretionary or a combination of Both

PUBLIC HEALTH DEPARTMENTREVENUE BUDGET 2026/27

Net Budget 2025/26		*	Employees		Running Expenses	Internal Income	Gross Budget	External Income	Net Budget 2026/27
			£	£	£	£			
-30,088,440	<b>Public Health Ring-Fenced Grant</b>			0	0	0	0	-33,109,800	-33,109,800
<b>Department</b>									
3,300,580	Public Health Leadership	B	3,322,270	1,039,060	-70,890	4,290,440	-265,000	4,025,440	
1,781,990	Community Delivery	B	1,965,610	813,290	-150,000	2,628,900	-925,780	1,703,120	
499,850	Quit Ready	B	839,640	392,560	0	1,232,200	-60,210	1,171,990	
218,560	First Contact Plus	B	416,420	0	0	416,420	-207,720	208,700	
161,250	Other Public Health Services	B	0	171,250	0	171,250	0	171,250	
721,920	Health Improvement	B	536,660	361,100	-245,000	652,760	0	652,760	
0	Public Health Advice	B	0	0	0	0	0	0	0
340,740	Weight Management Service	B	320,660	17,500	0	338,160	-10,000	328,160	
42,820	Mental Health	B	55,910	672,620	-433,880	294,650	-167,150	127,500	
105,290	Workplace Health	D	104,150	66,900	-40,000	131,050	-34,780	96,270	
<b>7,173,000</b>	<b>Total</b>		<b>7,561,320</b>	<b>3,534,280</b>	<b>-939,770</b>	<b>10,155,830</b>	<b>-1,670,640</b>	<b>8,485,190</b>	
9,521,220	<b>0-19 Children's Public Health</b>	S	0	9,646,460	0	9,646,460	0	9,646,460	
<b>Health Related Harms</b>									
386,940	Domestic Violence	S	0	386,490	0	386,490	0	386,490	
4,048,150	Sexual Health	S	0	4,277,140	0	4,277,140	-75,000	4,202,140	
547,500	NHS Health Check programme	S	0	645,480	-125,000	520,480	0	520,480	
4,078,810	Substance Misuse	S	0	6,583,970	-371,000	6,212,970	-468,070	5,744,900	
<b>9,061,400</b>	<b>Total</b>		<b>0</b>	<b>11,893,080</b>	<b>-496,000</b>	<b>11,397,080</b>	<b>-543,070</b>	<b>10,854,010</b>	
<b>Physical Activity and Obesity</b>									
895,950	Physical Activity	B	0	895,950	0	895,950	0	895,950	
10,000	Obesity Programmes	B	0	80,000	-70,000	10,000	0	10,000	
<b>905,950</b>	<b>Total</b>		<b>0</b>	<b>975,950</b>	<b>-70,000</b>	<b>905,950</b>	<b>0</b>	<b>905,950</b>	
610,760	<b>Health Protection</b>	B	401,140	29,600	0	430,740	-29,570	401,170	
70,000	<b>Tobacco Control</b>	B	0	70,000	0	70,000	0	70,000	
<b>0 Active Together</b>									
659,640	<b>Voluntary, Community, and Social Enterprise (VCSE)/Communities</b>	B	1,578,770	1,243,260	-707,310	2,114,720	-2,114,720	0	
<b>-2,086,470</b>	<b>TOTAL PUBLIC HEALTH **</b>		<b>10,107,820</b>	<b>28,458,830</b>	<b>-2,735,880</b>	<b>35,830,770</b>	<b>-37,917,240</b>	<b>-2,086,470</b>	

\* **S/D/B** : indicates that the service is **Statutory**, **Discretionary** or a combination of **Both**

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

ENVIRONMENT & TRANSPORT DEPARTMENTREVENUE BUDGET 2026/27

Net Budget 2025/26 £		*	Employees £	Running Expenses £	Internal Income £	Gross Budget £	External Income £	Net Budget 2026/27 £
<b>HIGHWAYS &amp; TRANSPORT</b>								
<b>Development &amp; Growth</b>								
1,638,950	Development & Growth	S/D	2,211,650	185,630	0	2,397,280	-807,150	1,590,130
<b>H &amp; T Commissioning</b>								
3,676,540	H & T Staffing & Admin	S/D	6,304,210	2,172,460	-3,286,320	5,190,350	-1,749,100	3,441,250
1,368,430	Traffic controls	S	0	1,289,580	0	1,289,580	0	1,289,580
<b>H &amp; T Network Management</b>								
740,910	Road Safety	S	820,840	596,700	-363,220	1,054,320	-371,310	683,010
0	Speed Awareness	S	297,550	2,887,460	0	3,185,010	-3,196,290	-11,280
575,200	Sustainable Travel	D	0	618,010	0	618,010	-40,860	577,150
2,398,390	H & T Network Staffing & Admin	S/D	6,142,430	261,970	-693,490	5,710,910	-3,125,380	2,585,530
163,580	Traffic Management	S	0	191,000	0	191,000	-28,250	162,750
3,047,830	Public Bus Services	S/D	0	14,253,830	-2,846,880	11,406,950	-9,158,520	2,248,430
-79,560	Blue badge	S	0	96,000	0	96,000	-162,540	-66,540
100,350	Civil Parking Enforcement	S	327,420	1,543,560	-499,920	1,371,060	-1,285,270	85,790
4,400,340	Concessionary Travel	S	0	4,605,340	-182,220	4,423,120	-22,780	4,400,340
<b>Highways and Transport Operations</b>								
<b>Highways Operations Services</b>								
4,623,390	Staffing & Admin Delivery	S/D	5,780,170	321,600	-880,000	5,221,770	-95,000	5,126,770
6,237,440	Environmental Maintenance	S	1,552,600	4,660,960	-1,293,840	4,919,720	-75,000	4,844,720
3,621,430	Reactive Maintenance	S	568,790	644,470	0	1,213,260	0	1,213,260
2,033,770	Winter Maintenance	S	538,410	1,495,350	0	2,033,760	0	2,033,760
<b>Assisted Transport Services</b>								
2,693,630	Staffing & Admin Resourcing	S	3,212,940	97,480	-670,980	2,639,440	0	2,639,440
27,151,160	SEN Transport	S	55,000	29,119,340	0	29,174,340	-71,280	29,103,060
6,888,190	Mainstream School Transport	S	0	6,511,190	0	6,511,190	-8,000	6,503,190
6,363,040	Social Care Transport	S/D	0	5,421,550	0	5,421,550	-182,800	5,238,750
347,780	Passenger Fleet	S/D	4,134,280	1,750,750	-5,068,400	816,630	-111,760	704,870
0	Joint Arrangements	D	0	0	0	0	0	0
<b>Highway and Transport Technical Support Service</b>								
2,878,820	Street Lighting Maintenance	S/D	212,180	2,198,450	0	2,410,630	-146,190	2,264,440
517,920	H & T Operations Management	S/D	490,790	5,400	0	496,190	0	496,190
194,550	Staffing, Admin & Depot Overheads	S/D	14,771,510	3,698,860	-10,323,630	8,146,740	-4,924,490	3,222,250
34,440	Cyclic Maintenance	S/D	4,640	29,800	0	34,440	0	34,440
9,420	Fleet Services	D	828,130	1,780,780	-2,544,380	64,530	-33,750	30,780
<b>81,625,940</b>	<b>TOTAL</b>		<b>48,253,540</b>	<b>86,437,520</b>	<b>-28,653,280</b>	<b>106,037,780</b>	<b>-25,595,720</b>	<b>80,442,060</b>
<b>WASTE MANAGEMENT</b>								
496,670	Management		474,180	1,510	0	475,690	0	475,690
<b>Waste Management Commissioning</b>								
1,740,180	Staffing and Admin		1,767,820	40,070	-133,000	1,674,890	0	1,674,890
302,720	Initiatives		71,740	687,750	-341,500	417,990	-135,500	282,490
53,050	Recycling & Reuse credits		0	53,050	0	53,050	0	53,050
<b>Waste Management Delivery</b>								
745,430	Staffing & Admin		780,950	4,450	-51,800	733,600	0	733,600
2,629,090	Landfill		0	1,227,310	0	1,227,310	0	1,227,310
19,824,800	Treatment & Contracts		0	20,966,960	0	20,966,960	0	20,966,960
-3,376,000	Dry Recycling		0	3,438,800	0	3,438,800	-6,984,800	-3,546,000
2,171,000	Composting Contracts		0	2,171,000	0	2,171,000	0	2,171,000
5,453,640	Recycling & Household Waste		3,895,810	1,778,970	0	5,674,780	-567,340	5,107,440
2,639,120	Haulage & Waste Transfer		557,720	2,318,390	0	2,876,110	-5,000	2,871,110
-1,593,430	Income		50,100	3,550	0	53,650	-1,801,430	-1,747,780
-132,000	WEEE Funding		0	0	0	0	-132,000	-132,000
<b>30,954,270</b>	<b>TOTAL</b>		<b>7,598,320</b>	<b>32,691,810</b>	<b>-526,300</b>	<b>39,763,830</b>	<b>-9,626,070</b>	<b>30,137,760</b>
<b>Departmental &amp; Business Management</b>								
2,783,620	Management & Admin		2,599,350	15,070	0	2,614,420	-22,080	2,592,340
887,440	Departmental Costs		83,000	982,290	-6,000	1,059,290	-125,250	934,040
<b>3,671,060</b>	<b>TOTAL</b>		<b>2,682,350</b>	<b>997,360</b>	<b>-6,000</b>	<b>3,673,710</b>	<b>-147,330</b>	<b>3,526,380</b>
<b>116,251,270</b>	<b>TOTAL ENVIRONMENT &amp; TRANSPORT</b>		<b>58,534,210</b>	<b>120,126,690</b>	<b>-29,185,580</b>	<b>149,475,320</b>	<b>-35,369,120</b>	<b>114,106,200</b>

CHIEF EXECUTIVE'S DEPARTMENTREVENUE BUDGET 2026/27

Budget 2025/26		*	Employees	Running Expenses	Internal Income	Gross Budget	External Income	Net Budget 2026/27
£	£		£	£	£	£	£	£
<b>DEMOCRATIC SERVICES, ADMIN &amp; CIVIC AFFAIRS</b>								
1,439,540	Democratic Services and Administration	D	1,440,890	75,430	0	1,516,320	-198,000	1,318,320
69,000	Subscriptions	D	0	151,000	-2,000	149,000	0	149,000
113,330	Civic Affairs	D	35,930	71,810	0	107,740	-6,000	101,740
<b>1,621,870</b>	<b>TOTAL</b>		<b>1,476,820</b>	<b>298,240</b>	<b>-2,000</b>	<b>1,773,060</b>	<b>-204,000</b>	<b>1,569,060</b>
5,209,950	<b>LEGAL SERVICES</b>	D	4,598,590	1,800,840	-673,650	5,725,780	-534,780	5,191,000
<b>STRATEGY AND BUSINESS INTELLIGENCE</b>								
2,001,230	Business Intelligence	D	3,139,330	810,900	-757,950	3,192,280	-1,301,240	1,891,040
318,910	Policy and Communities	B	259,370	34,570	0	293,940	0	293,940
1,147,260	Growth Service	B	872,850	237,760	0	1,110,610	0	1,110,610
917,940	PHNE	B	1,912,680	293,730	-56,580	2,149,830	-1,354,230	795,600
1,347,710	Management and Administration	B	732,710	526,850	-43,120	1,216,440	0	1,216,440
<b>5,733,050</b>	<b>TOTAL</b>		<b>6,916,940</b>	<b>1,903,810</b>	<b>-857,650</b>	<b>7,963,100</b>	<b>-2,655,470</b>	<b>5,307,630</b>
378,280	<b>EMERGENCY MANAGEMENT AND RESILIENCE</b>	S	800,990	100,240	-144,320	756,910	-408,720	348,190
<b>REGULATORY SERVICES</b>								
2,290,480	Trading Standards	B	2,635,090	172,730	-240,490	2,567,330	-393,000	2,174,330
1,643,750	Coroners	S	554,910	1,154,540	0	1,709,450	-90,000	1,619,450
58,160	Registrars	S	1,284,950	48,300	0	1,333,250	-1,468,490	-135,240
<b>3,992,390</b>	<b>TOTAL</b>		<b>4,474,950</b>	<b>1,375,570</b>	<b>-240,490</b>	<b>5,610,030</b>	<b>-1,951,490</b>	<b>3,658,540</b>
-137,170	<b>DEPARTMENTAL ITEMS</b>	D	11,880	-384,050	0	-372,170	0	-372,170
<b>16,798,370</b>	<b>TOTAL CHIEF EXECUTIVES</b>		<b>18,280,170</b>	<b>5,094,650</b>	<b>-1,918,110</b>	<b>21,456,710</b>	<b>-5,754,460</b>	<b>15,702,250</b>

\* S/D/B : indicates that the service is Statutory, Discretionary or a combination of Both

## **CORPORATE RESOURCES DEPARTMENT**

## **REVENUE BUDGET 2026/27**

Net Budget 2025/26		*	Employees £	Running Expenses £	Internal Income £	Gross Budget £	External Income £	Net Budget 2026/27 £
2,095,270	Audit and Insurance	S	1,759,770	2,695,770	-1,139,930	3,315,610	-1,262,140	2,053,470
5,005,900	Strategic Finance and Pensions	S	7,556,120	305,310	-2,885,330	4,976,100	-234,090	4,742,010
-418,540	Corporate Resources Schemes	D	16,980	147,600	-317,740	-153,160	0	-153,160
1,449,330	Commissioning Support	B	1,451,920	56,010	-105,000	1,402,930	-5,000	1,397,930
2,037,700	Transformation	D	4,359,340	29,100	-2,439,870	1,948,570	0	1,948,570
<b>10,169,660</b>	<b>TOTAL</b>		<b>15,144,130</b>	<b>3,233,790</b>	<b>-6,887,870</b>	<b>11,490,050</b>	<b>-1,501,230</b>	<b>9,988,820</b>
<b>3,516,140</b>	<b>East Midlands Shared Services</b>	<b>B</b>	<b>5,487,930</b>	<b>2,068,730</b>	<b>-255,180</b>	<b>7,301,480</b>	<b>-3,814,570</b>	<b>3,486,910</b>
<b>AD IT, Communications &amp; Digital, Customer Services</b>								
13,674,290	Information Technology	B	8,190,620	5,345,450	-799,570	12,736,500	0	12,736,500
1,441,450	Communications & Digital Services	D	1,568,450	238,660	-480,320	1,326,790	-9,600	1,317,190
1,226,720	Customer Service	B	1,207,840	32,250	-150,000	1,090,090	0	1,090,090
<b>16,342,460</b>	<b>TOTAL</b>		<b>10,966,910</b>	<b>5,616,360</b>	<b>-1,429,890</b>	<b>15,153,380</b>	<b>-9,600</b>	<b>15,143,780</b>
<b>Commercialism</b>								
<u>LTS Catering</u>								
168,360	Leisure & Hospitality	D	590,080	655,130	-21,140	1,224,070	-1,057,400	166,670
-297,820	Education Catering	D	1,882,000	1,202,000	-1,056,000	2,028,000	-2,028,000	0
30,940	Beaumanor	D	1,280,750	691,850	-44,020	1,928,580	-1,694,950	233,630
206,030	Country Parks	D	643,910	540,700	0	1,184,610	-1,092,230	92,380
107,510			4,396,740	3,089,680	-1,121,160	6,365,260	-5,872,580	492,680
<u>LTS Professional &amp; Other Services</u>								
-46,100	Bursar Service	D	325,040	16,960	-342,000	0	0	0
-46,890	LEAMIS	D	504,210	99,430	-290,000	313,640	-435,000	-121,360
-92,990			829,250	116,390	-632,000	313,640	-435,000	-121,360
94,500	<u>LTS Infrastructure</u>	D	164,950	78,990	-6,000	237,940	0	237,940
<b>109,020</b>	<b>TOTAL</b>		<b>5,390,940</b>	<b>3,285,060</b>	<b>-1,759,160</b>	<b>6,916,840</b>	<b>-6,307,580</b>	<b>609,260</b>
<b>AD Corporate Services &amp; Property</b>								
<u>Operational Property</u>								
5,013,030	Building Running Costs	B	254,430	5,966,330	-122,000	6,098,760	-1,310,340	4,788,420
3,243,590	Building Maintenance	B	0	4,572,210	-1,398,620	3,173,590	0	3,173,590
2,202,130	Operational Property	B	2,235,540	197,150	-247,000	2,185,690	-68,000	2,117,690
98,950	Traveller Services	B	276,380	65,170	-15,000	326,550	-245,760	80,790
737,680	Forestry Services	B	604,690	381,200	-100,040	885,850	-192,000	693,850
11,295,380			3,371,040	11,182,060	-1,882,660	12,670,440	-1,816,100	10,854,340
<b>Corporate Services</b>								
1,196,470	Business Support Services	B	1,192,060	159,860	-172,920	1,179,000	-17,440	1,161,560
739,320	Management	B	753,480	11,170	-41,760	722,890	0	722,890
3,013,200	Human Resources	B	2,769,570	131,330	-40,000	2,860,900	-6,500	2,854,400
1,432,410	Learning & Development	B	1,617,200	84,070	-140,440	1,560,830	-169,810	1,391,020
-426,750	LTS Property Services	B	2,609,130	1,376,410	-3,994,420	-8,880	-464,500	-473,380
2,720,580	Strategic Property	B	2,115,110	1,391,160	-699,110	2,807,160	-373,430	2,433,730
-102,850	HR Services	D	1,164,820	118,410	-284,530	998,700	-1,159,050	-160,350
8,572,380			12,221,370	3,272,410	-5,373,180	10,120,600	-2,190,730	7,929,870
<b>19,867,760</b>	<b>TOTAL</b>		<b>15,592,410</b>	<b>14,454,470</b>	<b>-7,255,840</b>	<b>22,791,040</b>	<b>-4,006,830</b>	<b>18,784,210</b>
<b>Investing in Leicestershire Programme</b>								
-877,490	Rural	D	0	594,010	0	594,010	-1,399,000	-804,990
-1,162,050	Industrial	D	0	1,215,800	-250,000	965,800	-2,869,200	-1,903,400
-4,535,560	Office	D	0	767,150	0	767,150	-5,000,200	-4,233,050
-2,064,120	Other	D	0	2,167,000	0	2,167,000	-3,864,780	-1,697,780
<b>-8,639,220</b>	<b>TOTAL</b>		<b>0</b>	<b>4,743,960</b>	<b>-250,000</b>	<b>4,493,960</b>	<b>-13,133,180</b>	<b>-8,639,220</b>
<b>0</b>	<b>Central Items</b>	<b>B</b>	<b>0</b>	<b>-1,600,000</b>	<b>0</b>	<b>-1,600,000</b>	<b>-185,000</b>	<b>-1,785,000</b>
<b>41,365,820</b>	<b>TOTAL CORPORATE RESOURCES</b>		<b>52,582,320</b>	<b>31,802,370</b>	<b>-17,837,940</b>	<b>66,546,750</b>	<b>-28,957,990</b>	<b>37,588,760</b>

\* **S/D/B** : indicates that the service is **Statutory**, **Discretionary** or a combination of **Both**

CORPORATE & CENTRAL ITEMSREVENUE BUDGET 2026/27

Net Budget 2025/26		*	Employees £	Running Expenses £	Internal Income £	Gross Budget £	External Income £	Net Budget 2026/27
<b>CORPORATE</b>								
-2,285,000	<b>DSG (Central Dept recharges)</b>	S	0	0	0	0	-2,285,000	-2,285,000
8,000,000	<b>MTFS Risks Contingency</b>	B	0	8,000,000	0	8,000,000	0	8,000,000
8,500,000	<b>Contingency for Inflation / Living Wage **</b>	B	7,585,000	11,665,000	0	19,250,000	0	19,250,000
<b>14,215,000</b>	<b>TOTAL CORPORATE BUDGETS</b>		<b>7,585,000</b>	<b>19,665,000</b>	<b>0</b>	<b>27,250,000</b>	<b>-2,285,000</b>	<b>24,965,000</b>
<b>CENTRAL ITEMS</b>								
14,800,000	<b>Financing of Capital</b>	B	0	14,830,000	0	14,830,000	-2,430,000	12,400,000
-12,000,000	<b>Bank &amp; Other Interest</b>	B	0	0	0	0	-11,000,000	-11,000,000
<b>Central Expenditure</b>								
1,400,000	Pensions (pre LGR /LGR)	S	0	1,300,000	0	1,300,000	0	1,300,000
1,483,600	Members Expenses & Support etc	S	1,379,300	100,000	0	1,479,300	0	1,479,300
340,000	Flood Defence Levies	S	0	340,000	0	340,000	0	340,000
500,000	Elections	S	0	500,000	0	500,000	0	500,000
-400,000	Financial Arrangements etc	B	0	516,000	0	516,000	-915,000	-399,000
-50,000	Car Leasing	B	0	0	-50,000	-50,000	0	-50,000
3,273,600			1,379,300	2,756,000	-50,000	4,085,300	-915,000	3,170,300
<b>6,073,600</b>	<b>TOTAL CENTRAL ITEMS</b>		<b>1,379,300</b>	<b>17,586,000</b>	<b>-50,000</b>	<b>18,915,300</b>	<b>-14,345,000</b>	<b>4,570,300</b>

\* **S/D/B** : indicates that the service is **Statutory**, **Discretionary** or a combination of **Both**

\*\* 2025/26 contingency of £34.4m less £16.7m transferred to Departmental budgets and £9.2m adjustment for Pensions contribution changes

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

**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		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
			<b>5,518</b>	<b>5,518</b>	<b>5,518</b>	<b>5,518</b>	<b>22,072</b>
		Social Care Investment Plan (SCIP):					
			2,920	419	419		3,758
			<b>2,920</b>	<b>419</b>	<b>419</b>	<b>0</b>	<b>3,758</b>
		Sub-Total SCIP					
			<b>2,920</b>	<b>419</b>	<b>419</b>	<b>0</b>	<b>3,758</b>
		Total A&C	<b>8,438</b>	<b>5,937</b>	<b>5,937</b>	<b>5,518</b>	<b>25,830</b>

**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		Capital Programme				
			2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
Apr-27	19,600	<u>Major Schemes</u>					
		Zouch Bridge Replacement - Construction and Enabling Works	3,675	76			3,750
		Advance Design / Match Funding	3,248	2,975	2,975	2,976	12,174
		Melton Depot Replacement	9,321				9,321
		Market Harborough improvements	2,421	88			2,509
		Leicestershire Cycling Walking Improvements Plan Delivery	809	1,228	891	890	3,818
		The Parade Oadby Cyclops	1,000				1,000
	3,151	Local Electric Vehicle Infrastructure (LEVI) Full Roll out	299	599	2,237		3,135
							0
			<b>20,773</b>	<b>4,965</b>	<b>6,103</b>	<b>3,866</b>	<b>35,707</b>
Mar-30	11,115	<u>Minor Schemes / Other</u>					
		Local Authority Bus Grant (LABG)	2,697	2,752	2,806	2,860	11,115
		Property Flood Risk Alleviation - funded externally + LCC	1,176	352			1,528
		Safety Schemes	2,512	2,327	1,975	2,095	8,909
		Active Travel Improvements	620	309	430	470	1,829
		Plant renewals	100	100	100	100	400
		Highways Depot Improvements	200	200			400
		County Council Vehicle Replacement Programme	4,540	3,436	4,880	1,682	14,538
	1,479	Externally Funded Schemes	1,128	351			1,479
			<b>12,973</b>	<b>9,827</b>	<b>10,191</b>	<b>7,207</b>	<b>40,198</b>
Mar-30	19,884	<u>Transport Asset Management</u>					
		Capital Schemes and Design	4,784	5,033	5,034	5,033	19,884
		Bridges	1,755	1,385	1,165	4,500	8,805
		Highways Flood alleviation	600	925	925	870	3,320
		Street Lighting	3,398	3,320	3,321	3,011	13,050
		Traffic Signal Renewal	866	1,199	1,174	992	4,231
		Preventative Maintenance - (Surface Dressing)	11,780	12,509	13,336	11,412	49,037
		Restorative (Patching)	14,436	15,671	17,515	19,261	66,883
		Public rights of way maintenance	661	517	517	16	1,711
		Network Performance & Reliability	350	350	350	350	1,400
		Other LTG Funds - to be allocated across the TAM	0	5,978	7,844	13,234	27,056
			<b>38,630</b>	<b>46,887</b>	<b>51,181</b>	<b>58,679</b>	<b>195,377</b>
		<u>Environment &amp; Waste</u>					
Mar-30	148	Ashby Canal	37	37	37	37	148
		Recycling Household Waste Sites - General Improvements	511	390	437	290	1,628
		Recycling Household Waste Sites - S.106 funded schemes	490				490
		Food Waste Treatment Service Delivery	288	851			1,139
			<b>1,326</b>	<b>1,278</b>	<b>474</b>	<b>327</b>	<b>3,405</b>
		<b>Total E&amp;T</b>	<b>73,702</b>	<b>62,957</b>	<b>67,949</b>	<b>70,079</b>	<b>274,687</b>

**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		Capital Programme				
			2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
Mar-28	903	Cisco Network Equipment	150	600	331	1,000	600
	240	Replacement of IT Service Management toolset and User Portal (Marval)		240			240
	1,700	Hyper-Converged Infrastructure (HCI) Refresh/re-license		300			781
	100	Remote Access Refresh		76			76
	1,949	Backup System Replacement					1,000
	199	Wireless Access points					199
	70	Wireless Controllers		70			70
	2,943	Workplace Strategy - EUD Refresh (PC, laptop)		734	770	835	604
	200	Loadbalancers		200			200
	300	Perimeter Firewalls		300			300
Sub total ICT			<b>1,454</b>	<b>1,910</b>	<b>1,242</b>	<b>1,803</b>	<b>6,409</b>
<b>Property Services</b>							
Mar-30	495	Boiler Replacement Programme	270	95	75	55	495
Mar-27	65	County Hall installation of UPS to CWC's	65				65
Mar-27	75	Bosworth Battlefield car park	75				75
Mar-27	100	Energy initiatives	100				100
Sub total Property Services			<b>510</b>	<b>95</b>	<b>75</b>	<b>55</b>	<b>735</b>
Total Corporate Resources			<b>1,964</b>	<b>2,005</b>	<b>1,317</b>	<b>1,858</b>	<b>7,144</b>

**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

Beaumanor Hall

Broombriggs Farm Cottage - refurbishment

## CHIEF EXECUTIVES - CAPITAL PROGRAMME 2026-30

Estimated Completion Date	Gross Cost of Project £000		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				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		Capital Programme				
			2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
Mar-27	16,436	<b>Investing In Leicestershire Programme (IILP)</b> Airfield Business Park - Phase 3-4	700				700
Mar-27	3,510	Lutterworth East - Drive Thru Restaurants	500				500
May-27	690	M69 Junction 2 - SDA	340	50			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			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	<b>8,815</b>	<b>12,102</b>	<b>10,500</b>	<b>11,500</b>	<b>42,917</b>
Mar-30	38,000	<b>Future Developments</b> Future projects - subject to business cases					0
Mar-30	25,000	Capital Programme Portfolio Risk	2,500	10,000	14,000	14,000	38,000
		Sub total Future Developments	<b>2,500</b>	<b>15,000</b>	<b>21,500</b>	<b>24,000</b>	<b>63,000</b>
		Total Corporate Programme	<b>11,315</b>	<b>27,102</b>	<b>32,000</b>	<b>35,500</b>	<b>105,917</b>

### Future Developments - subject to further detail and approved business cases

Sustainability / Invest to Save Schemes

## CAPITAL STRATEGY 2026-30

### Introduction

This strategy sets out the County Council's approach to compiling the capital programme, its priorities, availability of funding and financial management.

The County Council's capital programme is derived primarily from the Strategic Plan. It aligns with departmental commissioning and service plans to ensure a prioritised, joined up use of resources to maximise outcomes for all Leicestershire service users, citizens and other stakeholders.

This strategy links to the Medium Term Financial Strategy, the Investing in Leicestershire Fund (IiLP) Strategy and the Treasury Management Strategy. The IiLP Strategy sets out the Council's approach to non Treasury Management investments made to support the Council's objectives through property and infrastructure assets that will have an element of financial return, for example supporting economic development. The level of funding available for the IiLP is determined by the Capital Strategy.

The overall approach to developing the capital programme is based upon the following key principles;

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

The 4 year capital programme 2026-30 totals £501m. External funding from capital grants, section 106 agreements and third party contributions totals £320m. Without this funding being available schemes of any significant size would not be affordable by the Council.

The balance of funding required is £181m to be funded from one off revenue reserves, capital receipts and a capital funding gap of £75m - to be financed by prudential borrowing at a cost to the Council's revenue budget of around £6m p.a. over the next 40 years. This is a significant commitment to the Council given its wider financial pressures.

## Funding Sources

The approach to funding is:

### External Funding

- Central Government Grants – passport grants to the relevant departments, even when not ring fenced.
- External Grants - maximise bids for funding from external sources including providing matched funding where appropriate to do so, subject to approval of fulfilment conditions and any contingent liabilities.
- External Contributions – maximise section 106 developer claims / contributions to cover the full capital costs.

### Discretionary Programme

- Capital Receipts – maximise individual receipts and use to fund the discretionary capital programme.
- Earmarked Capital Receipts – only to be used in situations where this is an unavoidable requirement of an external party, for example, there is a requirement to gain DfE approval for the disposal of education assets, with the related receipts to be earmarked to education assets. These will be reviewed on a case by case basis to ensure the requirement is met and to consider options for substitution of discretionary funding where appropriate.
- Revenue underspends and surplus earmarked funds – review opportunities as they arise to contribute to the discretionary capital programme.
- Prudential borrowing (internal or external borrowing) – only to be used after all other available funding. Before prudential borrowing will be considered all opportunities to maximise bids for external funding, and agreement from other partners, particularly Central Government, for additional funding, will be taken. Internal borrowing (from the Council's cash balances) will be prioritised over external borrowing.
- Leasing – due to the County Council's ability to access relatively inexpensive funding, rental / lease proposals need to be appraised to ensure additional benefits justify the financing cost over outright purchase.

### Other

- Renewal reserves – held to make an annual contribution reflecting the life and replacement cost of the asset and to avoid annual variations in replacement cost. Use when the service is externally funded (commercial, partnerships, specific grants) or small scale asset owned by an individual service. Larger more significant assets will be funded through the discretionary capital programme.
- Building Maintenance – funded through the (revenue) Central Maintenance Fund (CMF). Significant lifecycle replacements to be funded through the discretionary capital programme.
- Business Rates Pool – retained levy surpluses to contribute to larger infrastructure capital projects.

Capital RequirementsChildren's and Family Services

Demand	£	Funding
Meet demand for new school places. Meet increasing demand for SEN places Children's Accommodation Strategy	High High High	Central Government grants Developer contributions (section 106) Discretionary programme and grants
Maintenance and renewal for: Maintained school estate	High	Central Government grants
Children's social care (minimal demand as commissioned service)	Low	Invest to save

Adults and Communities

Demand	£	Funding
Adult Accommodation Strategy	High	Discretionary programme
Heritage and Learning Collections Hub	Mid	Discretionary programme
Disabled Facilities Grant	Mid	Central Government grants
Maintenance and renewal for: Libraries & Heritage Community Libraries	Low Low	Discretionary programme Support external funding bids
Adult Social Care (minimal demand from commissioned service)	Low	Invest to save

Public Health

Demand	£	Funding
Public Health (minimal demand from commissioned service)	Low	Invest to save

Environment and Transport

Demand	£	Funding
Maintenance of the highway infrastructure (using asset management principles) Highways Depot Improvements Property Flood Risk Alleviation	High High High	Central Government grants/ Discretionary programme Discretionary programme Discretionary programme
Improvement to the highway infrastructure Major schemes Minor Schemes Advanced Design	High Mid Mid	External Funding Central Government grants Central Government grants Discretionary programme
County Council vehicle replacement programme	Mid	Discretionary programme
Maintenance and renewal of waste management infrastructure	Mid	Discretionary programme

Chief Executives

Demand	£	Funding
Case Management System	Low	Discretionary programme, invest to save
Economic Development	Low	Discretionary programme, invest to save

Corporate Resources

Demand	£	Funding
ICT Infrastructure Renew and expand Major ICT upgrades and replacements End user devices	Mid	Discretionary programme, invest to save
Property Estate* Regulatory compliance Expansion and replacement	Mid	Discretionary programme, invest to save
Climate Change Environmental Improvements	Mid	Invest to save

\* maintenance of current properties funded from central maintenance fund (revenue budget)

Corporate Programme

Demand	£	Funding
Investing in Leicestershire Programme	High	Invest to save
Major Schemes Portfolio Risk	Mid	Discretionary programme
Future Developments	Mid	Discretionary programme, invest to save

External Funding

To ensure that funding is at the required level the following approach will be taken.

Children and Family Services

Preference for housing developers to directly build schools as part of developments. Maximise Department for Education capital grant through up to date capacity assessments and school place data. Submit bids, where appropriate to do so, for additional DfE capital funding when available. Take opportunities to lobby the DfE for additional funding.

Adults and Communities

Work with district councils and other partners to ensure that the Disabled Facilities Grant is at an appropriate level and how it is spent to reduce the costs of adult social care. Take opportunities to lobby the Department of Health for Social Care infrastructure grants.

Environment and Transport

Maintain Highways Infrastructure Asset Management Planning Level 3. Invest in advance design and business case development work focused on government and growth priorities to access capital grants and developer funding.

### Section 106 Contributions / Forward Funding

Maximise section 106 contributions through recovery of the total costs of required developments and regular review of key assumptions used.

In addition to section 106, Community Infrastructure Levy (CIL) can be used to fund strategic infrastructure such as highways and schools. CIL is a charge that is applied to new development based on floor space. Although CIL is not currently in use in Leicestershire, the County Council is working with Charnwood Borough Council on implementing a CIL scheme to fund highways infrastructure improvements. Subject to consultation and examination, Charnwood will be implementing CIL in the financial year 2026/27. Where evidence shows that there are significant cumulative impacts associated with planned development on the County Council's areas of responsibility, the County Council will support the development of further CIL schemes across the County.

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.

Forward funding presents a significant financial commitment and risk for the Council. 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 contributions are to be paid. The Council's medium and longer term financial strategies are only sustainable if this funding is recovered.

The Council's approach to managing existing capital projects will therefore be:

- The funding provided by the Council is in accordance with the Council's funding strategies. The Council's medium and longer term financial strategies are only sustainable if this funding is recovered. Existing schemes are the Melton Mowbray Distributor Road North and East sections and the A511 Major Road Network (subject to business case).
- Where the Council seeks contributions from multiple developers in Area Strategies (jointly agreed strategies for specific areas), it will collect the full costs associated with highways, schools and some community infrastructure.
- The Council will ensure that delivery costs are reviewed regularly, and that inflation is applied to any cost estimates from the date that the Area Strategy is developed, not from when the relevant s106 agreement is completed.
- The justification, costs and methodology for assessing contributions will be updated and added to the Council's website as appropriate.

In order to address the significant challenge of funding infrastructure to support growth the Council's approach to managing future capital projects will be:

- The presumption that approved developments will cover the costs of all necessary infrastructure, set out by planning condition.
- Where this cannot be achieved as a result of cumulative development, the Council will collate contributions.
- However, the Council will not fund the delivery of schemes until sufficient contributions are secured.
- Where funding gaps exist, developers and local planning authorities will seek contributions from third parties (including funding organisations, i.e. relevant Government departments).
- The Council will lead and support as necessary such requests where appropriate, for example funding bids to the DfT, DfE and Homes England. External funding would be required for any match funding or significant bid development costs.
- It is recognised that if the Council prioritises education contributions and delivery of additional school places due to its statutory duty, it may at times be necessary to delay delivery of highway infrastructure, meaning that the Council could in principle accept a deterioration in conditions before infrastructure is delivered. In addition, in prioritising the delivery of education infrastructure, the Council may accept a permanent deterioration in conditions if it is not financially viable to deliver the highways and transport mitigation. However, this will not apply to infrastructure and improvements required to address severe safety impacts arising from development.
- Where the Council considers that the overall viability of the plan or development will not allow sufficient mitigation of its impacts in line with local and national policies and prospect of external third-party funding is low, it may object to its adoption/approval.

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

### **Discretionary Funding**

The 4 year discretionary capital programme totals £181m. Funding is from the sale of Council capital assets (capital receipts), MTFS revenue contributions and earmarked reserves. Discretionary funding also includes prudential borrowing, which is unsupported by central government with the costs of financing the borrowing undertaken falling on the County Council's revenue budget. A total of £75m of prudential borrowing is included in the 2026-30 capital programme.

### **Capital receipts**

The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £23m across the four years to 2029/30. Strategic Property Services are responsible for identifying additional capital receipts and maximising

the sale value of surplus assets. Property Services will seek opportunities to maximise the value of surplus land, for instance by obtaining planning permission. The targets for new capital receipts to fund the capital programme, are:

	<b>General £m</b>	<b>Earmarked £m</b>	<b>Total £m</b>
2026/27	3.1	0	<b>3.1</b>
2027/28	9.4	0.8	<b>10.2</b>
2028/29	3.6	2.7	<b>6.3</b>
2029/30	3.4	0	<b>3.4</b>
<b>Total</b>	<b>19.6</b>	<b>3.5</b>	<b>23.1</b>

The estimates include 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 Funding

The capital programme includes a total of £83m from one-off revenue funding of capital. These have arisen from:

- Prior year underspends – cannot be relied upon going forward.
- Released MTFS risk contingency
- Earmarked reserves no longer required

Given the Council's financial situation there have been no on-going revenue contributions to the capital programme for a number of years.

#### Other

For invest to save schemes, a discount rate of 7% will be used, including inflation as part of the net present value assessment in the business case. Only projects that show a positive return using these rates will be considered for inclusion in the capital programme, unless there is an overriding policy objective that justifies a lower rate with the Director of Corporate Resources agreement.

#### Funding from Internal Balances

A total of £75m is required to fund the programme and enable investment in schools and highway infrastructure to be made. After 2029, and by 2040 it is anticipated that the remaining £5m of forward funding will be repaid through the associated section 106 developer contributions.

Due to the strength of the County Council's balance sheet, it is possible to use internal cash balances to fund the capital programme on a temporary basis instead of raising new loans. Levels of cash balances held by the Council are currently around £400m, comprising the amounts held for reserves, provisions, minimum revenue provision (MRP) set aside for the repayment of debt, and working capital of the Council. The cost of raising external loans is estimated to exceed the cost of interest lost on cash balances by 2% to 3%.

The overall cost of using internal balances to fund £75m of investment is dependent on what happens to interest and borrowing rates over the medium to long term. Current forecasts show the cost of externally borrowing would be around £6m per annum for the next 40 years, in interest and repayment of principal - minimum revenue provision (MRP). Internal borrowing would still require MRP setting aside but net interest savings could amount to £2m per annum. But because of the uncertainty on interest rates, this position will be kept under review as part of the treasury management strategy.

The County Council's estimated amount of actual external debt as at March 2026 is £146m. This is not assumed to increase during the MTFS. The relative interest rates and cash balances will be kept under review to ensure that this is the right approach.

### Affordability

The impact of the discretionary programme on the revenue budget, and forecast at the end of the MTFS is (excluding leases):

£m	2026/27	2029/30
Revenue	0.0	0.0
MRP	4.2	5.0
Interest	6.3	8.6
<b>On-going revenue total</b>	<b>10.5</b>	<b>13.6</b>
% Revenue budget	1.7%	1.7%
Voluntary MRP	0.0	0.0
One-off revenue/reserves	51.1	0.1
<b>One-off revenue</b>	<b>51.1</b>	<b>0.1</b>
<b>Total</b>	<b>61.6</b>	<b>13.7</b>
% Revenue budget	9.8%	1.7%

To ensure the discretionary programme remains affordable the following approach is taken to manage the MRP and interest charges:

- No new external borrowing to finance capital expenditure unless a scenario arises where external borrowing is more favourable than using internal borrowing. The balance between internal and external borrowing will be managed proactively, with the intention of minimising long-term financing costs.
- Temporarily use internal balances from the overall council cash balances in advance of their designated use.
- Review opportunities to repay debt.
- Revised MRP strategy in 2025/26 to use Annuity rates that reflect the time value of money, to be more commensurate with the return received from the actual use of the assets. This reduces the MRP in the earlier years and increases it in the later years. It should be noted that this does not reduce the amount to be set aside but delays the period over which it is to be paid.

### Capital Financing Requirement (CFR)

The CFR is the measure of the Council's historic need to borrow for capital purposes. As at 31<sup>st</sup> March 2026 the CFR is forecast to be £193m compared with actual debt of £146m.

The difference of £47m is an under-borrowed position using the balance of Council investments to delay the need to take out new external debt. The forecast annual cost of borrowing in 2026/27 is £12m rising to £13.4m by 2029/30. The financing costs (external interest and MRP) are met from the revenue budget.

The planned use of internal cash balances to fund the four-year capital programme will add £75m to the CFR. Together with reductions made by MRP, the CFR is forecast to be £250m by the end of the MTFS (31 March 2030). Assuming no new external borrowing is undertaken in this period, actual debt will be £144m at that time, resulting in an under-borrowed position of £107m. This can be managed as forecast investment balances exceed this total and that interest charges for new debt is forecast to continue to be higher than the interest that can be earned on cash balances.

The detailed approach to this is covered in the Treasury Management Strategy, approved by the County Council annually in February.

### **Financial Management of the Capital Programme**

#### **Prioritising the Programme**

The approach to compiling the capital programme is through a combination of service requirements developed by each relevant department, statutory requirements and asset management planning.

For land and building assets, Strategic Property, in conjunction with service areas, develops all the estate strategies, asset management plans and property elements of the corporate capital and revenue programmes. They seek to ensure that the Council is making full use of all assets, and any under-performing or surplus assets are identified and dealt with by either their disposal or investment to improve their usage. Outcomes from condition survey information together with on-going reviews of the property portfolio feed into the capital programme and revenue budget. The Corporate Asset Management Plan, which promotes the rationalisation of property assets, reducing running costs and cost-effective procurement of property and property services is reported annually to the Cabinet.

The Council operates the Investing in Leicestershire Programme (iLP) which invests in assets to achieve both economic development and investment returns. A copy of the iLP strategy is attached to the MTFS report. The iLP operates through the Investing in Leicestershire Fund Strategy with a view to:

- Supporting the objectives of the Council's MTFS, Corporate Asset Management Plan, Strategic Plan, its Economic Growth Plan and the County-wide Local Industrial Strategy.
- Supporting growth in the county and its economic area of influence and ensure there is a more diverse range of properties and land assets available to meet the aims of economic development.
- Maximising returns on Council owned property assets.
- Supporting the delivery of front-line services through increased income generation from existing investments, or through capital investments that will reduce operating costs.
- Maintaining a diverse portfolio of energy efficient and sustainable direct property and other investment assets which support economic growth and environmental

### sustainability

- Support the Council's strategic objectives by working with partners to maintain momentum in the development of strategic sites and renewing existing employment sites and premises where there is demand thereby addressing areas of market failure.
- Contributing towards the development and implementation of the Council's Net Zero Carbon ambitions by reducing demand for energy and increasing the generation and use of renewable energy.
- Channelling new investment into schemes that:
  - Maximise the potential to address economic and social market failure;
  - Improve property assets for a direct strategic/policy purpose
  - Enhance the value and marketability of property assets enabling capital receipts to be used to support improved service delivery
  - Manage investment risk by investing in diverse sectors.
  - Support the Council in maximizing the benefit from its financial assets in a risk aware way (not including standard treasury management activity).

A total of £43m has been included in the 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. Appraisal for new investments include external due diligence performed before each purchase.

The Corporate capital programme also includes additional funding of £38m for the future developments fund, and £25m as a capital programme portfolio risk contingency. The future developments fund is held to contribute towards schemes that have been identified but are not sufficiently detailed for inclusion in the capital programme at this time. There is a long list of projects that may require funding over the next 4 years. These include investment in infrastructure for schools and roads arising from increases in population, investment in health and social care service user accommodation, highways match funding of capital bids, and investment in a new archives, collections and learning centre. The list of future developments is continually refreshed. Bids against the fund will be managed through prioritisation and where possible the identification of alternative funding sources. This approach forms part of the wider strategy to ensure that the capital programme is deliverable, affordable and the risks are understood, in line with CIPFA's requirements.

The capital programme risk portfolio is there to cover adverse impacts that would potentially affect all schemes, such as exceptional excess inflation and the uncertainty of continuing current levels of government grants for highways and schools. The schemes for which a portfolio risk allocation is more likely to be needed are those which are highly complex and difficult to predict costs or external funding and are likely to span many years. Individual schemes are expected to maintain a risk register and appropriate risk contingency for known risks. The contingency should be set at the 50% likelihood level, unless agreed by the Director of Corporate Resources.

Through the budget monitoring process, risks would be identified which would point to the need to utilise a proportion of the portfolio risk allocation. To access the fund there would need to be based on clear evidence that such a scenario has arisen. A full appraisal of the scheme's cost and funding would be required to ensure that delivery is still likely to be within the scheme budget and reduced risk portfolio contingency. Decisions on when money from the portfolio risk allocation is transferred to a specific project are taken by the Director of Corporate Resources following consultation with the Cabinet Lead Member for Resources.

For highways and associated infrastructure needs, the Council's key transport policy document is the Local Transport Plan. This provides the long term strategy within which the Council manages and maintains its network. In light of the continuing financial challenge the Council's priority is only to add to the highway network where this will help to enable new housing and jobs. Furthermore, additions will normally be considered only in circumstances where specific external funding can be secured to achieve this. It is recognised that by prioritising education contributions and delivery of additional school places due to its statutory duty, it may at times be necessary to delay delivery of highway infrastructure, meaning that the Council could in principle accept a deterioration in conditions and congestion before infrastructure is delivered. However, this will not apply to infrastructure and improvements required to address severe safety impacts arising from developments.

Further improvements to the highway network will require continued pursuit of external resources such as Government grants and developer funding. In order to maximise the impact of funding that can be secured for improvements, the County Council is doing more to define the roles of the various elements of the road network so that it is able to target investment where it will be of most benefit, particularly in terms of supporting economic prosperity and growth.

Bids for funding from the discretionary programme require the completion of a capital appraisal form for each project. The forms collate detailed information on the proposed project including justification against strategic outcomes, service objectives, statutory requirements and/or asset management planning, timelines, detailed costings including revenue consequences of the capital investment, and risks to delivery. All bids for land and building projects are also supplemented by a Strategic Property scoping and assessment form. Bids are then prioritised and assessed against the discretionary funding available. The revenue costs and savings associated with approved capital projects are included in the revenue budget.

Where schemes have not yet been fully developed these are included as future developments in the capital programme. As schemes are developed they are assessed against the available resources and included in the capital programme as appropriate.

#### Financial Management of Delivery

The key risks to the delivery of the capital programme are overspending against the approved budget, delays in the delivery of projects/programmes thereby delaying the expected benefits and potential increased costs, and delays in or non-receipt of external contributions towards the cost of the scheme.

To ensure that capital spending and the delivery of this strategy is effectively managed:

- Programmes being reviewed in light of the most up to date information around funding available and latest priorities.
- All schemes within the programme being monitored regularly, usually monthly.
- Financial progress being reported on a regular basis throughout the year and at year end to the Cabinet and Scrutiny Commission to update them on progress and any significant variations in costs.
- Projects part or wholly funded by external contributions being separately monitored to ensure compliance with any funding conditions applicable.

- All projects are assigned a project manager appropriate to the scale of the scheme.
- The procurement of projects within the capital programme following the Council's approved contract procedure rules and procurement legislation.

The County Council confirms that it complies with paragraphs 51 to 53 of the prudential code 2021. Extracts of the relevant paragraphs are included as an annex to this strategy.

### Annex 1 – Prudential Code 2021

The Council confirms that it complies with paragraphs 51 to 53 of the prudential code 2021 as below.

51. **The Prudential Code determines that certain acts or practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment:**
  - **In order to comply with the Prudential Code, an authority must not borrow to invest primarily for financial return.**
  - **It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.**
52. The UK government's rules for access to PWLB lending at the date of this publication require (May 2022) statutory chief finance officers to certify that their local authority's capital spending plans do not include the acquisition of assets primarily for yield, reflecting a view that local authority borrowing powers are granted to finance direct investment in local service delivery (including housing, regeneration and local infrastructure) and for cash flow management, rather than to add debt leverage to return-seeking investment activity. Since:
  - access to the PWLB is important to ensure local authorities' liquidity in the long term, and
  - leveraged investment always increases downside risks, local authorities must not borrow to fund acquisitions where obtaining financial returns is the primary aim.
53. Authorities with existing commercial investments (including property) are not required by this Code to sell these investments. Such authorities may carry out prudent active management and rebalancing of their portfolios. However, authorities that have an expected need to borrow should review options for exiting their financial investments for commercial purposes and summarise the review in their annual treasury management or investment strategies. The reviews should evaluate whether to meet expected borrowing needs by taking new borrowing or by repaying investments, based on a financial appraisal that takes account of financial implications and risk reduction benefits. Authorities with commercial land and property may also invest in maximising its value, including repair, renewal and updating of the properties.

# Investing in Leicestershire Programme

STRATEGY

2026-2030



# TABLE OF CONTENTS

<b>1. Introduction .....</b>	<b>3</b>
<b>2. Strategic Objectives .....</b>	<b>4</b>
<b>3. Legal Context .....</b>	<b>6</b>
<b>4. Strategy 2026 to 2030 .....</b>	<b>7</b>
<b>5. Investment Criteria.....</b>	<b>10</b>
<b>6. Environmental, Social Governance (ESG) .....</b>	<b>12</b>
<b>7. Financial Returns .....</b>	<b>14</b>
<b>8. Investment Assessments .....</b>	<b>18</b>
<b>9. Risk.....</b>	<b>22</b>
<b>10. Risk Summary .....</b>	<b>26</b>
<b>11. Performance Monitoring / Benchmarking.....</b>	<b>27</b>
<b>12. Staff Resources.....</b>	<b>29</b>
<b>13. Appendix A .....</b>	<b>30</b>
<b>14. Appendix B .....</b>	<b>32</b>

Updated January 2026

# INTRODUCTION

- 1.1 Leicestershire County Council (the Council) owns and manages a portfolio of properties and other investments, with the aim of generating income to support front line services whilst also contributing to the wider strategic objectives of the Council and the economic wellbeing of the area. This portfolio (the Portfolio) is known as the Investing in Leicestershire Programme (iLP).
- 1.2 The strategy for 2026 to 2030 is aimed at supporting the further development and ongoing management of the Portfolio, to further enhance its contribution to the delivery of the Council's strategic goals and financial resilience, as demand on services and operating costs continue to rise.
- 1.3 The strategy sets out the legal context and governance framework, under which the Council can undertake investments which are expected to contribute directly and indirectly to the strategic plan and address areas of specific economic or social market failure, health and wellbeing and environmental priorities.
- 1.4 Whilst a key priority is to continue to deliver positive outcomes for the Council from its investments, the Strategy sets out processes to ensure this is done in a transparent and safe and secure way, allowing for adequate liquidity should the Council ever need to call upon the capital invested and that risks are properly identified and managed whilst performance is monitored continuously.
- 1.5 The Strategy for 2026-30 includes reference to indirect and non-property investments also known as diversifying investments. This diversification is an important component in financial risk management.
- 1.6 The Strategy is an integral part of the Council's Medium-Term Financial Strategy (MTFS) and intrinsically linked with the Corporate Asset Management Plan (CAMP) and the Treasury Management Strategy and Annual Investment Strategy and it should be read in conjunction with these documents.
- 1.7 The Council is committed to ensuring the Portfolio provides effective and efficient assets which enhance the environment and biodiversity in the county where possible and improves the lives of communities in the county whilst generating secure, long term, income streams that allows the existing investments to assist the Council in delivery of its front-line services.

# STRATEGIC OBJECTIVES

2.1 The aims of this Strategy have been aligned with the five Strategic Outcomes set out in the Council's Strategic Plan (below) which will play a key role, alongside the Medium-Term Financial Strategy, in shaping the Council's investment activities over the next four years.

## Strategic outcomes

### Clean and Green



- People act now to tackle climate change
- Nature and the local environment are valued, protected and enhanced
- Resources are used in an environmentally sustainable way
- The economy and infrastructure are low carbon and environmentally friendly

### Great Communities



- Diversity is celebrated and people feel welcome and included
- People participate in service design and delivery
- Communities are prepared for and resilient to emergencies
- Cultural and historical heritage are enjoyed and conserved
- People support each other through volunteering

### Safe and Well



- People are safe in their daily lives
- People enjoy long lives in good health
- People at the most risk are protected from harm
- Carers and people with care needs are supported to live active, independent, and fulfilling lives

### Improved Opportunities



- Every child gets the best start in life
- Every child has access to good quality education
- Families are self-sufficient and enabled to be resilient
- Everyone is able to aim high and reach their full potential

### Strong Economy, Transport and Infrastructure



- There is close alignment between skill supply and demand
- Leicestershire has the infrastructure for sustainable growth
- Leicestershire is an attractive place where businesses flourish
- Economic growth delivers increased prosperity for all
- Leicestershire has the right homes in the right places to meet need

2.2 The specific aims of this Strategy are to ensure investments funded or held in the Portfolio:

- Support the objectives of the Council's MTFS, Corporate Asset Management Plan, Strategic Plan, its Economic Growth Plan and the County-wide Local Industrial Strategy.
- Support growth in the county and its economic area of influence and ensure there is a more diverse range of properties and land assets available to meet the aims of economic development.
- Maximise sustainable returns on Council owned property assets.
- Supports the delivery of front-line services through increased income generation from existing investments, or through capital investments that will reduce operating costs.
- Maintain a diverse portfolio of energy efficient and sustainable direct property and other investment assets which support economic growth and environmental sustainability.
- Support the Council's strategic objectives by working with partners to maintain momentum in the development of strategic sites and renewing existing employment sites and premises where there is demand thereby addressing areas of market failure.
- Contribute towards the development and implementation of the Council's emerging Climate Resilience Delivery Plan by reducing demand for energy and delivering projects that provide additional social, economic and environmental benefits in support of the Council's strategic outcomes.
- Channelling new investment into schemes that:
  - Maximise the potential to address economic and social market failure.
  - Improve property assets for a direct strategic/policy purpose.
  - Enhance the value and marketability of property assets enabling capital receipts to be used to support improved service delivery.
  - Manage investment risk by investing in diverse sectors and asset classes.
  - Support the Council in maximizing the benefit from its financial assets in a risk aware way (not including standard treasury management activity).<sup>1</sup>

---

1. Treasury Management activity with banks, local authorities and the capital market are not in the scope of this Strategy, such activities being undertaken in accordance with the Treasury Management Strategy and Investment Strategy agreed annually by the County Council.

## LEGAL CONTEXT

- 3.1 Section 12 of the Local Government Act 2003 (the 2003 Act) provides a general power to invest:
  - “(a) for any purpose relevant to its functions under any enactment or*
  - (b) for the purposes of the prudent management of its financial affairs”*
- 3.2 The power contained in Section 12 (a) cannot be used for investing purely to create a return as this is not considered to be a purpose relevant to the Council’s functions whereas the power in Section 12 (b) may be used for investing to create a return as it may be prudent when used with other measures to manage the Council’s financial affairs.
- 3.3 Section 120 of the Local Government Act 1972 (the 1972 Act) provides the power for the acquisition of land by agreement (whether inside or outside the authority’s area) for the purpose of:
 

*“Any of their functions under this or any other enactment, or the benefit, improvement or development of their area”*
- 3.4 Acquisition can take place notwithstanding that the land is not immediately required for that purpose.
- 3.5 Further power is conferred upon an authority by the Localism Act 2011 (the 2011 Act). Section 1 of this Act introduced a new General Power of Competence which gave local authorities the power to conduct business transactions in a manner identical to private individuals acting within the law. This Act is widely drawn and includes reference to commercial activities which do not necessarily have to benefit the local authority’s area. However, this power is subject to a requirement that any actions being carried out for a “commercial purpose” must be done “through a company”, (i.e., a company within the meaning of s.1 (1) Companies Act 2006).
- 3.6 The approach of the County Council to date has been to rely on the powers set out in the 2003 Act. At present, this has not required the setting up of a company for its property and non-property investment activities. However, it could be necessary in the future, if the Council wishes to expand and diversify the scope of its investments. Such arrangements are not detailed in this Strategy at this stage.
- 3.7 The Strategy should be read in conjunction with the Capital Strategy, Treasury Management Strategy, the CIPFA Prudential Code and Annual Investment Strategy and taken together take into account the statutory guidance issued by the Secretary of State under the Local Government Act 2003.

# STRATEGY 2026 TO 2030

- 4.1 This Strategy is a high-level summary of the Council's approach to existing and new investments. It sets out the criteria and the processes and practices that will be considered and followed when carrying out such activities.
- 4.2 The Strategy developed for 2026 to 2030 has been aligned with the Council's MTFS timetable and reflects the aspiration of the current Capital Programme to invest in assets that will secure a long-term economic and social benefit. It is designed to provide a framework that is flexible enough for the Council to participate in the property market whilst ensuring governance processes are in place, full assessments are made, and risks are minimised.

## Purpose of the Portfolio

- 4.3 In respect of the Direct Property Portfolio the primary purpose of the Strategy will be to continue to facilitate:
  - 4.3.1 The development of new or existing assets to meet Council service needs where this will reduce operating costs or, for example, meet local housing needs, thereby securing benefits for the Council.
  - 4.3.2 The continued acquisition of parcels of land for development and standalone direct property investments that contribute to the attainment of policy goals or address areas of economic or social market failure.
  - 4.3.3 Make better use of underperforming investment assets already owned by the Council by considering their redevelopment or selective disposal (where appropriate) and ensuring they meet the needs of local businesses, current market expectations and address areas of market failure.
  - 4.3.4 Maintaining progress in the restructuring and rebalancing of the property portfolio.
- 4.4 The Portfolio will also utilise Treasury Management investments "Diversifiers" to provide balance to the overall portfolio, subject to any associated risks being monitored and managed. This is likely to include investments in different sectors, assets classes and geographies. These will be limited to investments that are allowable within statutory guidance and CIPFA codes to avoid any unintended consequences for the Council's wider capital financing activities.
- 4.5 The Portfolio will be reviewed, and performance of individual investments assessed on a regular basis. Where performance of an investment cannot be improved to an acceptable level, assets will be considered for disposal. The sale proceeds from such disposals will either be reinvested or used to reduce borrowing in accordance with Government guidance.
- 4.6 Alternative investments options are also kept under review (both directs and diversifiers), subject to meeting the investment criteria set out in this strategy.

## Development of the Portfolio

- 4.7 The capital invested in the Portfolio as of 31 March 2025 was £205m (based on historic cost). The latest valuation of the portfolio, as of 1st April 2025, which includes capital growth in the valuation of the assets held, is £278m. The Portfolio achieved a net revenue income of £8.6m for 2024/25, a net income return of 3.0% and 5.4% when excluding development and rural sectors.
- 4.8 An overall target return for the Portfolio's existing portfolio is 7% pa over the medium term, reflecting the related risk, made up of a combination of capital growth and revenue income. The portfolio is expected to generate around £9m net income in 2026/27 excluding capital growth.
- 4.9 Decisions on how the investment programme is funded will be defined by the Council's Treasury Management and Capital Strategies and considered as part of the MTFS.
- 4.10 A total of £43m has been included in the draft 2026-30 capital programme. Including spend programmed in 2025/26 together this will bring the total held to £260m (based on historic cost). The above forecasts reflecting the need to maintain the balance between direct property investments and diversifiers in line with the Hymans review recommendations. A satisfactory business case appraisal which includes external due diligence will be required before each purchase or investment.
- 4.11 The County Council has not and does not intend to borrow to fund the investments within the Portfolio's development programme. The proposed investment included within the MTFS 2026-30 is entirely funded from revenue reserves. Decisions on the availability and proportionality of funding to fund the Capital Programme, are made through the Capital Strategy are reviewed annually as part of the MTFS, and the Treasury Management Strategy Statement and Annual Investment Strategy. These documents take into account the statutory guidance issued by the Secretary of State under the Local Government Act 2003.
- 4.12 The generation of capital receipts is a priority for the County Council. The draft capital programme includes an estimate of £16m across the four years to 2029/30. 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.

## Property Portfolio Management

- 4.13 As the property portfolio nears its target level of investment its ongoing management needs to be both focused and proactive; to ensure that opportunities to enhance the financial, economic development and community benefits are maximised.
- 4.14 Included within the MTFS is reference to a 'Saving under Development' relating to the liLP. Suggesting that further opportunities should be explored within the programme to optimise returns through strategic asset management and diversification.
- 4.15 The Council's Efficiency Review is also likely to include a review of the assets held under the liLP portfolio.
- 4.16 The plan is therefore to review the overall portfolio in 2026 and develop a detailed 'Portfolio Management' plan for the existing property portfolio and priorities for future investment. The review process will be supported by accurate management information and benchmarked data and evaluated against robust performance targets.
- 4.17 The review and plan will include the office, industrial and alternative property sectors. The rural sector will be reviewed in line with the Rural Strategy, but incorporated into the overall Portfolio Management Plan.
- 4.18 The liLP programme board will receive quarterly updates as the reviews are undertaken.
- 4.19 The whole portfolio is subject to an external review every three years, the last being undertaken in January 2024. The outcomes and recommendations from the external review will be incorporated into the plan when the strategy is reviewed again in 2027.
- 4.20 The Council will continually keep under review its vacant and underutilised land and property holdings. Based on a robust decision making process it will make choices as to developing or disposing of such property.
- 4.21 Where land is suitable for development the Council will promote support for such development in District and Borough Local Plans. Recent examples of this proactive approach include emerging developments for employment use at Airfield Business Park phase 2, Market Harborough, and Leaders Farm Lutterworth. This is in addition to the promotion of land belonging to the Council and adjoining landowner partners, to provide up to 8,000 much needed homes at 2 sites at Lutterworth East and J2 M69 Stoney Stanton.
- 4.22 Where the Council is of the view that the benefit of development is better realised by more technically qualified or specialist developers, or where the Council believes that it would be prudent to share risk, then it will dispose or enter into partnership agreements.

# INVESTMENT CRITERIA

5.1 When investing the Council's financial resources action will be taken to ensure:

- That principal sums invested are safeguarded as far as possible.
- That they provide adequate liquidity.
- That investment returns (or yield) are considered and balanced against potential risk factors.

5.2 Once liquidity (the ability to ensure, as far as is practicable, that should the Council wish to divest itself of an asset, it can do so without incurring any material loss) has been confirmed, the following criteria will be considered as appropriate when assessing a potential investment (including developments):

- Security of the principal capital to be invested (both for land acquisitions and development/construction proposals).
- The ability of the investment to make a positive contribution to attainment of strategic objectives or addressing areas of market failure.
- The financial return is commensurate with the risk being taken, under a range of economic scenarios.
- Any legal issues (restrictive covenants etc.) regarding the title of the land/property.
- Risk of securing planning permission, including conditions.
- Any potential liabilities (such as land contamination/asbestos).
- Sustainability (the energy performance of any existing property and its use).
- Full cost of the acquisition (land value, fees, end of life costs etc.).
- Fit with the current portfolio.
- Exit strategy.

In addition, any property investment opportunities will also be considered with regard to:

- **Economic benefit:** The number of jobs and business opportunities created/supported and the ability of the asset to address market failure are the key elements of a potential investment together with the level of gross value added to the economy
- **Development potential income:** The total income assuming the site is fully developed (with cash flow timescales) and the restrictions on use of the funds e.g., requirement to be recycled into further such schemes/investments.
- **Tenant:** The financial standing and viability of any existing (or potential) tenants' covenants is to be considered.

- **Location:** Whilst all new investments will be made within the County or its area of economic influence more weighting is given to acquiring assets or land/or the development of property assets in areas of the county requiring regeneration in order maximise benefits by stimulating the local economy through sustainable financial and economic growth, over the lifetime of the investment.
- **Sector:** The strength of the investment or development sector should be considered in relation to its location, rather than in isolation.
- **Building:** The age and construction of any existing buildings should be considered in the decision-making process, including its energy efficiency. The potential for future structural repairs, retrofits and refurbishment expenses for both the County Council and the occupiers should be limited as much as possible. Property let on a term which exceeds the economic life expectancy of the buildings should not be purchased.

5.3 Once an asset/investment opportunity has been identified, it should be considered as objectively as possible to ensure that the overall aims of the Strategy are achieved in a co-ordinated and measured way. The financial appraisal of opportunities is conducted in a consistent manner using financial metrics such as net present values and internal rates of return. Risk is considered by adjusting key assumptions to produce financial metrics under a range of possible scenarios.

5.4 The adequacy of the estimated benefits will be judged against the certainty of the anticipated outcomes materialising.

# ENVIRONMENTAL, SOCIAL GOVERNANCE (ESG)

6.1 In 2018 the County Council adopted a new environment strategy ('Environment Strategy 2018 - 2030 – delivering a better future') which contains the following commitment:

*"The UK Government's recent Clean Growth Strategy underlines the role that local government has in delivering and supporting our evolution to a low carbon society as we respond to these national and international commitments. The urgent need for concerted international action on climate change has been recognised by over 170 countries globally.*

6.2 To align with the council's wider ambitions the Fund will aim to ensure that its developments will be built in as sustainable a manner as possible with the aim of minimising emissions in the construction phase and as energy efficient to occupy and operate as possible (including the use, where viable, of on-site renewable energy sources).

6.3 The Portfolio will be managed sustainably having regard to the emerging Climate Delivery Resilience Plan with the following aims:

- a Identify sustainability targets within the Management Plan for each sector with a view to achieving environmental improvements within the corporately agreed timescales.
- b In respect of direct property sectors the aim will be to encourage tenants to contribute to achieving environmental improvements in the following way.
  - **Commercial property** - retrofit and energy efficiency, renewable energy generation, links to MEES regulations.
  - **Rural** - transition plans for farms.
  - **Developments** - supply chain engagement, materials guide, environmental impact of construction.
- c Implement a Sustainability checklist as part of the strategy together with appropriate KPIs monitoring and reporting.

6.4 Furthermore, the developments will achieve net biodiversity gain at least equal to the statutory 10% requirement and push waste up the Waste Hierarchy by adopting a reduce, reuse, recycle approach to the management of waste particularly during the construction phase.

6.5 The wider public health agenda issues such as obesity, mental health, general health and wellbeing will also form part of the decision-making criteria as to what makes good development design and layout. When deciding how and where to invest, the County Council is cognisant of the economic, social and environment considerations and will seek to ensure that any development it is involved with is a sustainable development.

6.6 The County Council will ensure that the relevant environmental, social, and governance (ESG) standards are met when seeking to screen potential investments.

- Environmental criteria will be used to consider how the County Council performs in its responsible use and protection of the natural environment through conservation and sustainable practices to enhance ecosystem resilience and human well-being.
- Social criteria will examine how it manages relationships within the communities around the county where the County Council owns assets.

6.7 Governance criteria will ensure that the controls and processes for the Fund are appropriate and followed.

# FINANCIAL RETURNS

## **Yield**

- 7.1 Whilst it is intended that future investments should be judged primarily based on the County Council's wider policy objectives; it is important to ensure that the financial performance of the assets held is acceptable.
- 7.2 The level of yield required balances security and liquidity.
- 7.3 The yield will reflect the various risks involved in the investment. By and large, the higher the level of uncertainty (e.g., a tenant with a poor credit rating) the higher the required yield would need to be.
- 7.4 The medium-term target rate of return for investments is 7% pa. There will be costs incurred in managing the Portfolio and costs associated with abortive work (feasibility studies, consultant work/staff time, unsuccessful acquisitions bids).
- 7.5 Individual lot sizes can each be considered on their merits providing they conform to the agreed overall portfolio mix.
- 7.6 Assuming that investment/development property is the only asset class of investment being considered, the overall return of a standalone investment will vary depending on the market sector, the nature of the property asset acquired and the characteristics of the tenant in the acquired property.
- 7.7 Whilst seeking to achieve the target return of 7%, the Portfolio will invest in assets that generate a return that reflects the underlying risk of the investment thereby ensuring that assets remain attractive to the market.

## Internal Rate of Return

7.8 Whilst yield is a useful measure for assessing the merits of an investment, yield will change over the life of an investment. To give a longer-term perspective, the Internal Rate of Return (IRR) is the key metric that is used to assess the strength of an investment. The IRR is the interest rate at which the net present value of all cash flows arising from an investment is equal to zero. In calculating an estimated IRR, a number of assumptions need to be made in terms of projecting future expenditure and income streams including the future capital value of the investment holding. As a guide a minimum IRR of 7% is a high-level assessment for whether an investment is worthwhile.

## Independent Review

7.9 It is proposed that the performance of the Portfolio and the overall Strategy should be subject to an independent review at no greater than 3-year intervals; the latest review of the Portfolio was undertaken by Hymans Robertson in January 2024.

7.10 The 2024 Hymans Robertson Review, as with the earlier 2020 review, considered the current economic outlook and that of the real estate investment market. Based on the make-up of the portfolio as of 31st March 2023 the review concluded that the current portfolio mix of direct property and diversifiers was appropriate and struck a reasonable balance between the positive economic, social and environmental impacts generated in the direct portfolio and the downside protection provided by the diversifier's portfolio.

7.11 Given the volume of new investments to be made to reach the target portfolio size and maintain the split between direct property and diversifiers, it is anticipated that the direct portfolio will see only modest new capital spend unless divestments take place. The review recommended that the Council explores opportunities to dispose of certain existing assets and recycle the capital into new developments. This will enable the Programme to maintain a high level of positive impact in the local community, as well as providing the opportunity to implement some of the portfolio refinements proposed below.

7.12 In addition, the review acknowledged that the development sector, is currently larger than would normally be anticipated. The disposal or future development of assets within the sector will correct the balance.

7.13 Further, the review in considering the future direction of investment strategy made the following recommendations which are summarised in the table below together with the target range for each individual sector:

<b>Sector</b>	<b>Portfolio % 31/03/25</b>	<b>Hyman's Recommendation</b>	<b>Target Range % Portfolio</b>
Direct Property			
Offices	22%	Maintain or Reduce allocation	15 - 20%
Industrial/Distribution	9%	Increase allocation	15 - 20%
Retail	0%	Selectively consider retail investments	2 - 5%
Rural	33%	Maintain allocation	25 - 30%
Other/Alternative	2%	Selectively increase	0 - 5%
Local infrastructure	0%	Consider as potential future investments	0 - 5%
Development	14%	Reduce over time	8 - 12%
Diversifiers			
Pooled Property	5%	Allow to fall but ideally not below 8% (pooled property funds being disposed of by the property managers are difficult to replace under current guidance)	3 - 8%
Private Debt	8%	Increase and diversify	15 - 20%
Pooled Infrastructure	3%	Maintain allocation	2 - 5%
Bank Risk Share	4%		3 - 8%
Corporate Lending and local infrastructure	0%	Consider as potential future investments	0 - 5%
<b>Total</b>	<b>100%</b>		

- a At the annual revaluation of direct property in 2023, the rural estate was revalued under revised guidance; the revised valuation being based on freehold vacant possession replacement value rather than investment value. The effect was to increase the holding value by £57.6m. The rural exposure on the total allocation within liLP has been increased and is currently marginally ahead of the target range.
- b The review did not recommend any major changes of direction. However, it did suggest that within the direct portfolio consideration be given to selected retail investments and recognises the potential for investment in local infrastructure assets. At present there are retail investments in development that will add to the portfolio, these are likely to be completed during 2026.
- c With respect to industrial investments, Hymans advised to increase the allocation. The Airfield Farm Business Park will complete in 2026 which will when complete and let will bring the liLP closer to the target range stated.

- d In the case of diversifier investments, it was advised that the portfolio be rebalanced reducing the level of pooled property and maintaining the level of pooled infrastructure investments whilst increasing and diversifying the portfolio of private debt investments. At present, the level of pooled property has been reduced and infrastructure investments maintained.
- e The development segment will reduce as two current investments will be delivered during 2026 and bring the segment within the target range.
- f Future management and investment strategy and decisions will be influenced by the Hymans Robertson review with the above advice used to inform all future investment decisions forming an integral part of investment assessments which will continue to be supported by full business cases.

# INVESTMENT ASSESSMENTS

8.1 This Strategy places emphasis on openness, transparency and consistency. It aims to ensure maximum benefit from the effective purchase and subsequent management of the Council's assets, but within a framework which can be adaptable to market conditions. Within this framework, the Council must act within the appropriate legal framework, in a demonstrably fair and open manner, and consider whole life costs.

## Direct Property Investments

8.2 Each proposed direct property investment proposal (including both proposals to acquire and/or develop property) will be subject to a three-stage appraisal process as detailed below, although given the need to respond quickly to opportunities as they become available, a degree of flexibility is required and some of these stages may be combined.

## STAGE 1 - Initial Assessment

8.3 The first phase of determining whether a direct property investment opportunity is worth proceeding with consists of a number of separate assessments:

- Fit with other Portfolio holdings
- Fit with County Council priorities
- Risk Profile
- High level financials (revenue and potential for capital growth),
- Tenancy Terms
- Planning Overview
- Site Inspection
- Legal considerations and fit with statutory guidance
- Valuation

8.4 Strategic Property Services in consultation with Strategic Finance will first prepare an Initial Appraisal Report (IAR) which is intended to answer the basic question – 'is the asset worth acquiring?'.

8.5 The IAR considers the likelihood of the proposed investment achieving the outcomes required, the size and barriers to entry of the market, plus its suitability to the Council's own ethical standards, the quantum of risk and complexity, the payback period and how much the Council knows about the proposal. Initial basic property details are also recorded at this time.

8.6 The answers to these key criteria will give a simple yet effective picture of the proposal and will allow an early decision to be made by the Director of Corporate Resources as to whether an investment is worth pursuing.

- 8.7 The process is managed by the Strategic Property Services Team and the decisions summarised in a regular report to the Director of Corporate Resources.
- 8.8 A challenge can be raised through the Strategic Property Services Team, to the Director of Corporate Resources, but there must be no multiple consideration of the same proposal during the initial process. Once it has been deemed a failure, unless there is a fundamental error in the information provided or a paradigm shift on the proposal itself then the activity must cease.

## STAGE 2 – Financial Appraisal and Business Case

- 8.9 Once the asset/site has passed the initial evaluation, a financial appraisal and business case will be prepared to establish the financial/budgetary implications of acquiring the property at the negotiated price.
- 8.10 An independent property advisory firm will also be consulted on the opportunity and their report made known to the Investing in Leicestershire Programme Board (the Board) if the proposal is progressed beyond stage two.
- 8.11 The aim of the financial appraisal is to assess how the acquisition will perform over the medium to long term. It will consider all the acquisition costs and any potential income, the associated risks and then assess whether the proposal is suitable from a financial perspective. The business case will also develop the non-financial benefits that are being sought from the acquisition. This process will be led by the Strategic Finance Service, but the Director and the Board will be kept advised as projects are assessed and negotiated.

## Other Council Consultees

- 8.12 After the identification of an asset, it will be incumbent on Strategic Property Services as Portfolio Manager to establish whether there may be constraints on the development or use of the asset.
- 8.13 In some cases, it may be appropriate to seek planning permission for a form of development prior to acquiring land. Strategic Property Services will consult with planning and highways colleagues (and other departments as appropriate) together with external consultants to decide whether planning permission should be sought prior to acquisition (conditional contract).
- 8.14 As part of this consultation, advice will be sought on suitable alternative uses for the site/asset. In case the existing or proposed use becomes unviable in the future, it is useful to have an alternative use value. The relative monetary risk of the investment can be quantified using this information.
- 8.15 Contemporaneously with the planning audit, the Council's legal section will be asked to undertake title searches of the land to ensure that the title is clean and there are no abnormal issues with the land that would be detrimental from a legal perspective.
- 8.16 Any existing or proposed tenant will also be credit checked.

## Valuation

8.17 Valuation advice will usually be provided by a professionally qualified member of the Council's Estates team. Where the advice required is particularly specialist or, if otherwise appropriate, valuation advice may be provided by another suitably qualified external surveyor.

## STAGE 3 - Approval to Acquire/Develop

8.18 If the investment satisfies both stages one and two of the appraisal process, then on reaching agreement in principle as to the terms of acquisition, a detailed report will be prepared for consideration by the Board. Subject to the Board's support, acquisitions will then either be presented to the Cabinet for approval (necessary due to the size, complexity or risk (financial or reputational) of the proposed investment) or will be progressed by the Director of Corporate Resources under delegated powers. This report will set out how the acquisition is in accordance with agreed Council priorities and this Strategy.

8.19 Each business case will be approved by the Director of Corporate Resources (Section 151 officer) prior to presentation and discussion at the Board, which is chaired by the Lead Member for Resources.

8.20 All acquisitions shall have the necessary budgetary and relevant approvals before the acquisition is completed.

8.21 For clarity any decision that requires an approval of expenditure of less than £5 million can be made by the Director of Corporate Resources under the powers delegated by the Cabinet.

8.22 Any decision that requires an approval of expenditure of more than £5m will require Cabinet approval.

## Surveys and Instructions

8.23 When all appropriate surveys (which must include an asbestos survey where the acquisition involves a building erected prior to 1999) have been satisfactorily completed or provided, the Council's legal services team will be instructed to complete the documentation associated with the acquisition.

## Non-Direct Property “Diversifier” Investments

8.24 Notwithstanding that other non-direct property diversifier investments will be subject to approval as part of the Council’s overall treasury management, processes will similarly be subject to a selection and appraisal process as detailed below.

### STAGE 1 – Initial Assessment

8.25 An initial assessment of the investment will be undertaken by the Strategic Finance Team and include the following assessments:

- Compliance with current Treasury Guidance and Capital Financing Regulations
- Fit within the Diversifier portfolio
- Risk Profile
- Potential Returns and impact on the MTFS
- Liquidity
- Alignment with LCC objectives
- Operational Complexity

8.26 In addition, as part of the assessment process a financial appraisal and business case will be prepared to establish the financial/budgetary implications of acquiring the investment at its current valuation/price; the business case to be approved by the Director of Corporate Resources.

### STAGE 2 – Independent External Assessment

8.27 The Council’s appointed external investment advisor will also be consulted on the opportunity; their advice forming an integral part of the report to the Board if the proposal is progressed.

### STAGE 3 – Approval to Acquire

8.28 On completing stages one and two of the appraisal process and on reaching agreement in principle as to the terms of acquisition, a detailed report, including the advice of the independent external advisor, will be prepared for consideration by the Board. Any changes to the financial appraisal as a result of external assessment or feedback from the Board will be reflected before presenting to the Director of Corporate Resources.

8.29 Subject to the Board’s support, acquisitions will then either be presented to the Cabinet for approval due to the size, complexity or risk (financial or reputational) of the proposed investment or will be progressed by the Director of Corporate Resources under delegated powers.

8.30 Where a potential investment falls outside of the Treasury Management Strategy approved by County Council the investment will be subject to the relevant process in order to progress the particular investment to final approval.

# RISK

9.1 In respect of every investment there will be several risks that need to be assessed prior to a project being taken forward and then managed, mitigated and monitored throughout the life of an investment. The key risks faced by the County Council in respect of its investment activities are set out below.

## Investment Risk

9.2 The main risk with any investment lies with the ability to ensure the value of the original investment is maintained and safeguarded through securing an ongoing income stream.

9.3 For direct property risk can be mitigated by, ensuring that leases are of sufficient length, the tenant is of good covenant and is financially secure. However, the following risks remain:

- 9.3.1 Should a tenant default, then whilst there are procedures to recover rent, this is not guaranteed and can be time consuming and costly.
- 9.3.2 There are issues with holding void assets (periods of time when the investment is not income producing but the asset is incurring costs such as insurance, security, business rates, repairs etc.).
- 9.3.3 The ability to attract tenants of sufficient quality/sound covenant will also be affected by the macro-economic situation and more regional/location factors.

9.4 Holding a diverse portfolio of investments including non-direct property diversifier investments help to mitigate these risks although there will always be a dependency on the overall economic situation.

## Financing Risk

9.5 The Council is to ensure compliance with the Prudential Code for Capital Finance in Local Authorities and ensure liquidity and security of the principal capital and not to tie up resources into long term situations whereby short-term cash needs cannot be met or cannot be met without a significant financial penalty.

9.6 The returns generated by the Fund need to reflect the potential for the principal invested to reduce and for lost liquidity. For direct property, whilst seeking to achieve the target return of 7% on acquisition, a minimum total nominal return of 6.1% is sought in every investment (3.5% Green Book \* 2.5% average inflation). This is reviewed (at least) annually for changes in the opportunity cost of the Council's resources (e.g., borrowing) and other factors such as inflation and returns available elsewhere.

9.7 Decisions relating to the financing of investment and/or development will be taken in conjunction with the Council's Treasury Management Strategy Statement and Annual Investment Strategy both approved each year as part of the Council's MTFS.

## Reputational Risk

9.8 It is important that the reputation of the Council is protected during both times of financial restraint and otherwise in the investments that it makes.

## Development Risk

9.9 This risk is specifically associated with developing property, and these are higher than those risks associated with acquiring an already built property investment. This is therefore reflected in the business case analysis.

9.10 Build cost over runs and delays during the pre and the main construction phases will directly affect the ability of the scheme to deliver its full economic benefits and (as above) the risk of not securing a tenant to pay the rent is higher when dealing with new builds.

9.11 This can be mitigated by not building speculatively but only with an identified need and potential occupier tenant already in place, legally secured through an Agreement to Lease. However, this may not always be the best strategy as some prospective tenants may wish to see the building in place first before entering a contract. Each of these scenarios will be judged on a merit basis as they arise.

9.12 Officers will continue to keep the Director of Corporate Resources updated on projects to ensure that risks are monitored, eradicated or mitigated (or, in project management risk terms, the strategies to be employed are treat, tolerate, transfer, terminate) where possible.

## Managing Risks Direct Property Investment Appraisal Process

9.13 To minimise the risks associated with any investment being considered the Director of Corporate Resources will:

9.13.1 Consider the level of return required from the capital that is invested. Each proposal should review the liquidity of the proposed acquisition and a fully costed exit strategy should the asset underperform and is not capable of being improved.

9.13.2 Undertake a cost/benefit analysis to fully understand the likely returns, identify any hidden costs and include key metrics such as expected yield, internal rate of return and payback period.

9.13.3 Undertake a market analysis to ascertain the likelihood of the investment being required for and successfully delivering the desired economic and social outcomes across a full range of indicators.

9.13.4 Consider the use of external expertise where required to enhance the internal knowledge/ skills of officers and provide a greater level of assurance on the risks and mitigations involved, with the quality of the advice measured through the performance of each individual proposal against the benchmark/ target rate as set in the original business case and reported through to the Board regularly.

9.13.5 Produce a risk register for each property investment opportunity and update this annually. As each risk is analysed, a score which is a factor of probability and impact will be calculated (as per chart below) to ascertain the need for prioritising any actions to either tolerate, treat, terminate or transfer each highlighted risk.

**Impact (Negative)**

Probability	Minor	Moderate	Major	Critical
	1	2	3	4
4 Almost Certain	Medium (4)	High (8)	Very High (12)	Very High (16)
3 Likely	Medium (3)	High (6)	High (9)	Very High (12)
2 Possible	Low (2)	Medium (4)	High (6)	High (8)
1 Unlikely	Low (1)	Low (2)	Medium (3)	Medium (4)

9.14 The property investments will be considered as part of a diverse asset portfolio, to mitigate the risk associated with any single investment proposal. This diversification will include selecting a range of proposals with mixed payback, investment levels, returns, geographical locations and investment liquidity.

## Fraud and Corruption

9.15 The Director of Corporate Resources will ensure that risks of loss through fraud, error, corruption or other such eventualities in its investment dealings are mitigated as far as is practicable and that these systems and procedures in place to tackle this are robust.

9.16 The Director and officers are alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, procedures for verifying and recording the identity of counterparties (e.g., tenants) will be maintained, as will arrangements for Reporting any suspicious activity, and ensuring that all members of staff involved in such dealings are properly trained.

9.17 Items that will be regularly reviewed as part of every transaction will include:

- 9.17.1 Powers to own property investments
- 9.17.2 Money laundering risks
- 9.17.3 Property fraud risks
- 9.17.4 Changes to property legislation
- 9.17.5 Appropriate third-party checks before transacting
- 9.17.6 Due diligence in transactions
- 9.17.7 Keeping abreast of impact of legislative changes
- 9.17.8 Regular inspections of the assets

9.18 Full records of the purchase process will be kept in a separate file relating to the property and these records shall include details as to the valuation relied on in making the decision to acquire, the financial appraisal together with consents, approvals and papers recording the decisions taken under delegated powers. Such documents will form part of the public record.

## Member and Officer Oversight

9.19 The Council will continue to ensure the prudent management of its investments and for giving priority firstly to the security of the capital.

9.20 The Council will continue to ensure that procedures for monitoring, assessing and mitigating the risk of loss of invested sums are robust. The Board, acting in accordance with the Terms of Reference approved by Council as part of the MTFS 2023 -27 will play a vital role in assessing investment proposals and thereafter monitoring projects and overall performance of the Portfolio.

9.21 Financial performance is monitored by officers and members on a regular basis. The Cabinet and the Scrutiny Commission will receive regular MTFS monitoring reports which include information on the operation of the Fund. These bodies also receive an annual report on investment activity undertaken during each financial year which also provides an update on ongoing projects.

9.22 Officers have continuous oversight of matters relating to property assets held for both service delivery and investment purposes. These are monitored through the Asset Management Property Group and the Corporate Property Steering Group chaired by the Director of Corporate Resources.

9.23 Effective management and control of risk are prime objectives in the management of the Fund. Any risk identified will form part of the managing departments Risk Register which will be managed and mitigated and reassessed regularly in accordance with the Council's usual practice. Where appropriate, any significant risks will be captured on the Council's Corporate Risk Register which is overseen and monitored by the Council's Corporate Governance Committee.



## RISK SUMMARY

- 10.1 The Portfolio is to acquire property/infrastructure investments (where investing creates the ability to address market failure or support another County Council objective), development sites (where the Portfolio will be involved in developing infrastructure, finding tenants and building schemes out with the same purpose in mind) and other property/strategic land (where there is an expectation of a future improvement and capital growth).
- 10.2 Indirect investments (diversifiers) will be held for diversification purposes, this is currently pooled property, infrastructure, bank share and debt funds. The Portfolio is unlikely to acquire surplus operational property (that is being disposed of) where it has no potential to deliver future strategic outcomes.
- 10.3 The Council must consider its ability to divest; including the length of time and the ease and cost with which said investments can be returned in their entirety.
- 10.4 It is important for the Council to consider the key requirement of the Prudential Code which requires authorities not to tie up resources into long term situations whereby short-term cash needs cannot be met or cannot be met without a significant financial penalty. There must be a clear understanding and forecast of short-term cash needs which will need to be fully provided for by the Council before it considers longer term capital tie in.
- 10.5 This portfolio view, as well as individual asset classes, will be regularly reported to the Board, the Cabinet and the Scrutiny Commission.
- 10.6 Each individual proposal will have an exit strategy clearly articulated in the original business case which will provide an indicative timeline for the repayment of capital/ returning of funds once the decision has been made to divest, subject to market conditions.

# PERFORMANCE MONITORING/ BENCHMARKING

11.1 CIPFA guidance states that: -

*“Performance measurement is a process designed to calculate the effectiveness of a portfolios or managers investment returns or borrowing costs, and the application of the resulting data for the purposes of comparison with the performance of other portfolios or managers, or with recognised industry standards or market indices.”*

11.2 It is clearly important to monitor performance to ensure that any judgements being made are the right ones.

11.3 The Portfolio is subject to regular revaluations – with a regular review of investment methods as well as the delivery models. This will also include a regular assessment of the credit worthiness etc. of its tenants.

11.4 It is the Council’s aim to achieve stable long-term value for money from its investment activities. This will be through support to the County Council’s priorities whilst safeguarding the value and integrity of the initial investment and delivering financial returns commensurate with the level of risk undertaken.

11.5 As part of the performance reporting of the commercial programme the Board will consider not only new investment proposals, but also ongoing reporting of commercial activity outlining:

- 11.5.1 the performance of the portfolio,
- 11.5.2 the future pipeline of opportunities,
- 11.5.3 the investment forecast,
- 11.5.4 the risks and mitigations,
- 11.5.5 the detailed performance and commentary of each investment/ development proposal within the portfolio.

11.6 The reporting will be effective enough to allow the Board to support decisions on the future of each investment proposal considering four key outcomes

**Increase** - the proposal is performing well, and every indicator shows that the Council should increase the amount invested to generate enhanced benefits.

**Continue** - the proposal is performing well, and every indicator shows that the Council should continue with the existing levels of investment.

**Warning** - the proposal is not performing well and should be closely monitored, and remedial action taken. If the proposals poor performance hasn’t been reversed, the Board should consider alternate strategies.

**Exit/Disinvest/Stop** - the proposal is not performing well, despite the Council’s best efforts, the proposal should be considered for closure as soon as practicable, and the exit strategy evoked.

- 11.7 The commercial approach of the Council must be considered against the wider CIPFA financial regulations and MHCLG guidelines.
- 11.8 Each investment made by the Council will need to be regularly valued as part of the year end accounts closure process, with different asset types requiring differing valuation methods and timings.
- 11.9 There will be an annual analysis of the portfolio mix and re-profiling of the portfolio. This includes the current estate as well as new acquisitions. There will be more regular reviews in changeable/volatile economic circumstances.
- 11.10 The Strategy should consider the Portfolio's exposure to both macro and local economic downturns and monitor financial market commentaries and reviews on the likely future courses of interest rates, exchange rates and inflation and their potential impact on the property market and yields.
- 11.11 The Strategy should allow sufficient flexibility both to take advantage of potentially advantageous changes in market conditions and to mitigate the effects of potentially disadvantageous changes.
- 11.12 Officers will report regularly to the Director of Corporate Resources and will provide an annual report to Cabinet and to the Scrutiny Commission as well as updates throughout the year.
- 11.13 Financial performance will be benchmarked against other organisations.
- 11.14 More financial technical benchmarks such as Expected Yield and Internal rate of Return are also used to provide accounting rigour regarding performance.
- 11.15 Other items such as total investment, risk profile, liquidity and exit costs for the individual activities above a certain threshold are summarised in the regular reports to the Board.
- 11.16 The Statutory Guidance on Local Government Investments (3rd Edition) which is issued under s15(1)(a) of the Local Government Act 2003 requires local authorities to develop quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its decisions (para 22 of the Guidance).
- 11.17 Therefore, the Council has adopted the quantitative indicators as recommended by the Guidance (see Appendix A) and these, where appropriate, will form part of the Portfolio's annual report.

## STAFF RESOURCES

12.1 The Direct Property Portfolio is managed by the Head of Strategic Property Services with support from colleagues in Property with additional legal and consultancy advice; the portfolio of diversifiers being managed by the corporate finance team. The Director of Corporate Resources will ensure that there are adequate resources employed to ensure the whole Portfolio is managed in a safe and productive manner.

## APPENDIX A

Quantitative Performance Indicators		Estimate 2025/26	Estimate 2029/30
<b>Debt to net service expenditure (NSE) ratio</b>	Gross debt as a percentage of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.	n/a	n/a
<b>Commercial income to NSE ratio</b>	Dependence on non-fees and charges income to deliver core services. Fees and charges should be netted off gross service expenditure to calculate NSE.	1.40%	1.13%
<b>Investment cover ratio</b>	The total net income from property investments, compared to the interest expense.	n/a	n/a
<b>Loan to value ratio</b>	The amount of debt compared to the total asset value.	n/a	n/a
<b>Target income returns</b>	Net revenue income return. (net income / historic cost)	4.49%	3.46%
<b>Benchmarking of returns</b>	Level of predicted market returns used as benchmark for the portfolio, includes 2.5% estimated capital growth	6.99%	5.96%
<b>Gross and net income</b>	The income received from the investment portfolio at a gross level and net level (less costs) over time.	£10.3m £10.7m	£8.6m £9.0m
<b>Operating costs</b>	The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.	£1.6m	£1.7m
<b>Vacancy levels and Tenant exposures for non-financial investments (direct commercial property)</b>	Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.	5.0% (40,700 sq. ft.)	5.0% (45,000 sq. ft.)
<b>Amount of tenanted farmland disposed of vs acquired</b>	Monitoring the size of the County Farm Estate.	5 acres sold vs 0 acres acquired (7,354 acres held)	100 acres sold vs 100 acres acquired (7,359 acres held)
<b>Number of tenant farmers</b>	Monitoring how many farmers have taken leases on County Farms Properties with reference to new entrants to the farming sector.	4 new letting 1 new entrant	4 new letting 3 new entrants
Note 1. No borrowing has been incurred to fund IILP			

The above table reflects the internally set targets for the direct property portfolio for the current year and the final year of the strategy. In addition to reflecting the contribution the portfolio makes to support of services it shows the level of returns required to meet the predicted benchmark market comparators in terms of both net income return and total return crucial in ensuring that the portfolio provides continuing value for money.

Further, the target gross and net income figure are seen to increase for both the current year and over the period reflecting the additional income to be generated on the completion of new developments such as the final phase of Airfield Farm Business Park and increases achieved through rent reviews and lease renewals with operating costs remaining relatively stable over the period.

The Rural Estate data reflects the aspiration to maintain the estate at its current size replacing any land lost to development with additional agricultural assets thereby maintaining the opportunity for new entrants to enter the farming industry and establish sustainable businesses.

The County Council has not directly borrowed to develop the liLP portfolio. This is a more prudent position given no repayments of loans or exposure to interest rate changes affect the profitability of the portfolio.

The liLPs commercial income to the County Council's net revenue budget is low at less than 1.5% for both years stated. This implies less reliance on the liLP to provide core services. The net income produced is still material at over £8m per annum.

Operating costs include among other costs the building and maintaining of a sinking fund to support the liLPs assets in for improvements or unexpected losses. We would expect that over time, operating costs as a percentage to stabilise but this would be dependant on future utilisation of the sinking fund.

Target income returns look lower than they would otherwise be given a material part of the liLP includes a rural estate which has been significantly revalued upwards in past years and yields a lower rental income than commercial property. In addition, inclusion of the development sites lowers then target income estimate given no rental income until completion and let.

## APPENDIX B

### INVESTING IN LEICESTERSHIRE PROGRAMME BOARD TERMS OF REFERENCE AND GOVERNANCE ARRANGEMENTS

#### Function

To support the increase, improvement and management of the County Council's Investing in Leicestershire Programme (the Programme) which:

- Supports the objectives of the Council's Medium Term Financial Strategy.
- Addresses areas of economic and social market failure and development of Leicestershire's infrastructure.
- Supports the delivery of front-line services through increased income generation from existing investments, or through capital investments that will reduce operating costs.
- Supports the delivery of the Council's Strategic Plan's five strategic outcomes and wider strategic objectives.
- Ensures investment risk is managed through the opportunity to invest in diverse sectors.
- Meets the objectives of the Council's Corporate Asset Management Plan, Investment in Leicestershire Programme Strategy (the Strategy), the Economic Growth Plan and Local Industrial Strategy.
- Increases the size of the property portfolio and improves the mix and quality of land and property available across the County and its area of economic influence.
- Maximises returns on Council owned property assets.
- Supports growth in the County and its economic area of influence and ensures there is a more diverse range of properties and land assets available to meet the Council's aims, including economic development and regeneration.
- Supports the Council in maximising the benefit from its financial assets in a risk aware way (not including standard treasury management activity).

Note: Treasury Management activity with banks, local authorities and the capital market are not in the scope of this Board, such activates being undertaken by the Director of Corporate Resource in accordance with the Treasury Management Strategy and Investment Strategy agreed annually by the County Council.

## Role

To consider matters relating to assets held, or to be held, including:

- Property transactions which would require a decision by the Cabinet or a decision by the Director of Corporate Resources under delegated powers where there is an obligation to first consult the Board.
- Proposals to acquire property for development, or to develop or redevelop existing property assets currently used for service delivery into economic development/investment assets.
- Proposals to acquire land to support housing development within the County
- Significant disposal proposals.
- Other investment proposals, compliant with Government guidance, aimed at generating an income and return where this is considered appropriate by the Director of Corporate Resources.
- The development of investment policies and strategies covering property and financial investments not categorised as 'specified' in the Council's Investment Strategy.
- Performance (financial and non-financial) in relation to investment activity and the achievement of strategic objectives.

## Governance Arrangements

The Board will comprise of a minimum of 5 Cabinet members to be appointed by the Leader, including the Cabinet Lead Member for Resources who will be Chairman of the Board.

A quorum of three Members will be required to conduct business.

The Board will meet as and when required.

Support will be given to the Board by the following (or their representative) –

- The Director of Corporate Resources
- The Head of Strategic Property
- The Director of Law and Governance
- The Head of Planning, Historic and Natural Environment (as required)
- Independent investment advisors (as required)

Meetings of the Board will be held in private in view of its function and the nature of business to be considered.

## Independent Investment Advisors

Support is primarily expected from a specialist advisor with proven expertise and experience in the property investment market and access to specialist industrial, agricultural, office and retail investment areas will be appointed to provide property investment consultancy advice to the Board and to officers regarding proposed property investment activities.

The Independent Advisor will also:

- Provide market information and strategic advice on an ongoing basis in order that the Strategy can be reviewed and updated to respond quickly to changing economic and market conditions.
- Upon request by the Director of Corporate Resources, actively source investment opportunities and pursue those and such other investment opportunities as directed by the Authority on behalf of the Council, providing detailed property appraisals to assist the governance process as necessary.

Where non-property investments are being considered external advice will be taken, as appropriate. Depending upon the nature of the investment this could range from an advisor specialising in the investment area or utilisation of advice received by the Pension Fund.

## Ongoing Reporting Arrangements – Management and Monitoring of Investments

Regular performance reports regarding the Programme will be presented to the Board as is considered appropriate by the Director of Corporate Resources.

Financial performance of the will be monitored regularly through a specific section in the MTFS Monitoring reports presented to the Cabinet and the Scrutiny Commission on a regular basis.

Reports will be presented to the Cabinet and the Scrutiny Commission annually in the summer regarding matters considered and supported by the Board and actions taken by the Director of Corporate Resources under delegated powers. Such reports will also set out the performance of the portfolio against the targets set out in the Corporate Asset Management Plan.

## Investment Fund Strategy.

Decisions taken by the Director of Corporate Resources under delegated powers will be published on the Council's website in accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations 2012.

The Strategy will be reviewed and refreshed on an annual basis and the Corporate Asset Management Plan will be reviewed and refreshed every four years with additional annual updates during the period. Both will be presented to the Scrutiny Commission for consideration, and thereafter the Cabinet for approval.



This page is intentionally left blank

# Risk Management

## POLICY STATEMENT AND STRATEGY

### **Document Details:**

Owner/Lead Officer	: Head of Internal Audit & Assurance Service, Corporate Resources Department
Created	: January 2026
Review Arrangements	: Annually
Next Review Date	: January 2027
Ratified by	: Chief Officers (Annually)

## Risk Management Policy Statement

1. Local government in the UK will begin to plan for significant changes starting in 2026. The Government is currently reviewing numerous councils' business cases with the outcome of replacing all two-tier county and district councils with single tier unitary authorities. It also has ambitions to devolve powers across England by implementing Mayoral Strategic Authorities (MSA). Unlocking devolution will allow better alignment to public services, boost economic growth and place funding and powers closer to residents to empower communities. Reforms will have a significant impact on every community and will result in fundamental change to councils creating many risks but also significant opportunities.
2. Despite the Government outlining principles for funding reform, stressing allocations were based on robust analysis and demand drivers, last minute unexpected post-consultation changes at the end of November 2025 redirected funds to urban councils at the expense of rural areas, despite updated assessments showing county regions have the greatest increase in needs. This change in approach was confirmed when the provisional Local Government Finance Settlement for 2026/27 was published on 17 December 2025, with the decision to continue the Recovery Grant to a limited number of authorities being detrimental for Leicestershire. The provisional settlement also failed to offer enough clarity to councils on how rising demand for SEND and historic deficits will be funded and what this means for their long-term financial stability. Significant cost and demand pressures also persist in children's and adult social care and home-to-school transport. Councils face ongoing uncertainty, high service demand, and budget challenges through 2026 and beyond, raising widespread concerns about short- to medium-term sustainability and their ability to meet statutory duties.
3. The Council's four-year Strategic Plan agreed in May 2022, was refreshed to set out its revised long-term vision and priorities to 2026. The Council is continuing to operate in an extremely challenging financial climate. Whilst the proposed next four-year MTFS forecasts a balanced budget for 2026-27 (after use of £23m earmarked reserves), significant gaps remain in the following three years.
4. Local authorities that foster effective risk management and aim for a 'no surprises' culture are better positioned to meet objectives, sustain services, deliver value for money, and uphold good governance with stakeholders. Robust risk management balances protection from harm with openness to calculated risks and opportunities. While new complexities and risks will emerge, they also create chances for innovation, collaboration, transformation, community engagement, and new approaches to service delivery.
5. While protecting the most vulnerable, the Council promotes a risk-aware culture that encourages creativity and innovation. Risks are identified, understood, and proactively managed rather than avoided. Risk management is central to the Council and its partners, enabling it to meet current community needs and prepare for future challenges
6. This Policy Statement and Strategy provide an integrated framework for effective risk management. It assures stakeholders, partners, and customers of a consistent approach to managing risks and opportunities across all activities, aligned to and supporting delivery of the Council's Strategic Plan, its other plans, strategies and related programmes.
7. This Policy Statement and Strategy are fully supported by Chief Officers, who are committed to embedding risk management across the Council. Its success depends on the cooperation of all managers and employees to ensure effective use of resources. The Policy and Strategy will be presented to the Corporate Governance Committee (the Committee) and Cabinet as part of the MTFS.

Signed:

Title: Chief Executive

Date: January 2026

## Contents

<u>Ref.</u>	<u>Section</u>	<u>Page</u>
1.0	Defining Risk and Risk Management	4
2.0	Why undertake risk management?	4
3.0	Benefits of risk management	6
4.0	Risk Management Strategy objectives	6
5.0	Risk Appetite and Risk Tolerance	7
6.0	Risk Management Maturity	8
7.0	The Risk Management Approach and Process	9
8.0	Application - Service, Department, Corporate & Specialist Risks	10
9.0	Risk Management Roles and Responsibilities - structure	16
10.0	Continuous Improvement	16
Annex 1	Risk Appetite	17
Annex 2	Risk Impact & Likelihood Measurement Criteria, Risk Scoring Matrix and Risk Tolerance Reporting Criteria	18
Annex 3	Risk Management Roles & Responsibilities – Detail	20
Annex 4	Action Plan	27

# Leicestershire County Council Risk Management Strategy

## 1.0 Defining Risk and Risk Management

Leicestershire County Council (the Council) has adopted these definitions of risk and risk management from the ISO31000:2018 'Risk management – guidelines' which are applied in the Association of Local Authority Risk Managers (ALARM) 'Risk management tool kit 2021':

Risk is defined as:

The effect (positive or negative) of uncertainty on objectives

Risk Management is defined as:

Coordinated activities to direct and control an organisation with regards to risk

By managing risk effectively, the Council will be in a better position to safeguard against potential threats and make the most of potential opportunities to and retain and improve services and continue to provide value for money.

This Risk Management Strategy outlines how the Council will use risk management to successfully deliver corporate, departmental and service objectives and priorities.

## 2.0 Why undertake risk management?

### Statutory requirements

Part 2 of the Accounts and Audit Regulations 2015 (Internal Control) places explicit requirements on the Council around risk: -

- Paragraph 3 (c) - the Council must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk;
- Paragraph 4.4 (a - iii) – the Responsible Financial Officer (the Director of Corporate Resources) must determine, on behalf of the Council financial control systems which must include measures to ensure that risk is appropriately managed;
- Paragraph 5 (1) the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management processes.

### Local (external) audit requirements

Under the Local Audit and Accountability Act (2014) the Council's local (external) auditor (Grant Thornton LLP) is required to satisfy itself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of its resources i.e. its value for money arrangements. Within its review of governance arrangements, the auditor considers how the council monitors and assesses risk and gains assurance over the effective operation of internal controls including arrangements to prevent and detect fraud.

## Constitutional requirements

The County Council's Constitution (revised 24 November 2025), Part 3: 'Responsibility for Functions' contains several references to risk management.

- Section B: Responsibility for "County Council" functions – Corporate Governance Committee (the Committee).
  - The functions delegated to the Committee shall be all those non-executive functions relating to the promotion and maintenance of high standards and integrity within the Authority in relation to governance, risk etc
  - Committee Terms of Reference – Section 2: Governance & Risk<sup>1&2</sup>
    - 2. 5 - To review and monitor the effective development and operation of risk management in the Council including the Council's risk management framework.
    - 2.6 - To review and make recommendations to the County Council on the Council's Risk Management Policy Statement and Strategy.
- Section D: General scheme of delegation to Chief Officers
  - 5(h) that any exercise of delegated powers by officers, shall have identified and managed appropriate strategic and operational risks within the officer's area of responsibility

<sup>1</sup> These align to the oversight of risk management arrangements as being a core function of a local government Audit Committee as referred to in CIPFA's Guidance on Audit Committees 2022.

<sup>2</sup> The Council's Local Code of Corporate Governance (2022) complies with the 'Delivering Good Governance in Local Government; Framework' (2016), specifically Principle F which advises that good governance is promoted when there is management of risks and performance through robust internal control and strong public financial management.

## Leadership Behaviour requirements

Risk management is central to the Council's strategic management principles. Managers systematically address risks to achieve sustained benefits across all activities, focusing on identifying and treating risks. The Leadership Behaviour 'Think' reinforces informed, evidence-based decision-making and continuous improvement through reflection and evaluating the team's work and performance.

Management should evaluate risks and opportunities that will improve their service and manage those accordingly, and regularly horizon scan to understand the likely impact on their service, forward planning, weighing up any risks and making future decisions accordingly.

### 3.0 Benefits of risk management

Risk management is a tool that forms part of the governance system of the organisation. When applied appropriately it can bring multiple benefits - taken from the ALARM 'Risk management tool kit 2021':

Improved operational efficiency	Better delivery of intended outcomes	Maximised opportunities
Reputation protection	Achievement of the organisation's objectives	Reduced losses from workplace accidents and illnesses
Better mitigation of key risks	Demonstration of good governance	Enhanced political and community support
Protection of budgets from unexpected financial losses or increased ability to secure funding	Increased effectiveness of change projects and programmes	Protection of assets
Enabling risk taking in chosen areas	Improved management information to inform decision making and planning	Setting the desired risk culture

### 4.0 Risk Management Strategy objectives

The objectives of the Council's Risk Management Strategy are to:

- Fully embed risk management into the Council's culture and service planning processes, to support achievement of objectives.
- Ensure there is an effective framework for consistently identifying, assessing, managing/mitigating, reviewing, reporting and communicating risks across the Council.
- Improve the communication of the Council's approach to and importance of risk management.
- Improve the coordination of risk management activity across the Council.
- Ensure Chief Officers, Members, the Committee, and external stakeholders have assurance that the Council is mitigating risks to achieving key priorities and complying with corporate governance standards.
- Manage risk in accordance with best practice and ensure compliance with statutory requirements.
- Maintain clear roles, responsibilities and reporting lines for risk management within the Council.
- Measure and partake in regular comparison and benchmarking activity.

## 5.0 Risk Appetite and Risk Tolerance

The Council recognises that only by taking risks can it achieve its aims and deliver beneficial outcomes to its stakeholders.

The Institute of Risk Management (IRM) defines risk appetite as, “the amount of risk an organisation is willing to take in order to meet its strategic objectives”. A range of appetites exist for different risks, and these may change over time.

The IRM defines risk tolerance as, “the boundaries of risk taking outside of which the organisation is not prepared to venture in the pursuit of its strategic objectives”.

Risk appetite and risk tolerance help an organisation determine what high, medium, and low risk is. In deciding this, the organisation can:

- More effectively prioritise risks for mitigating actions
- Better allocate resources
- Demonstrate consistent and more robust decision making
- Clarify the thresholds above which risks need to be escalated in order that they are brought to the attention of senior management and/or Members.

### Risk Appetite Statement

Chief Officers collectively agree the Council operates in a high-risk environment which is likely to persist. This requires defining acceptable risk levels (high, medium, low) by impact and likelihood, enabling prioritisation and proportionate actions aligned to decisions and service impact.

The Council will take risks in a controlled manner, reducing exposure to a level deemed acceptable. In order to take advantage of opportunities, the Council will support innovation and the imaginative use of resources. However, the Council will seek to control all highly probable risks which have the potential to:

- Cause significant harm to service users, staff and the public.
- Severely compromise the Council’s reputation.
- Significantly impact on finances.
- Significantly impact on the environment.
- Jeopardise the Council’s ability to undertake its core purpose.
- Threaten the Council’s compliance with law and regulation.
- Create opportunity for fraud and corruption or inadvertent loss through error.

Taking the above into consideration, the Council’s current **overall** risk appetite is defined as ‘**Open**’, meaning it is prepared to consider all delivery options and choose those with the greatest potential benefits, even where risks are higher. Appetite varies by activity: greater risk may be accepted to support innovation, while compliance and public confidence in the Council require a cautious approach. Specific risk appetites can be adjusted with appropriate approval by appropriate officers and/or Members. Overall, the

Council may need to accept proportionately higher risks to address growing financial challenges.

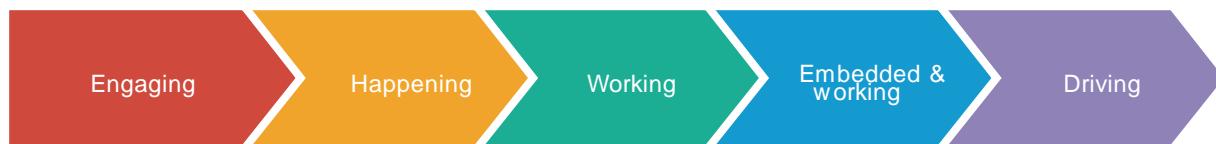
The Council will review risk appetite and tolerance annually to ensure risks are being managed adequately. **Annexes 1 and 2** provide further details.

## 6.0 Risk Management Maturity

All organisations are on a risk management journey with differing levels of risk management maturity. Risk management maturity refers to how well-established risk management is as a discipline across the organisation.

The Council continues to review its current risk management capability to help it direct resources in the areas that need improvement and further development, ensuring the risk management arrangements remain fit for purpose in this changing environment.

ALARM has developed and published a National Performance Model for Risk Management in Public Services (2016) to illustrate what good risk management looks like in a public service organisation. There are 5 levels.



An independent objective review of the Council's risk management arrangements by the Council's previous insurers, considered that the work undertaken by the Council further strengthened its position in respect of risk management standards and practices, thus increasing the likelihood of it attaining the higher grading of 'risk management is embedded and working' (level 4).

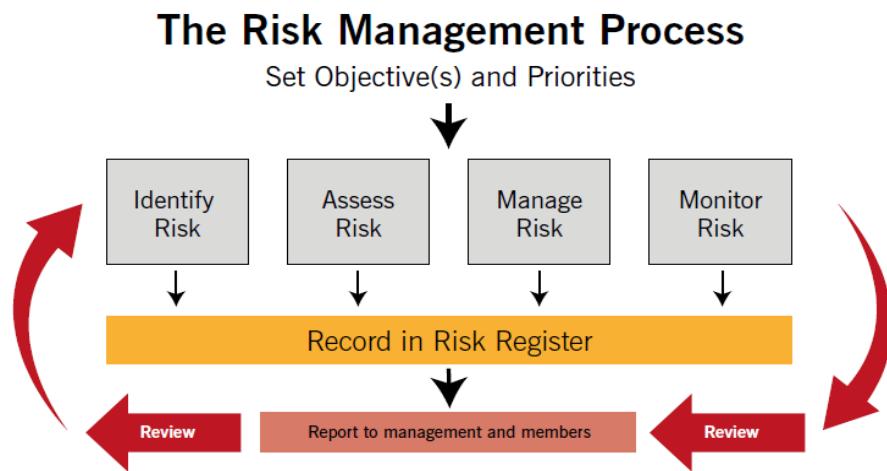
The Council has new insurers, and it is intended to arrange for their risk management team to undertake a further independent review. Pending planning with the insurer for an external evaluation, the outcome of an objective internal audit scoped, 'To evaluate how effectively Leicestershire County Council identifies, assesses, manages, and monitors risks that could impact its strategic goals, operations, and overall stability' is awaited, and recommendations for improvement will be considered.

In its report on the Council's Value for Money arrangements for 2024-25, Grant Thornton stated that the Council has reasonable arrangements to manage strategic risks with a Risk Management Policy Statement and Strategy in place. The Committee holds responsibility for risk management and is informed of changes to the Corporate Risk Register (CRR). The Auditor did not make any improvement recommendations on risk management arrangements.

The Council also networks and shares information with other similar organisations e.g. East Midland Risk Management Group (Six County Councils, five City/Borough/District Councils) which enables the Council to benchmark its position.

## 7.0 The Risk Management Approach and Process

Risk management is a continual process involving the identification and assessment of risks, prioritisation of them and the implementation of actions to mitigate both the likelihood of them occurring and the impact if they did. Risks and issues require different responses. Risks require proactive controls and issues require active resolutions. A risk is a potential future event. It is something that could happen, but it has not yet occurred. An issue is a problem that has already happened or is currently happening. The Council's approach to risk management will be proportionate to the decision being made or the impact of the risk, to enable the Council to manage risks in a consistent manner, at all levels.



Explanations of the stages within the risk management process:

Identify risk	<p>A mixture of: -</p> <ul style="list-style-type: none"> <li>• Review existing registers - Has the impact or likelihood of any of the risks recorded changed significantly? Are any risks missing from the risk register?</li> <li>• Review outputs from independent service reviews e.g. inspections, audits</li> <li>• Clarify objective(s) and priorities from the Service Planning process and identify risks (or opportunities) which might prevent, delay (or alternatively escalate) achievement of objectives. Determine what are the consequences if this occurs.</li> <li>• Monitor local and nationwide developments considering the nature of emerging risks, threats and trends</li> <li>• Review relevant national reports, technical briefings, specialists and guidance.</li> </ul>
Assess risk	<ul style="list-style-type: none"> <li>• Assess the inherent risk (Impact &amp; Likelihood) using the Council's risk assessment criteria prior to the application of any existing/known controls i.e. evaluate the "Original risk score"</li> <li>• Decide and agree the course of action (5T's) i.e. tolerate (accept) treat (mitigate), transfer, terminate or take the opportunity.</li> </ul>
Manage risk	<p>Identify and assess the controls/actions already in place to mitigate each risk to arrive at the "Current Risk score". If Current Risk score is still high even with controls:</p> <ul style="list-style-type: none"> <li>• Is the scoring correct?</li> <li>• Determine the best way to manage the risks – apply the 5Ts .</li> <li>• Determine whether the cost of implementing further mitigating control is merited when</li> </ul>

	<p>compared to the risk reduction benefits achieved.</p> <ul style="list-style-type: none"> <li>• Develop SMART actions (i.e. specific, measurable, attainable, relevant and time-bound) and assign target dates and responsible officers to achieve the desired “Target Risk score”.</li> </ul>
Monitor, Review and Report	Use the Risk Management Matrix and Risk Tolerance levels to determine the frequency of review, monitoring, risk escalation and reporting.

Annex 2 provides details of the risk measurement criteria, risk map, risk escalation and reporting arrangements.

## 8.0 Application - Service, Department, Corporate & Specialist Risks

Risk management supports good governance by assuring stakeholders that risks are effectively managed. It is embedded in the Council’s corporate departmental business planning process to identify and address key risks across services. Escalation provides senior management with a clear view of risks, enabling informed decisions on resource allocation and areas of concern.

There is an established framework in which consistent application of the process should ensure the flow of appropriate risk information across the Council as follows:



### Service and Department Risks

The Council’s Risk Management Strategy requires identifying risks linked to service or departmental priorities and defining mitigating actions. All new service/business plans must include a risk assessment, with significant risks logged in the Departmental Risk Register.

Heads of Service are responsible for identifying risks arising from their service plans assessing likelihood and impact using the Risk Matrix, recording risks where necessary, and ensuring accountability for actions within set timescales. Departmental Risk Champions provide support for risk identification and assessment

### Corporate (and high scoring Departmental) risks - Corporate Risk Register (CRR)

This process will provide Chief Officers and Members with a central record of corporate risks, to ensure consideration is given to high scoring, strategic cross cutting (or Departmental) risks that could impact the financial, political or reputational arena.

- Following a timetable set for The Committee meetings, Departmental Risk Champions and management teams will review Department Registers to identify

and consider risks for escalation to the CRR, either individually or consolidated from Departmental Risk Registers.

- The Internal Audit Service will confirm that the reviews have been consistently undertaken, provide a level of challenge to the outcomes and co-ordinate the production and reporting of the CRR, through to Chief Officers and ultimately to The Committee.
- Whilst most risks are expected to come through this route it might not capture all of the strategic risks facing the Council. Therefore, horizon scanning, information from relevant publications and minutes from key meetings will also provide a basis for including additional risks on the CRR.
- A more detailed update of the CRR (providing additional information on current and further controls/actions on how the risks are being mitigated), is presented annually to the Spring Committee.

### **Specialist areas of risk management**

#### Local Government Reorganisation risks

The Government is scheduled to announce before the summer parliamentary recess, its decision on reorganisation to the two-tier systems of local government in Leicestershire. Within the County Council's proposal, under the section 'Detailed Options Analysis' the risks (and benefits) of the three main options have been assessed against the Government's criteria (High Quality and Sustainable Public Services, Finance, Unlocking Devolution, Stronger Community Engagement and Neighbourhood Empowerment and Effective Representation and Governance Structure. Before the outcome is known, work will be expected to start addressing the impact of reorganisation on the Council's financing and resources, priorities, service provision, governance arrangements and staffing. A compendium of strategic and operational risks will be developed potentially using the experiences of previous reorganisations and any tools/guidance provided for example by the Ministry of Housing, Communities and Local Government (MHCLG), the Local Government Association (LGA) <https://www.local.gov.uk/publications/lgr-risks-examples-and-options-mitigation-councils>

#### Project, Programme and Portfolio Risks

Risks affecting project or programme objectives will be managed by the relevant Project or Programme Board. Where these risks impact strategic or departmental objectives, they should be assessed and, if necessary, escalated to the appropriate Departmental, Portfolio, or Corporate Risk Register. The decision to escalate rests with the Senior Responsible Officer (SRO) or Sponsor, supported by the Project or Programme Board.

To complement the corporate strategy, the Transformation Unit is developing and embedding detailed guidance and practice to ensure consistent and effective management of the Strategic Change Portfolio's exposure to risk which is essential to the successful delivery of change and realisation of benefits.

Project or programme closure reports must identify risks or issues to be transferred to Business as Usual (BAU), with clear ownership assigned. Where appropriate, these risks should be escalated to the relevant Departmental or Corporate Risk Register

### Partnerships

Risks which could impact on achieving the partnership's objectives will be managed through the appropriate Partnership Board and associated governance structures. However, where partnership risks impact upon strategic or departmental objectives then consideration should be given as to whether those risks should be identified, assessed, and escalated to the appropriate Departmental or Corporate Risk Register. The Council's approach for identifying, assessing and managing risk within partnerships will continue to be developed.

### Health, Safety & Wellbeing Risks

The Health, Safety & Wellbeing Service provides advice and guidance to managers and staff on all aspects of Health, Safety and Wellbeing. In addition to providing advice and support, the Health, Safety & Wellbeing Service also helps to monitor the performance of the organisation through audits and inspections, set targets for continual improvement, provide operational training and awareness for staff and also respond to accidents/ incidents in order to ensure they are adequately investigated, and the likelihood of further harm is reduced. In addition to this there is an employee counselling service. Regular reports are provided to the Departmental Management Teams, the Chief Executive, Chief Officers, and the Council's Employment Committee. A separate risk assessment process is in place.

In 2024, new mandatory health and safety training and new and updated Occupational Health and Safety Management System (OHSMS) guidance was published. The revised guidance places a stronger emphasis on proportionate health and safety management. A revised Policy Statement was approved in September 2024. In 2025 a new 5 year health and safety strategy was approved.

### Resilience and Business Continuity

Business Continuity Management (BCM) complements the Council's risk management framework and is required under the Civil Contingencies Act 2004. BCM focuses on the impact of disruption, identifying priority services and what is needed to maintain obligations. It ensures plans are in place to protect people, premises, technology, information, supply chains, stakeholders, reputation, and essential services.

The Resilience and Business Continuity Team coordinates continuity and response plans at corporate, departmental, and service levels to minimise disruption by prioritising critical functions and defining resources, roles, and responsibilities. The resilience element addresses incidents requiring multiagency coordination when BCM alone is insufficient.

The team reports annually to the Corporate Governance Committee.

## Risk Financing

Risk financing is the process of deciding how an organisation will pay for loss events in the most effective and least costly way. It balances retaining and transferring risk, manages the financial impact of retained risk, and typically involves internal funding or external insurance (such as catastrophe cover from the Council's insurers).

The goal is to ensure the organisation has sufficient resources to continue its objectives after a loss. Risk financing includes identifying risks, selecting financing methods, and monitoring their effectiveness. Options include self-insurance and commercial insurance, with the choice depending on the organisation's size, financial position, risk profile, and objectives.

Under normal circumstances the Council is largely self-insured but transfers the larger risks to insurance companies by contributing premiums. In the event of a financial loss, the Council is entitled to indemnity, subject to the terms and conditions that are in place. However, not all risks can be insured e.g. service demand and these need to be managed by the Council

The Insurance Policy is revised annually, presented to the Committee in January and then to Cabinet in February to support the MTFS. The Insurance Service presents an annual report to the Committee in September.

## Property and Occupants Risk Management

Following the Grenfell fire and 2017 terrorist attacks, the Council formed a corporate group to review fire safety in the Council's owned and procured properties and later broadened its scope to include its identification and management of terrorism and marauder risks. The group meets quarterly, includes representatives from across services, and works closely with insurers, brokers, and emergency services

Terms of Reference are reviewed annually against other property groups to avoid duplication or gaps. The group reports to the Director of Corporate Resources, to Chief Officers as required for any significant issues, and to the Committee annually.

A decision will be required on what role the group may take in a Protect and Prepare Group which could be established to meet the requirements of ACT for Local Authorities (an initiative led by Counter Terrorism Policing to support local government partners to embed counter terrorism considerations into their day-to-day work).

## Counter Fraud

The Internal Audit Service conducts a biennial Fraud Risk Assessment (last approved December 2024), informed by national and local intelligence. This process grades fraud risk areas, identifies emerging threats, and guides the Council's Anti-Fraud and Corruption Strategy and resource allocation. Outcomes also shape the internal audit plan. New legislation and regulations are reviewed for potential fraud impact. An annual report is provided to the Committee on counter fraud and related initiatives.

## Information & Technology (I&T) and Data Protection Risks

A safe and secure I&T infrastructure underpins the working of the Council, both technically and in terms of data protection. To support this, IT & Digital Services holds and maintains its own divisional risk register which, where appropriate will feed through to the Departmental and Corporate Registers. Regarding data protection, the Information Governance Team develop, maintain and monitor compliance with a wide range of policies designed to protect information and data.

Regarding the ever-increasing threat to cyber security, the Council has an established Technical Security function (headed up by the Technical Security Officer) that sits within the Architecture and Compliance Team. This function takes responsibility for identifying emerging threats and risks, maintaining the cyber risk register and planning, and monitoring ongoing activities to continually improve the council IT Security posture. The Officer reports to the Information Security Governance Group (ISGG) which is a forum for cyber security policy, risk, strategy and best practice. The ISGG also plays a key role in ensuring the organisation secures Public Services Network (PSN) compliance and its annual PSN certificate, which is necessary for maintaining access to central government and agency information systems.

To support the Technical Security function in delivering its objectives, the implementation of technical controls and operational management aspects of cyber security are governed by the IT Security Operations Group (ITSOG). The group meets fortnightly to discuss emerging cyber security concerns and ultimately aims to implement security solutions and improvements which align to LCC cyber security roadmap – the aim ultimately to strengthen the council's cyber posture.

Externally, active threats are shared with other councils through Warning, Advisory and Reporting Points (WARPs) and guidance is taken from the National Cyber Security Centre (NCSC). Arrangements are in place with an independent security specialist to provide an incident retainer service. Cyber security is integrated into the corporate risk management process.

During 2026, the Council will self-assess against the Government's Cyber Assessment Framework.

## Climate Change Risks

The Climate Change Committee (CCC) was established under the Climate Change Act 2008 and advises the UK on reducing emissions and adapting to the impacts of climate change. The CCC publishes an Independent Assessment of UK Climate Risk. Every five years, the Government publishes its Climate Change Risk Assessment (CCRA) which endorses and summarises the CCC's assessment, sets out the overall government approach, responds to the priority risks identified and produces a National Adaptation Programme.

Officers refer to the CCC's Independent Assessment of UK Climate Risk and the CCRA to identify high priority risks relevant to the Council. Officers have identified three groups of services based on their key functions in relation to climate and weather-related risks.

Following the last CCRA in 2022 (next due 2027) a comprehensive review and risk assessment exercise was completed. 8 high risks and 56 medium risks were identified. Recommendations included working with service areas to develop action plans to mitigate identified high risks and developing a Climate Adaptation and Resilience Strategy and Action Plan for the area.

The 2024-25 Environmental Performance Report shows that six high risks remain on the climate change register, down by two since the 2022 assessment. The identified risks relate primarily to highways and property assets, business continuity and flood risk.

Due to capacity issues, to date it has not been possible to undertake significant work to address the other climate change risks. However, the Council's Cabinet agreed in October 2025 to allocate £2m of funding (reallocated from the earmarked reserve for carbon reduction) towards a programme of flood mitigation and climate adaptation and resilience measures, including resource to update the climate risk register and identify measures that can form a realistic action plan.

## **Support**

The above processes will be supported by the following:

- Ownership of risks (at appropriate levels) assigned to Chief Officers, managers and partners, with clear roles, responsibilities and reporting lines within the Council.
- Incorporating risk management into corporate, service and business planning and strategic and partnership working.
- Use of the ALARM Risk Management Toolkit throughout the Council
- Providing relevant training on risk management to officers and Members of the Council that supports the development of wider competencies.
- Learning from best practice and continual improvement.
- Seeking best practice through inter-authority groups and other professional bodies e.g. ALARM.

## 9.0 Risk Management Roles and Responsibilities - structure

The following structure is unique to the Council and is influenced by its risk management maturity, resource capacities, skill sets, internal operations and existing operating structures. The Council's risk management framework aligns to existing structures and reporting lines. **Full details** of risk management roles and responsibilities can be found in **Annex 3**.

Leadership	Corporate	Departmental	Assurance Services
<ul style="list-style-type: none"> <li>• Cabinet</li> <li>• Lead Members</li> <li>• Chief Officers</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Governance Committee (CGC) which includes 2 Independent Members who provide an external perspective</li> <li>• Corporate Risk Management Group (CRMG)</li> </ul>	<ul style="list-style-type: none"> <li>• Department Management Teams (DMT)</li> <li>• Heads of Service</li> <li>• Programme/ Partnerships</li> <li>• Risk Champions</li> <li>• Staff</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management*</li> <li>• Internal Audit</li> <li>• Governance</li> </ul>

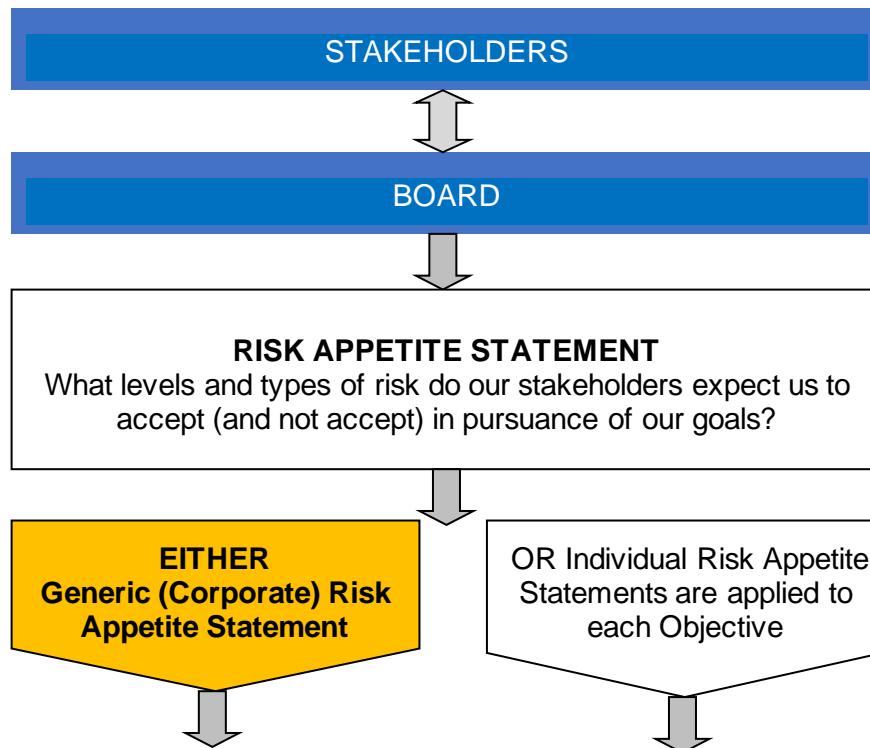
The Head of Internal Audit & Assurance Service (HoIAS) is responsible for the administration and development of, and reporting on, the Council's risk management framework (RMF). Revised Global Internal Audit Standards (GIAS) were implemented into local government from 1 April 2025. The GIAS UK (public sector) require that this 'impairment' to independence and objectivity is recorded in the Internal Audit Charter (re-approved by CGC in November 2025) and (to avoid any conflict of interests) any audits of the RMF are overseen from a manager outside of the Service.

## 10.0 Continuous Improvement

Regulators and risk management professionals advise that it is good practice to continuously improve risk management methodologies in line with recommendations from regular assessments and adapt to changing economic conditions.

To this effect, the Council's Risk Management Policy and Strategy and related documents will be reviewed at the specified frequency or after the release of new legislation or government guidance that affects risk management, governance, internal controls, financial management or the regulatory regime for public service organisations. They will also be reviewed following the results of any audit /review by Internal Audit Service or an external third party.

## Risk Appetite



### GENERIC (CORPORATE) RISK APPETITE STATEMENT AND RISK CATEGORY TYPES

AVOID	No appetite. Not prepared to accept any risks.	Risk Category examples
AVERSE	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.	Health & Safety, Business Critical systems, Customers, Safeguarding, Data Security, People, Climate Change /Extreme Weather
CAUTIOUS	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.	Delivery partners, Non - critical systems,
MODERATE	Tending always towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes.	
OPEN	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.	Leadership; Reorganisation and Devolution; Growth and Infrastructure Collaboration; Alternative delivery models; Integration; Transformation; Digital; Commercial trading, Property investment, Suppliers.
HUNGRY	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.	

### Risk Impact Measurement Criteria

Scale	Description	Department Service Plan	Internal Operations	People	Reputation	Impact on	Impact from* <sup>1</sup>	Financial per annum / per loss <sup>1</sup>
						the Environment	the Environment	
1	Negligible	Little impact to objectives in service plan	Limited disruption to operations and service quality satisfactory	Minor injuries	Public concern restricted to local complaints	None or insignificant damage		<£50k
2	Minor	Minor impact to service as objectives in service plan are not met	Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality.	Minor Injury to those in the Council's care	Minor adverse local / public / media attention and complaints	Minor local impact	Minor damage	£50k-£250k Minimal effect on budget/cost
3	Moderate	Considerable fall in service as objectives in service plan are not met	Sustained moderate level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory	Potential for minor physical injuries / Stressful experience	Adverse local media public attention	Moderate local impact	Moderate damage and risk of injury	£250k - £500k Small increase on budget/ cost: Handled within the team/service
4	Major	Major impact to services as objectives in service plan are not met.	Serious disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services. Significant disruption of core activities. Key targets missed.	Exposure to dangerous conditions creating potential for serious physical or mental harm	Serious negative regional criticism, with some national coverage	Major local impact	Major damage and risk to life	£500-£750k. Significant increase in budget/cost. Service budgets exceeded
5	Very High/ Critical	Significant fall/failure in service as objectives in service plan are not met	Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services	Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple serious injuries	Prolonged regional and national condemnation. Serious damage to the reputation of the organisation i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers	Major regional or national impact.	Wide scale damage and risk to life	>£750k Large increase on budget/cost. Impact on whole council

<sup>1</sup> Note that a different financial rating is used for the pension fund investments

## Risk Likelihood Measurement Criteria

Rating Scale	Likelihood	Example of Loss/Event Frequency	Probability %
1	Very rare/unlikely	EXCEPTIONAL event. This will probably never happen/recur.	< 20%
2	Unlikely	Event NOT EXPECTED. Do not expect it to happen/recur, but it is possible it may do so.	20-40%
3	Possible	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.	40-60%
4	Probable /Likely	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue.	60-80%
5	Almost Certain	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.	> 80%

## Risk Scoring Matrix

### Impact

5 Very High/Critical		5	10	15	20	25
4 Major		4	8	12	16	20
3 Moderate		3	6	9	12	15
2 Minor		2	4	6	8	10
1 Negligible		1	2	3	4	5
1 Very Rare/Unlikely		2 Unlikely	3 Possible	4 Probable/Likely	5 Almost certain	

### Likelihood

## Risk Tolerance/Reporting Criteria

<u>Tolerance Levels</u>	<u>Current Risk Score</u>	<u>Expected Actions by Risk and Action Owners</u>	
White	1 to 2	Controls Monitoring = Escalation =	No action required No action required No action required
Low	3 to 6	Accept Risk or Maintain Controls  Monitoring = Escalation =	Existing controls may be sufficient. No additional controls are required unless they can be implemented at very low cost (in terms of time, money, and effort). Actions to further reduce these risks are assigned low priority.  Review six monthly Service/Area manager
Medium	8 to 12	Maintain Controls or Further Controls to reduce rating  Monitoring =  Escalation =	Controls required but consider in light of 5 Ts-Consideration should be as to whether the risks can be lowered, where applicable, to a tolerable level, but the costs of additional risk reduction measures should be taken into account (time, money and effort). Continued Proactive Monitoring/Review at quarterly / Reporting to DMT  Business Partners / Relevant AD / DMT
High	15 to 25	Further Action/Controls to reduce rating  Monitoring =  Escalation =	Controls and further actions necessary. Substantial efforts should be made to reduce the risk. Arrangements should be made to ensure that existing controls are maintained. The risk reduction measures should be implemented within a defined period.  Continued Proactive Quarterly Monitoring / Report to CGC  Chief Officers /Lead Member

A Departmental risk with a current risk score of 15 or more **must** be escalated to Chief Officers (either as an addition to the Corporate Risk Register, or as an emerging risk for further debate). Risks with a current risk score of 15 will still appear on Department's registers but should only be excluded from the Corporate Risk Register after debate and approval from Chief Officers.

## Risk Management Roles & Responsibilities – Detail

### **Leadership:**

#### Cabinet

Understands the key risks facing the Council, determines the level of risk and ensures risk management is delivered to mitigate risks by:

- Ensuring that a risk management framework has been established and embedded.
- Approving both the Council's Risk Management and Insurance Policy Statements and Strategies as part of the Medium-Term Financial Strategy.
- Ensuring relevant risk considerations (if relevant) are included within reports which may have significant strategic policy or operational implications.

#### Lead Members

- Responsibility for gaining an understanding of the risks facing their area of accountability (in conjunction with the relevant Director/Chief Officer) and periodically reviewing how these risks are being managed.

#### Chief Officers

Leading and ensuring effective management, monitoring and review of risk management across the Council by:

- Establishing a control environment and culture in which risk can be effectively assessed and managed.
- Directing the level of risk, the Council is prepared to accept (appetite and tolerance levels).
- Encouraging the promotion of risk awareness, rather than risk avoidance.
- Reviewing and, approving the Council's corporate and strategic risks on the CRR quarterly and their importance against the Council's vision and priorities.
- Taking the role of Transformation Delivery Board in managing Portfolio Level risk.
- Taking the role of Crisis Management Group in managing any significant responses
- Assisting with the identification of significant new and emerging risks as they become known - for consideration and addition to the CRR.
- Following the review and approval of the CRR, to determine whether a potential reputation or consultation matter needs to be forwarded to the Communication Unit.
- Providing challenge to the risk scoring mechanism to ensure risks are managed by balancing undermanaging risks (unaware and no control) and over-managing them (over-control).

- Ensuring their respective portfolio lead members are regularly briefed on departmental (and corporate) risks.
- Ensuring that risk assessments (if appropriate) are detailed in Cabinet or Scrutiny reports upon which decisions are based.
- Reviewing annually both the Council's Risk Management and Insurance Policy Statements and Strategies.

### **Corporate:**

#### Corporate Governance Committee (CGC) including Independent Members

Provides assurance for the Council that risk management is undertaken and effective by:

- Reviewing the effectiveness of the risk management and internal control framework.
- Reviewing the Council's Risk Management Policy Statement & Strategy and how it is being implemented.
- Receiving regular progress reports on the CRR and other risk management related initiatives.
- Reviewing, scrutinising and challenging the performance of the Council's risk management framework; including reviewing progress against planned actions from the previous quarter.
- Receiving presentations on specific areas of risk.
- Receiving reports from Internal and External Audit to determine the extent to which they indicate weaknesses in control, risk management and governance arrangements.

#### Corporate Risk Management Group (CRMG) via Departmental Risk Champions

Provides assurance that the risk management framework and its processes are working as intended and are effective by:

- Acting as the main contact for their department and its management on risk matters (including specialist risks (H&S, Insurance etc.).
- Representing their department at the Corporate Risk Management Group.
- Encouraging the promotion of risk awareness, rather than risk avoidance.
- Assisting in the implementation of any revisions to the risk management framework and promoting use of the Risk Management Toolkit.
- Providing coaching, support and advice on risk management to Chief Officers, Heads of Service and other managers within their service/department.
- Providing support to the other departments' Risk Champions.
- Maintaining on behalf of their Chief Officers, a departmental risk register that complies with corporate guidelines.
- Providing regular risk updates to DMT's as per the agreed reporting criteria and risk timetable.
- Providing challenge to the risk scoring mechanism to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control).
- Ensuring that corporate risk information and requirements are communicated to their department.
- Assessing the relevance of corporate, other departmental service, programme, project and partnership risks and their impact on their department.

- Reviewing cross cutting risk areas where risks of one department impacts on the risks of another.
- Providing overview and scrutiny to the results of the Fraud Risk Assessment process, in relation to departmental risks.
- Providing regular updates to the Internal Audit Service for corporate risks to enable reporting to the Chief Officers and the Committee.

### **Departmental:**

#### Departmental Management Teams (DMT)

Ensuring that risk management is implemented in line with the Council's Risk Management Strategy by:

- Appointing a Risk Champion for the department and authorising them to progress effective risk management that adheres to corporate guidelines, across their services.
- Ensuring that risk management is integrated within the annual service planning process.
- Taking full ownership of risks within their departmental risk register and agreeing risk mitigation actions, with defined timescales and responsibilities – including those departmental risks that are also in the CRR.
- Reviewing and challenging risk registers for their Service Areas on a quarterly basis if appropriate.
- Adhering to the corporate risk reporting timetable so that DMT meetings and risk monitoring tasks are aligned.
- Ensuring that the CRR accurately reflects only those key strategic risks facing the Council. The DMT scrutiny process should encompass a review of all departmentally identified corporate risks (new and those already identified), to critically evaluate the following:
  - Whether the risk is an ongoing corporate risk
  - Are all mitigating actions identified? Are they SMART (i.e. specific, measurable, attainable, relevant and time-bound)? Are they working adequately or are additional actions necessary?
  - The current risk score (Impact and Likelihood) is accurate and is not 'over-scored' in terms of likelihood particularly if a range of current controls have been identified as embedded and working adequately
  - Only consider any further actions/additional controls after determining whether any cost of implementing further mitigating control is merited when compared to the risk reduction benefits achieved. If required, further actions should also be SMART and record 'expected timeframe/due date' which should improve the robustness of the target risk impact and likelihood scores
- Receiving reports on risk management activity and review key risks regularly.
- Undertaking regular departmental horizon scanning for new or emerging risks, ensuring communication of these through appropriate channels and incorporation within the Departmental Risk Register if appropriate.
- Suggesting recommendations for the removal of current corporate risks that are considered as lower levels of risk.

- Taking ownership of identifying and managing project, partnership and business as usual risks effectively, and escalating risks to the Portfolio, Departmental or Corporate risk register where appropriate.
- Ensuring that risk management considerations are included in all Cabinet, Scrutiny and Regulatory bodies reports in respect of strategic policy decisions.
- Providing assurance on the effectiveness of risk management within their department as part of the Annual Governance Statement process.
- Following the review and approval of the Departmental Risk Register, DMTs to determine whether a potential reputation or consultation matter needs to be forwarded to Communication Unit.

### Heads of Service

Providing assurance to DMT's that risks within their service are being managed effectively by:

- Ensuring that risk management within their area of responsibility is implemented in line with the Council's Risk Management Strategy (i.e. identify, assess, manage and monitor).
- Managing risks on a day-to-day basis.
- Adhering to the risk scoring mechanism (original, current and target risk scores) outlined in the Strategy to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control).
- Communicating the results of their service risk assessment to the DMT via their Risk Champion, demonstrating effectiveness of controls in place to mitigate/reduce service risks.
- Managing risks from their areas of responsibility that have been included within the departmental risk register. Where further actions/additional controls are necessary, ensure they are completed by the planned completion date.
- Identifying new and emerging risks or problems with managing known risks and escalating to the Risk Champion where appropriate.
- Assessing fraud risk within their service areas as part of the Fraud Risk Assessment process.
- Ensuring that they and their staff are aware of corporate requirements, seeking clarification from their Risk Champions when required.
- Identifying risk training needs of staff and informing this to Risk Champions.
- Using the Risk Management Toolkit and guidance.

### Programme/Project/Partnerships

Providing assurance that project, programme and partnership risks and their impact are managed and communicated effectively by:

- Ensuring risk management is a regular item on Partnership/Programme/Project Board agendas.
- Reviewing and monitoring risks identified on programme/project/partnerships risks, ensuring that suitable controls are in place and working, or that plans are being drawn up to strengthen existing controls or put in place further controls.
- Identifying new and emerging risks or problems with managing known risks, ensuring communication of these through appropriate channels.

- Escalating appropriate Project, Programme or Partnership risks to the relevant Departmental Portfolio, or Corporate Risk Register where those risks may impact at a Departmental, Portfolio or Corporate level – ultimately the project or programme SRO/Sponsor is accountable for ensuring this happens.
- Ensuring any ongoing risks or issues identified at Project/Programme closure are transferred to the relevant business owner and where appropriate are escalated to Departmental or Corporate Risk Registers.

### Risk Champions

- See Corporate section

### Staff

- Taking responsibility for gaining an understanding of the risks facing their area of accountability.
- Report promptly perceived failures in existing control measures that could increase risk.
- Take due care to understand and comply with the risk management processes and guidelines of the Council.

### **Assurance Services**

#### Risk Management function (in conjunction with the Director of Corporate Resources):

Provide assurance that the flow of risk information throughout the Council is working and effective to produce and maintain the Corporate Risk Register by:

- Leading in the development and implementation of the risk management framework and promoting use of the Risk Management Toolkit.
- Meeting with departments as per the risk management timetable to review and challenge risk registers and emerging risks.
- Identify any potential future internal audit requirements to the Head of Internal Audit & Assurance Service.
- Coordinating risk management activity across the Council with the support of Departmental Risk Champions/Representatives.
- Collating the changes to departmental risks and ensure that the Corporate Risk Register is amended to reflect current position.
- Regular scanning (in conjunction with Chief Officers, DMT Risk Champions and the Head of Internal Audit & Assurance Service) of information from relevant publications and minutes from key meetings to provide a basis for including additional risks on the Corporate Risk Register.
- Reporting progress on the Corporate Risk Register and other risk management related initiatives to the Chief Officers, the Committee and Cabinet as per the risk management timetable.
- Supporting Departmental Risk Champions/Representatives in their risk management role.

- Communicating corporate risk management information and requirements.
- Reviewing the Risk Management Policy Statement and Strategy at least annually to reflect best practice and initiate improvements.
- Arranging for the review of risk management maturity; benchmarking scrutiny and challenge.
- Establishing links with external groups and organisations to gain knowledge and share best practice on risk management issues.
- Agreeing mechanisms for identifying, assessing and managing risks in key partnerships.
- Supporting the development and delivery of relevant risk training.

#### Assurance function (Internal Audit Service)

Review and challenge the effectiveness of the risk management framework, providing independent assurance about the quality of controls that managers have in place, by:

- Creating a risk-based audit plan that is aligned wherever possible to the Corporate Risk Register and the Departmental Risk Registers and other drivers, e.g. biennial Fraud Risk Assessment.
- Testing and validating existing controls, with recommendations for improvement on identified control weaknesses.
- Reporting outcomes to Directors and the Committee.
- Monitoring changing risk profiles based on audit work undertaken, to adapt future audit work to reflect these changes.
- Conduct relevant audits of the risk management framework and maturity but overseen by a manager independent to the Service.
- Take account of any commentary/improvements recommended by the External Auditor in its annual review of Value for Money arrangements.

### Action Plan

This Strategy sets out the developments/actions the Council proposes over the short-term future to further improve risk management maturity. These developments include the following actions:

Action	Frequency	Target Implementation Date
To review and revise the Council's Risk Management Policy Statement and Strategy and related guidance with endorsement from Chief Officers and the Committee.	Annual	23 January 2026
Encourage DMTs and Risk Champions to re-align Risk Registers to their 2026-27 business planning objectives.	Annual	March/April 2026
Update and communicate through Manager's Digest, the Council's intranet Risk Management pages to include: -  <ul style="list-style-type: none"> <li>• Revised Risk Management Policy &amp; Strategy</li> <li>• All relevant guidance on methodologies and processes, including the revised Risk Assessment Criteria and Map</li> <li>• Who to contact and details of the risk management "network",</li> <li>• Links to further information and guidance e.g. ALARM website</li> </ul>	Annual	February 2026
Review findings and recommendations from objective internal audit undertaken. Plan to implement any actions e.g. risk appetites for individual risk categories, identifying and managing risks and issues separately	One off	February 2026
Arrange an independent Risk Maturity Assessment and implement an Action Plan to address any recommendations.	Triennially	c/f - Spring 2026
Develop options for Collaboration Office 365 space by Department for updates to Departmental Risk Registers.	Ongoing	c/f – Spring 2026
Work with ALARM and the East Midlands Regional Group to develop guidance for identifying and managing new & emerging risks	Quarterly	As part of EMRMG meetings.
Introduce and continuously develop key performance indicator(s) for risk management activity to maintain and improve the maturity rating.	Ongoing	c/f – Summer 2026
Develop a training matrix to define required training levels by role. Consider delivery options (e.g., face-to-face, external courses) and review training offered by the Council's insurance providers.	Ongoing	c/f – Summer 2026
Develop E Learning for Risk Management	Ongoing	c/f – Summer 2026

This page is intentionally left blank

**RESERVES POLICY**

The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement. There is no set formula for deciding what level of reserves is appropriate – it is dependent on each Council's individual circumstances and the section 151 officer's assessment of the Council's financial risks.

**General Fund Balance**

The level of the General Fund balance would ordinarily reflect the overall financial environment and the key financial risks faced by the Council. The amount held will be reviewed at least annually. Any funds in excess of the assessed amount will in the first instance be used to fund one off expenditure (capital and revenue including invest to save and pump priming initiatives) and secondly to support general fund expenditure over the medium term, subject to the key consideration of sustainability.

Holding non earmarked funds is an essential component of risk management in that it helps the Council to manage unforeseen financial events that may arise in year without the need to make immediate offsetting savings. This allows better decisions to be made and reduces the impact this could have on users of Council services.

Based on an assessment of risk, the target level for the General Fund is within the range of 4% to 7% of net expenditure (excluding schools). The forecast balance of £30m (4.2%), by the end of the MTFS is at the lower end of that range reflecting the tighter financial pressures of the Council. The Council will continue with the current strategy of increasing the General Fund balance annually where possible until it is within target level.

In reviewing the level of the General Fund the Cabinet will take advice from the Director of Corporate Resources.

**Earmarked Reserves**

Earmarked reserves are traditionally held for six main reasons. The key factors that determine their level are set out below:

- 1) Risk – reserves held to cover specific and identified risks. This includes the Insurance earmarked reserves – to meet the estimated cost of future claims not covered by insurance policies.
- 2) Capital and Renewals - to fund the Council's capital programme or to enable services to plan an effective programme of systems, equipment and vehicle replacement. These earmarked reserves are a mechanism to allow a sensible replacement programme, that can vary in size from one year to the next depending upon need, without the requirement to vary annual budgets.
- 3) Grants - unspent ring-fenced grants, which must be spent on specific purposes, such as the Public Health grant.
- 4) Budget Equalisation and Transformation - support one off costs to enable transformational and organisational change, including those required for delivery of savings, or to provide a contingency for future MTFS funding gaps. It also includes the increasing pressures on the High Needs element of the DSG which was in deficit by

£64m as at 31 March 2025 and is forecast to increase to more than £400m by the end of 2029/30.

- 5) Planned future revenue spend - meet commitments made that will be incurred in the future. Examples include: completion of projects and contributions to partnership funding.
- 6) Other earmarked reserves will be set up from time to time to meet predicted liabilities or unforeseen issues that arise.

Reserves are not suitable for on-going service commitments unless there is a clear exit plan. Given the increased financial pressures, a range of measures is in place as set out below.

- Departments are to identify specific and potential need for planned expenditure to be funded from reserves. Where approved these will be held centrally as earmarked reserves.
- After allowing for this, general departmental reserves, above a specific allowance, to enable departments to manage day to day, smaller, essential interventions etc, will be centralised. These allowances are shown below:
  - A&C £250,000
  - CFS £250,000
  - E&T £250,000
  - CR £100,000
  - CE £50,000
  - PH £50,000
- The above limits will be reviewed annually as part of the new MTFS.
- General departmental reserves should be used to manage in-year pressures before requesting corporate funding.
- All reserves above this amount to be considered for transfer to the general fund.
- Trading surpluses, over and above what is built into service budgets, will be brought back into central control – services impacted can request funding to support specific investments along with other services.
- All reserves set aside for asset renewals will be managed centrally based on consideration of regular departmental submissions.
- Schools and partnership reserves are treated outside of the above measures but a clear plan of purpose for each reserve is required to be produced.

The Director of Corporate Resources has the authority to take decisions relating to the creation and management of earmarked reserves.

### **Schools' Earmarked Funds**

Schools' balances are held for two main reasons. Firstly, as a contingency against financial risks and secondly, to meet planned commitments in future years. Decisions on these funds are taken by individual schools.

### **Monitoring Policy**

The levels of earmarked reserves and balances are monitored regularly throughout the year. Reports will be taken to members as part of the MTFS and at year end.

EARMARKED RESERVES BALANCES

	Revised Balance 01/04/25	Forecast Balance 31/03/26	Forecast Balance 31/03/27	Forecast Balance 31/03/28	Forecast Balance 31/03/29	Forecast Balance 31/03/30
	£000	£000	£000	£000	£000	£000
<b>Renewal of Systems, Equipment and Vehicles</b>	2,110	1,880	1,700	1,350	1,210	1,080
<b>Trading Accounts</b>						
Investing in Leicestershire Programme (iLP)	5,760	6,250	8,170	10,370	11,820	13,270
<b>Insurance</b>						
General	11,720	12,190	12,680	13,160	13,650	14,140
Schools schemes and risk management	30	30	30	30	30	30
Uninsured loss fund	4,930	4,930	4,930	4,930	4,930	4,930
<b>Committed Balances</b>						
Central Maintenance Fund	1,360	860	860	360	360	360
<b>Other</b>						
Children & Family Services						
C&FS Developments	1,610	730	230	230	230	230
Youth Offending	930	1,010	860	710	560	410
Other	200	150	80	40	0	0
Adults & Communities						
A&C Developments	1,380	890	310	70	70	70
Public Health	5,820	3,370	1,960	1,480	80	80
Environment & Transport						
E&T Developments	740	1,240	840	690	540	390
Commuted Sums	1,740	1,240	740	240	0	0
Pan regional transport model (PRTM)	1,120	630	1,050	1,470	1,900	2,330
Waste Developments	510	320	0	0	0	0
Section 38 Income	440	0	0	0	0	0
Other	530	570	550	500	450	400
Chief Executive						
Economic Development-General	200	130	0	0	0	0
Chief Executive Dept Developments	660	410	280	190	170	120
Other	100	70	60	60	30	0
Corporate Resources						
Other	870	790	730	670	670	710
Corporate:						
Transformation Fund	11,990	7,810	1,930	0	0	0
Broadband	2,710	2,710	1,260	0	0	0
Business Rates Retention	570	570	570	570	570	570
Elections	1,350	350	850	1,350	1,850	350
Other	100	100	100	100	100	100
Budget Equalisation	92,110	112,780	135,320	141,180	186,980	240,980
Flooding Restoration Works	3,160	2,910	1,350	680	0	0
Capital Financing & Improvement Projects	139,520	91,070	39,710	6,510	6,350	6,190
<b>Total</b>	<b>294,270</b>	<b>255,990</b>	<b>217,150</b>	<b>186,940</b>	<b>232,550</b>	<b>286,740</b>
<b>Schools and Partnerships</b>						
Dedicated Schools Grant	-48,350	-95,880	-169,560	-254,690	-349,490	-453,430
Active Together	1,060	940	560	0	0	0
Health & Social Care Outcomes	10,180	8,810	4,210	3,490	2,890	2,890
Emergency Management	850	430	460	500	530	530
Leicestershire Safeguarding Children Board	240	200	160	100	40	0
Leics Social Care Development Group	30	30	30	30	30	30
<b>Total</b>	<b>-35,990</b>	<b>-85,470</b>	<b>-164,140</b>	<b>-250,570</b>	<b>-346,000</b>	<b>-449,980</b>
<b>TOTAL</b>	<b>258,280</b>	<b>170,520</b>	<b>53,010</b>	<b>-63,630</b>	<b>-113,450</b>	<b>-163,240</b>

This page is intentionally left blank

## **INSURANCE POLICY 2026**

Within Leicestershire County Council's Constitution (revised December 2025), the Terms of Reference of the Corporate Governance Committee at Section 2: Governance and Risk places responsibilities on the Committee at 2.10, 'To review and make recommendations to the County Council on the Council's Insurance Policy'

Leicestershire County Council's (the Council's) insurance programme is arranged in conjunction with its appointed Insurance Brokers. This is Marsh Limited which was appointed from 1 February 2023. The contract was extended in February 2025 (the second of three allowable extensions).

Potential losses are covered by a combination of self-insurance and a range of policies held with insurance companies, which are renewed on an annual basis. The process to identify the level of self-insured retention (deductibles/excess) against the insurance required is based on several factors. These include the reduction in premium (including associated premium tax currently 12%) to be achieved by altering the excess levels weighed up against the Council's ability to meet an increased exposure, for example by way of a spike in claims received due to external factors like the weather and for one-off large losses.

'Aggregate stop limits' are in place which cap the potential exposure to the Council on an annual basis by reducing the deductible/excess levels significantly once the limit has been breached.

Following a procurement exercise, from 1 October 2024 the Council's Insurance Programme is now insured via Maven Public Sector for casualty and property risks, and Travelers UK for motor risk. The initial contracts with both insurers expire on 30 September 2027 with the option of three further 2-year extensions i.e. 9 years in total.

The Council no longer insures its maintained schools under the main insurance programme, instead the schools are now insured under a separate scheme which is currently insured via Zurich Municipal.

There are several other classes of insurance which didn't form part of the main procurement exercise. These were procured directly via Marsh Limited (the LCC appointed broker) as they were not available to procure via the YPO Framework used for the main programme.

The following policies/covers are currently in place from 1 October 2025:

Class of Insurance	Type	Limit of Indemnity / Basis of Cover	Self-insured deductible/excess <sup>1</sup>	Aggregate Stop Limit <sup>2</sup>
Employers' Liability	Casualty	£50m – Cover written on an any one occurrence basis. £35m Primary Layer, £15m Excess Layer.	£500,000	£2.5m
Public Liability	Casualty	£50m - Cover written on an any one occurrence basis. £35m Primary Layer, £15m Excess Layer	£500,000	£2.5m
Officials Indemnity	Casualty	£10m – Cover written on an aggregate basis	£250,000	£2.5m
Professional Indemnity	Casualty	£10m - Cover written on an aggregate basis	£250,000	£2.5m
Fidelity Guarantee	Casualty	£10m - Cover written on an aggregate basis	£100,000	N/A
Material Damage & Business Interruption (Non-Education)	Property	Day One Reinstatement  Business Interruption £25m Increased Cost of Working (ICOW) (48 months).  Recycling & Household Waste Sites - <i>Cover is limited to declared value.</i> Business Interruption £250,000 Increased Cost of Working (ICOW) (48 months).	£500,000	£1m
Material Damage & Business Interruption (Commercial including Industrial Units)	Property	Day One Reinstatement  Business Interruption £25m ICOW (48 months)	£250	N/A

Class of Insurance	Type	Limit of Indemnity / Basis of Cover	Self-insured deductible/excess <sup>1</sup>	Aggregate Stop Limit <sup>2</sup>
Material Damage & Business Interruption (Farms)	Property	Day One Reinstatement Business Interruption £25m ICOW (48 months)	£500	N/A
Motor	Motor	Comprehensive	£5,000 (only applying to own vehicle damage)	N/A
Terrorism	Property	Select properties Business Interruption £25m (48 months)	Nil	N/A
Medical malpractice	Casualty	£10m – Cover written on an aggregate basis	£425,000	N/A

<sup>1</sup> A significant decision which affects the cost-risk balance is the level of self-insured retention (deductible/excess) that the Council meets from its own resources. Premiums can be reduced by taking a higher deductible. The deductible is generally on a “per claim” basis. The Council’s internal claims management capabilities and good risk management assist being able to set high deductibles.

<sup>2</sup> Where applicable ‘Aggregate stop limits’ are in place which cap the potential exposure to the Council on an annual basis by reducing the self-insured retention levels (deductible/excess) significantly once the limit has been breached.

An annual revenue contribution is required to allow the Council to fund claims within the self-insured retention limits, thus aiming to prevent a detrimental impact on service budgets. The level required is assessed annually as part of the MTFS, based upon several factors including the current claims experience and anticipated future changes. For example, new heads of claims which may emerge.

The amount of funding required from the Council, can vary significantly each year. This can be due to a one-off catastrophic incident occurring, such as a large building fire, or simply the timing of when claims are reported culminating in an increased volume of claims covering one particular period.

For own property damage claims, and fidelity (theft) claims, there is usually a short delay between incident and notification. It is therefore a more straightforward process to set aside appropriate funding for annual losses but retaining a focus on catastrophic events which occur on a less regular basis, but which have a greater financial impact.

Assessing liability claim levels is more difficult, due to the nature of claims that the Council receives, claims will have been incurred but not reported within the financial year of the incident. A number of years can elapse before a liability claim is concluded.

Earmarked funds are held to allow for years of exceptionally high claims, both in terms of volume and value, to be covered without detriment on the annual revenue budget. The earmarked funds for these classes are subject to an annual internal assessment to ensure that they are maintained at suitable levels in order to meet ongoing financial commitments. In addition, provisions are held for claims received that are awaiting settlement, the level being based on an assessment of the likely liability.

An external independent actuarial review of the Council's in-house Liability Insurance Fund and Uninsured Loss Fund as at 1st October 2022, was concluded in early 2023. The outcome from the actuarial review was to release a smaller reserve £0.4m in 2023-24 and from 2024-25 reduce the annual top up to funds by £0.2m. The other larger specific reserves remain under review as the MTFS progresses.

The Insurance Service employs experienced claims negotiators which handle all liability claims brought against Leicestershire County Council up to the delegated authority limits as agreed with the insurer.

The claims handling delegated authority extends to cover investigations into allegations of negligence and provides authority to take decisions on liability. The Council's claims negotiators, its Legal Services team and external solicitors and other approved experts, work in partnership to defend litigated claims.

The Insurance Service has traditionally been subject to annual audits undertaken on behalf of the Insurance Company. The outcome of these audits could ultimately have implications on the agreed delegated authority limits resulting in reduced autonomy over decisions of liability and settlement negotiations. Outcomes have generally been exceptional (highest rating).

More details on the principles of risk financing are to be found in the Council's Risk Management Policy Statement and Strategy 2026.

Revised January 2026

Next due December 2026

**ILLUSTRATIVE EFFECT OF A 2.99% INCREASE FOR 2026/27 COUNCIL TAX**

BAND (APRIL 1991 VALUE)	PROPORTION OF BAND D	COUNTY COUNCIL'S COUNCIL TAX ELEMENT £
A ( Up to £40,000)	6/9	1,154.53
B (£40,001 - £52,000)	7/9	1,346.95
C (£52,001 - £68,000)	8/9	1,539.37
D (£68,001 - £88,000)	1	1,731.79
E (£88,001 - £120,000)	11/9	2,116.63
F (£120,001 - £160,000)	13/9	2,501.47
G (£160,001 - £320,000)	15/9	2,886.31
H ( Over £320,000)	2	3,463.58

**PRECEPT 2026/27**

BILLING AUTHORITY	TAX BASE	PRECEPT £
Blaby	34,926.50	60,485,304
Charnwood	61,320.20	106,193,605
Harborough	40,169.60	69,565,243
Hinckley and Bosworth	40,554.50	70,231,809
Melton	21,068.68	36,486,494
North West Leicestershire	37,927.00	65,681,535
Oadby and Wigston	19,004.95	32,912,550
<b>Total</b>	<b>254,971.43</b>	<b>441,556,540</b>

**2026/27 COUNCIL TAX BILL (COUNTY COUNCIL ELEMENT)  
EXAMPLE USING BAND D - % INCREASE APPLIES TO ALL BANDS**

	2025/26 £	2026/27 £	Increase*
Total	1,681.50	1,731.79	2.99%

\* comprises the main element (Core) and the Adult Social Care precept.

This page is intentionally left blank

**TREASURY MANAGEMENT STRATEGY STATEMENT 2026-27****MINIMUM REVENUE PROVISION STATEMENT AND ANNUAL INVESTMENT STRATEGY****Introduction**

1. This strategy statement has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice. Accordingly, the Council's Treasury Management Strategy will be approved annually by the full Council and there will be quarterly reports to the Corporate Governance Committee.
2. The Corporate Governance Committee consider the contents of the Treasury Management Strategy Statement, including the Minimum Revenue Provision Policy Statement and Annual Investment Strategy, annually at its meetings in January of each year. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.
3. In December 2021 CIPFA published revised Treasury Management and Prudential Codes of Practice with formal adoption required from the 2023/24 financial year. The Codes require an Authority to ensure that:
  - it defines its risk appetite and its governance processes for managing risk.
  - it sets out, at a high level, its investment policy in relation to environmental, social and governance aspects.
  - it adopts a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained.
  - it does not borrow to finance capital expenditure to invest primarily for return.
  - increases in the Capital Financing Requirement (CFR) and borrowing are undertaken solely for purposes directly and primarily related to the functions of the Council. Where any financial returns are related to the financial viability of the project in question, they should be incidental to its primary purpose.
  - an annual review is conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt.
  - its capital plans and investment plans are affordable and proportionate.
  - all borrowing/other long-term liabilities are within prudent and sustainable levels.
  - risks associated with commercial investments are proportionate to overall financial capacity to sustain losses.
  - treasury management decisions are in accordance with good professional practice.
  - reporting to members is undertaken quarterly, including updates of prudential indicators.

4. The Prudential Code also requires the Council to produce an annual Capital Strategy. This is reported annually to the Council in February as part of the MTFS. The Capital Strategy is a high-level corporate document covering the following areas:
  - strategic context
  - corporate priorities
  - available resources
  - affordability
  - capacity to deliver
  - risk management
5. The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
6. The Act requires the Council to set its treasury strategy for borrowing and to prepare an Annual Investment Strategy (for Treasury Management investments) - this is included in later paragraphs of this strategy. It sets out the Council's policies for managing its treasury management investments and for giving priority to the security and liquidity of those investments.
7. This Strategy should be read in conjunction with the Investing in Leicestershire Programme (iLIP) strategy, which sets out the Council's approach when considering the acquisition of investments for the purposes of inclusion within the iLIP (which includes investments held primarily for financial return), and the Capital Strategy, which sets out the Council's approach to determining its medium term capital requirements (investments for service delivery). These documents form part of the Medium Term Financial Strategy (MTFS) and together take into account the statutory guidance issued by the Secretary of State under the Local Government Act 2003.
8. Treasury management arises from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use, i.e., balances in the Council's bank accounts resulting from the Council's day to day activities, that are not yet required. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments. covered in this strategy.
9. Service delivery - investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose". This is covered in the Capital Strategy.
10. Commercial return - investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments

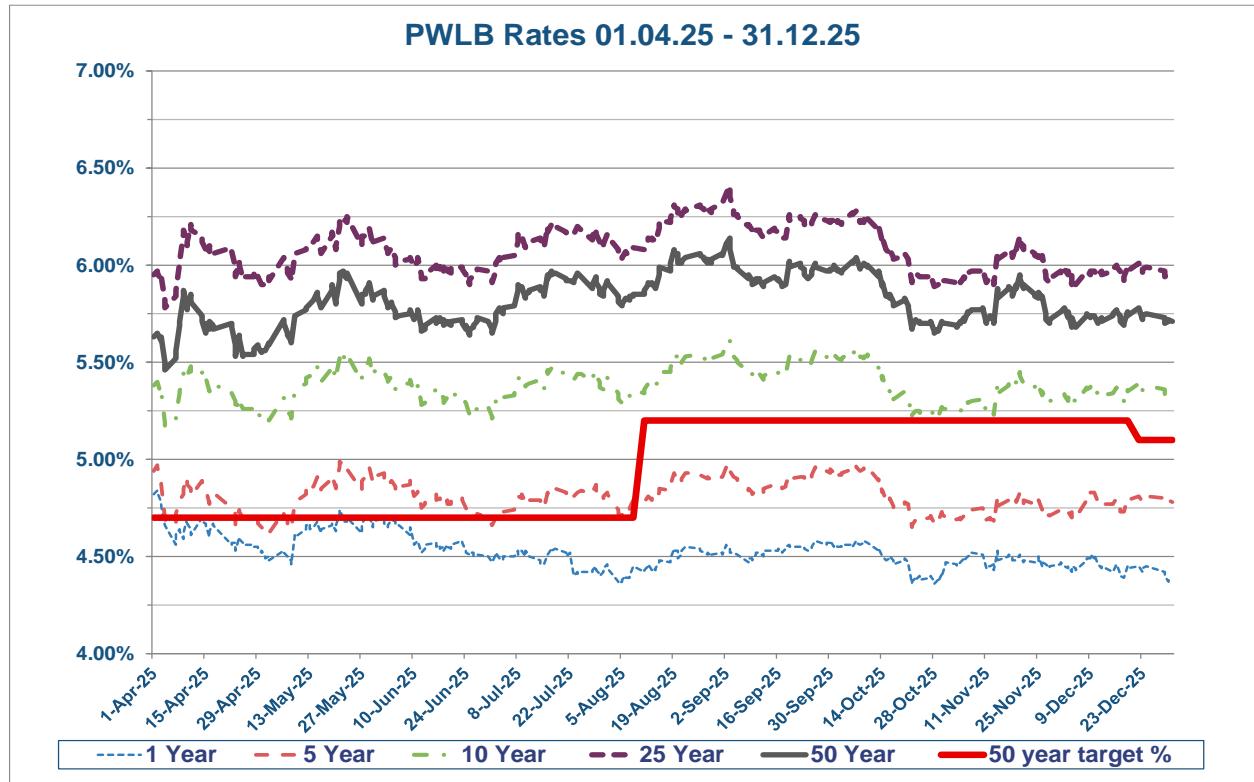
should be proportionate to an Authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An Authority must not borrow to invest primarily for financial return. This is covered in the LiLP strategy.

### **Economic Background**

11. The following economic update is based on the Council's external Treasury Management advisors' (MUFG Pension & Market Services) update provided in December 2025.
12. The third quarter of 2025/26 (October to December) saw:
  - A -0.1% m/m change in real GDP in October, leaving the economy no bigger than at the start of April.
  - The 3m<sup>yy</sup> rate of average earnings growth excluding bonuses fall to 4.6% in October, having been as high as 5.5% earlier in the financial year.
  - CPI inflation fall sharply from 3.6% to 3.2% in November, with core CPI inflation easing to 3.2%.
  - The Bank of England cut interest rates from 4.00% to 3.75% in December, after holding in November.
  - The 10-year gilt yield fluctuate between 4.4% and 4.7%, ending the quarter at 4.5%.
13. From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q (subsequently revised down to 0.2% q/q). Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern (0.1% q/q). October's disappointing -0.1% m/m change in real GDP suggests that growth slowed to around 1.4% in 2025 as a whole.
14. Following the 26 November Budget, the Office for Budget Responsibility (OBR) calculated the net tightening in fiscal policy as £11.7bn (0.3% of GDP) in 2029/30, smaller than the consensus forecast of £25bn. It did downgrade productivity growth by 0.3%, from 1.3% to 1.0%, but a lot of that influence was offset by upgrades to its near-term wage and inflation forecasts. Accordingly, the OBR judged the Chancellor was going to achieve her objectives with £4.2bn to spare. The Chancellor then chose to expand that headroom to £21.7bn, up from £9.9bn previously.
15. Moreover, the Chancellor also chose to raise spending by a net £11.3bn in 2029/30. To pay for that and the increase in her headroom, she raised taxes by £26.1bn in 2029/30. The biggest revenue-raisers were the freeze in income tax thresholds from 2028/29 (+£7.8bn) and the rise in NICs on salary-sacrifice pension contributions (+£4.8bn). The increase in council tax for properties worth more than £2m will generate £0.4bn.
16. CPI inflation fell sharply in November, easing from 3.6% in October to 3.2%. This was the third consecutive softer-than-expected inflation outturn and suggests that

disinflation is well underway. There was a widespread easing in price pressures with inflation slowing in 10 of the 12 main categories. Core inflation fell from 3.4% to 3.2% and services inflation dipped from 4.5% to 4.4%. However, a great deal will depend on the adjustments to regulated and indexed prices scheduled for next April. Capital Economics forecast CPI inflation to drop from 3.2% in March to 2.0% in April, thereby leaving inflation on track to settle at the 2.0% target, or below, by the end of 2026.

17. The chart below shows the PWLB rates from 01/04/25 to 31.12.25.



High/Low/Average PWLB rates for 01/04/25 to 31/12/25.

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2025	4.82%	4.94%	5.38%	5.95%	5.63%
31/12/2025	4.37%	4.78%	5.34%	5.95%	5.71%
Low	4.36%	4.62%	5.17%	5.78%	5.46%
Low date	04/08/2025	02/05/2025	02/05/2025	04/04/2025	04/04/2025
High	4.84%	4.99%	5.62%	6.41%	6.14%
High date	02/04/2025	21/05/2025	03/09/2025	03/09/2025	03/09/2025
Average	4.52%	4.81%	5.38%	6.08%	5.82%
Spread	0.48%	0.37%	0.45%	0.63%	0.68%

## TREASURY MANAGEMENT STRATEGY 2026/27

### Key Considerations

18. This proposed strategy for 2026/27 in respect of the treasury management function is based upon officers' views on interest rates, supplemented with market

forecasts provided by the Council's treasury adviser, MUFG Pension & Market Services.

### Background

19. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's risk appetite prioritising security, adequate liquidity and investment return in that order of importance.
20. The second main function of treasury management is the funding of the Council's capital programme. The capital programme sets out the borrowing need of the Council, the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any existing long term debt may be restructured to reduce risk or costs.
21. The contribution the treasury management function makes to the Council is critical as the balance of debt and investment operations ensure the Council can meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. As cash balances result mainly from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance. To reduce the impact of high levels of inflation eroding the value of cash balances, and to increase diversification, the Council will consider other forms for investments, such as pooled investment funds.

### Reporting

22. The Council has adopted the following reporting arrangements in accordance with the requirements of the Treasury Management Code:-

<b>Area of Responsibility</b>	<b>Council/Committee/Officer</b>	<b>Frequency</b>
Treasury Management Policy Statement	Full Council	Annually before start of financial year
Treasury Management Strategy/Annual Investment Strategy	Full Council	Annually before start of financial year
Quarterly Treasury Management and Prudential Indicator updates	Corporate Governance Committee	Quarterly
Updates or revisions to Treasury Management Strategy/Annual Investment Strategy during year	Cabinet (following consideration by Corporate Governance Committee, wherever practical)	Ad hoc
Annual Treasury Outturn Report	Cabinet	Annually by end of September following year end

Treasury Management Practices	Director of Corporate Resources	
Review of Treasury Management Strategy/Annual Investment Strategy	Corporate Governance Committee	Annually before start of financial year and before consideration by full Council, wherever practical
Review of Treasury Management Performance	Corporate Governance Committee	Annually by end of September following year end

### Training

23. The CIPFA Treasury Management Code requires the chief financial officer to ensure that members with responsibility for treasury management receive adequate training in treasury management.
24. As a minimum, authorities should carry out the following to monitor and review knowledge and skills:
  - Record attendance at training and ensure action is taken where poor attendance is identified.
  - Prepare tailored learning plans for treasury management officers and board/council members.
  - Require treasury management officers and board/council members to undertake self-assessment against the required competencies
  - Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.
25. Training is provided for all new members and further training is arranged as required. During 2025/26 MUFG Pension & Market Services also provided a focused training session on treasury management for all members of the Corporate Governance Committee.
26. The training needs of treasury management officers are also periodically reviewed. A formal record of the training received by officers central to the Treasury function will be maintained by the Head of Finance. Similarly, a formal record of the treasury management training received by members will also be maintained by the Head of Finance.

### Treasury Management Consultants

27. External investment managers will not be used, except to the extent that a Money Market Fund or the managers of pooled property or private debt funds can be considered as an external manager.
28. The Council uses MUFG Pension & Market Services as its external treasury management adviser, but recognises that responsibility for treasury management decisions remains with the Council at all times. Undue reliance on the Council's external advisers will be avoided, although the value of employing an external adviser and accessing specialist skills and resources is recognised.
29. The Council also uses Hymans Robertson LLP, for strategic advice for the Investing in Leicestershire programme (iLP).

30. The Council recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

### **Capital Prudential Indicators**

#### **Capital Financing Requirement**

31. The Capital Financing Requirement (CFR) measures the Council's need to borrow for capital purposes. It is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any unfunded capital expenditure plans, i.e. not funded through a revenue or capital resource, will increase the CFR.

32. The proposed MTFS capital programme for 2026-30 includes a requirement to increase the Capital Financing Requirement (CFR) by £75m by 2029/30. This will fund essential investment in service improvement, investment for growth and invest to save projects. Due to the levels of internal cash balances, which would otherwise be available to lend to banks, no new external loans are forecast to be required in the short to medium term and instead will be funded from internal borrowing.

33. The table below shows how the CFR is expected to change over the period of the MTFS, and how this compares to the expected level of external debt. A number of debt rescheduling opportunities have been taken during 2025/26. Further rescheduling opportunities will be considered if they are in the best long-term financial interests of the Council.

	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
<b>Opening Capital Financing Requirement</b>	<b>193,478</b>	<b>189,264</b>	<b>194,211</b>	<b>220,398</b>
New Borrowing	0	9,245	30,724	35,031
Statutory Minimum Revenue Provision (MRP)	-4,214	-4,298	-4,537	-5,137
Voluntary MRP	0	0	0	0
<b>Closing Capital Financing Requirement</b>	<b>189,264</b>	<b>194,211</b>	<b>220,398</b>	<b>250,292</b>
<b>Opening external debt</b>	<b>145,754</b>	<b>145,254</b>	<b>144,754</b>	<b>144,254</b>
Loans maturing	-500	-500	-500	-500
<b>Closing external debt</b>	<b>145,254</b>	<b>144,754</b>	<b>144,254</b>	<b>143,754</b>
<b>Overborrowed/(borrowing requirement)</b>	<b>(44,010)</b>	<b>(49,457)</b>	<b>(76,143)</b>	<b>(106,538)</b>

### Minimum Revenue Provision (MRP)

34. The Local Authorities (Capital Finance and Accounting) Regulations 2003 require local authorities to charge to their revenue account in each financial year a minimum amount to finance capital expenditure. This is referred to as Minimum Revenue Provision (MRP). The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
35. In 2019/20 the Council reassessed the expenditure that is required under statute relating to a prudent Minimum Revenue Provision. Based on the average economic remaining life of assets held it amended the MRP calculation for supported and unsupported borrowing to a period of 40 years, which reduced the MRP charge to around £6m per annum.
36. During 2024/25 the Council reviewed the MRP policy to assess its continued appropriateness. The review has identified that changes to the existing policy can be made to remain prudent and to more accurately reflect the time value of money through the use of an annuity calculation. This results in a consistent charge to the general fund for assets over their useful lives. Setting the annuity rate at the Bank of England's Monetary Policy Committee's inflation target rate of 2% is considered appropriate and prudent. MRP will increase by this percentage each year. This reflects the time value of money and can be considered to be fairer on council tax-payers as it produces a consistent charge as measured in real terms. The revised approach was approved by the Council in February 2025 and is being applied from 2025/26.
37. CIPFA's Practitioners' Guide to Capital Finance in Local Government supports the use of the Annuity method on the basis that the MRP charge to the General Fund takes account of the time value of money.
38. It should be noted that the revised approach does not change the overall amount of MRP payable; the same amount is simply repaid over a different time period, but is more aligned with the period over which the underlying assets provide benefit. The MRP strategy can be found in Annex 1 to this strategy.
39. Overall capital financing costs (MRP and external debt interest) are forecast to be £12m in 2026/27 and then rise to £14m in 2029/30 as a result of the requirement for new borrowing. This estimate assumes the required new borrowing is from internal cash balances. The capital financing costs do not include the cost of interest returns foregone by using internal cash balances, this will be reflected in a reduction to the bank and other interest budget.

### Prudential and Treasury Indicators for 2026-30

40. Prudential and treasury indicators (as set out in the tables in Annex 2 to this strategy) are relevant for the purpose of setting an integrated treasury management strategy. The Council has adopted the CIPFA treasury management code.
41. The prudential and treasury management indicators include:
  - Capital Expenditure
  - Capital Financing Requirement
  - Ratio of total financing costs to net revenue stream

- Ratio of net income from commercial investments to net revenue stream
- Liability benchmark
- Upper and lower limits to the maturity structure of borrowing
- Upper limits for long term treasury management investments

42. The liability benchmark provides a long-term projection of external debt and the capital financing requirement, including treasury management loans. There are four components to the benchmark:

- Existing loan debt outstanding: the Council's existing loans that are still outstanding in future years.
- Loans CFR per the approved MTFS
- Net loans requirement: gross loan debt less treasury management investments
- Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

43. The benchmark will be referred to before any borrowing decisions are made.

**Borrowing**

44. The treasury management function ensures that the Council's cash is organised so that sufficient cash is available to meet the day-to-day requirements of the Council and the funding required for the capital programme. This will involve both the organisation of the cash flow and the requirement for borrowing facilities.

**Current Portfolio Position**

45. The overall treasury portfolio position at 31<sup>st</sup> December 2025 was:

		Principal £m	Average Rate %
Fixed Rate Funding (borrowing)	PWLB Market	52.3 93.5	8.03 4.41
	Total Borrowing	<u>145.8</u>	5.71
Total Investments		<u>402.8</u>	4.61
Net Investment		<u>257.0</u>	

46. The market debt relates to structures referred to as LOBOs (Lenders Option, Borrowers Option), where the lender has certain dates when they can increase the interest rate payable and, if they do, the borrower has the option of accepting the new rate or repaying the loan. All of these LOBOs have passed the first opportunity for the lender to change the rate and as a result they are all classed as fixed rate funding, even though, in theory, the rates could change in the future.

47. The Council's average rate of return on its treasury investments is 4.61% (as at 31 Dec 25).

**Treasury Limits for 2026/27 to 2029/30**

48. It is a statutory duty for the Council to determine and keep under review how much it can afford to borrow. The amount determined is termed the “Affordable Borrowing Limit”. In England and Wales the Authorised Borrowing Limit represents the legislative limit specified in the Act.

49. The Council must have regard to the Prudential Code when setting the Authorised Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax level is ‘acceptable’.

50. Whilst termed an “Affordable Borrowing Limit” the capital plans to be considered for inclusion incorporate financing by both borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and three successive financial years. Details of the Authorised Limit can be found in Annex 2 to this Strategy.

### Prospects for Interest Rates

51. The Council’s treasury advisor, MUFG Corporate Markets, have provided the following revised forecasts as at 22 December 2025 (latest update at the time of writing) to assist the Council to formulate a view on interest rates.

MUFG Corporate Markets Interest Rate View 22.12.25														
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29	
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40	
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60	
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70	
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20	
50 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00	5.00	

Additional notes by MUFG Corporate Markets on this forecast table: -

- *Our last interest rate forecast update was undertaken on 11 August. Since then, a combination of tepid growth (0.2% q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.2%), and a November Budget that will place more pressure on the majority of households' income, has provided an opportunity for the Bank of England's Monetary Policy Committee to further reduce Bank Rate from 4% to 3.75% on 18 December.*
- *Surprisingly, to most market commentators, the recent steep fall in CPI inflation in one month from 3.6% to 3.2% did not persuade most "dissenters" from the November vote (Lombardelli, Greene, Mann and Pill) to switch to the rate-cutting side of the Committee. Instead, it was left to Bank Governor, Andrew Bailey, to use his deciding vote to force a rate cut through by the slimmest of margins, 5-4.*
- *Given the wafer-thin majority for a rate cut it was not unexpected to hear that although rates would continue on a "gradual downward path", suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming evidence on labour market activity and wage growth. Indeed, with annual wage growth still over 4.5%, the MPC reiterated that the case for further rate cuts would be "a closer call", and Governor Bailey observed there is "limited space as Bank Rate approaches a neutral level".*
- *Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.*

- *As in August, nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer/Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party. If so, how will gilt markets react to these variables...and will there be additional geo-political factors to also bake in, particularly the Fed's monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.*
- *Accordingly, our updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and we have marginally brought forward the timing of the next rate cut(s). But for the 10-, 25- and 50-years part of the curve, the level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a "given", and additionally, the inflation outlook and political factors domestically and, crucially, in the US, are also likely to hold sway. Matters should be clearer by June in the UK, but the US mid-term elections are scheduled for November.*
- *Our revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026. Hopefully, there will be a further extension to this discounted rate announced in January.*
- *Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.*

52. MUFG Corporate Markets suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below.

Average earnings in each year	Now	Previously
	%	%
<b>2025/26 (residual)</b>	3.80	3.90
<b>2026/27</b>	3.40	3.60
<b>2027/28</b>	3.30	3.30
<b>2028/29</b>	3.30	3.50
<b>2029/30</b>	3.50	3.50
<b>Years 6-10</b>	3.50	3.50
<b>Years 10+</b>	3.50	3.50

#### Borrowing Strategy

53. The Council is currently under borrowed and is forecast to be under borrowed by the end of the MTFS in 2029/30. Under borrowed means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with external loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure, called internal borrowing. This strategy is prudent as medium and

longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy.

54. Borrowing rates very rarely move in one direction without there being periods of volatility, and it is sensible to maintain a flexible and proactive stance towards when borrowing should be carried out (if, indeed, any borrowing is taken). Likewise it is sensible to retain flexibility over whether short, medium or long-term funding will be taken and whether some element of variable rate funding might be attractive. Any borrowing carried out will take into account the medium term costs and risks and will not be based on minimising short term costs if this is felt to compromise the medium term financial position of the Council.

#### External v Internal Borrowing

55. The Council currently has significant cash balances invested, and at the end of December 2025 these stood at £410m. These balances relate to a number of different items; reserves, provisions, grants received in advance of expenditure and simple cash flow are some of them.
56. As mentioned earlier the draft MTFS capital programme includes a funding requirement of £75m. Due to the levels of internal cash balances and the interest return compared with the cost of raising new external debt it is more economical to temporarily utilise internal cash balances
57. The Council has over the last decade repaid more than £208m of external loans with no new borrowing. If any further opportunities to repay debt occur that are sensible from a financial perspective, they will be taken.
58. The balance between internal and external borrowing will be managed proactively, with the intention of minimising long-term financing costs.
59. In line with the requirements of the Prudential Code, and before any increase in the CFR is required, the Council will undertake an annual review of options to exit investments held primary for return (those included in the LiLP Strategy). The reviews evaluate the benefit of holding such assets with taking out new borrowing and any risk reduction benefits.

#### Policy on borrowing in advance of need

60. The Council will not borrow in advance of need simply to benefit from earning more interest on investing the cash than is being paid on the loan. Where borrowing is required in the approved capital programme, and value for money can be demonstrated by borrowing in advance, this option may be taken, but only if it is felt that the money can be invested securely until the cash is required. This allows borrowing to be taken out at an opportune time rather than at the time expenditure is incurred.
61. In determining whether borrowing will be taken in advance of the need the Council will:
  - ensure that there is a clear link between the capital programme and maturity profile of existing debt which supports taking financing in advance of need
  - ensure that the revenue implications of the borrowing, and the impact on future plans and budgets have been considered

- evaluate the economic and market factors which might influence the manner and timing of any decision to borrow
- consider the merits (or otherwise) of other forms of funding
- consider a range of periods and repayment profiles for the borrowing.

#### Debt Rescheduling/Premature Debt Repayment

62. Debt rescheduling usually involves the premature repayment of debt and its replacement with debt for a different period, to take advantage of differences in the interest rate yield curve. The repayment and replacement do not necessarily have to happen simultaneously but would be expected to have occurred within a relatively short period of time.
63. If medium and long-term loan rates rise substantially in the coming years, there may be opportunities to adjust the portfolio to take advantage of lower rates in shorter periods. It is important that the debt portfolio is not managed to maximise short-term interest savings if this is felt to be overly risky, and a maturity profile that is overly focussed into a single year will be avoided. Changes to the way that PWLB rates are set, and the gap between new borrowing costs and the rate used in calculating premia/discounts for premature debt repayments, significantly reduces the probability of debt rescheduling being attractive in the future.
64. If there is a meaningful increase in medium and long-term premature repayment rates there is a possibility that premature repayment of existing debt might become attractive. This type of action would only be carried out if it was considered likely to be beneficial in the medium term.
65. All debt rescheduling or premature repayments will be reported to the Corporate Governance Committee at the earliest meeting following any action taken.

#### Annual Investment Strategy

##### Investment Policy – Management of Risk

66. The government) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of physical assets and service investments, are covered in the Capital Strategy and the iLIP Strategy.
67. The Council's investment policy has regard to the following:
  - Government Guidance on Local Government Investments
  - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
  - CIPFA Treasury Management Guidance Notes 2021.
68. The Council's investment priorities are security first, portfolio liquidity second and then yield. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security, liquidity, inflation expectations and with regard to the Council's risk appetite.

69. The above guidance places a high priority on the management of risk. The Council's policy in respect of deciding which counterparties are acceptable has always been stringent.
70. In broad terms the list of acceptable counterparties uses the list produced by MUFG Pension & Market Services (the Council's treasury management advisor) but excludes any party that is included in the MUFG Pension & Market Services list with a maximum loan maturity period of 100 days or less. All counterparties are also restricted to a maximum loan period of one year.

#### Creditworthiness Policy

71. MUFG Pension & Market Services' methodology includes the use of credit ratings from the three main credit rating agencies; Standard & Poor, Fitch and Moody's. The credit ratings of counterparties are supplemented with the following overlays:
  - "Watches" and "outlooks" from credit rating agencies;
  - Credit DefaultSwap (CDS) spreads that may give early warning of changes in credit ratings;
  - Sovereign ratings to select counterparties from only the most creditworthy countries.
72. This modelling approach combines credit ratings, and any assigned watches and outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of bands which indicate the relative creditworthiness of counterparties. These are used by the Council to determine the suggested duration for investments. The Council further restricts the list of acceptable counterparties from the base list provided by MUFG Pension & Market Services, details are described in Annex 3.
73. MUFG Pension & Market Services issues timely information in respect of changes to credit ratings or outlooks, and changes to their suggested counterparty list are also issued. These reports are monitored within a short time of receipt and any relevant changes to the counterparty list are actioned as quickly as is practical. A weekly summary of the credit ratings etc. of counterparties is also issued and this gives an opportunity to ensure that no important information has been missed.

#### Country Limits

74. The MUFG Pension & Market Services criteria includes a requirement for the country of domicile of any counterparty to be very highly rated. This is on the basis that it will probably be the national government which will offer financial support to a failing bank, but the country must itself be financially able to afford the support. The Council's list of acceptable counterparties will include a limit on the maximum amount that can be invested in all counterparties domiciled in a single country (except for the UK) in order to mitigate sovereign risk. All bank loans are made in sterling.

#### UK Local Authorities

75. The counterparty list from MUFG Pension & Market Services does not include Local Authorities, due to credit ratings not being available for the majority of organisations. Having never defaulted in history, UK Local authorities and levying authorities are and have always been regarded as safe counterparties.

76. Despite the difficult financial situation that many Local Authorities find themselves in, the legal basis underpinning them and their requirement to repay loans has not changed. It is considered very unlikely that one will be allowed to collapse and default on its debt. The language used to describe the financial position of Local Authorities and companies is very similar. However, the actual position is very different. Despite Government cuts to grants Local Authorities are in control of the majority of their income, due to their tax-raising powers. To regain a balanced budget service reductions can take place without a corresponding income reduction. Companies do not have this ability and if a service is cut by them, all of the related income stops. Historically when public sector re-organisations have taken place, resulting in the cessation of one or more entities, Central Government has nominated successor organisations. These organisations take on all of the historic assets and liabilities of the original entities. If a limited company ceases trading the known liabilities can only be settled out of the assets held by the company at that time.

77. Local Authorities remain very low risk counterparties and it is extremely unlikely that loans would not be repaid in full, on time and with full interest. The Council's treasury management advisors are aware of local authorities being on the list of authorised counterparties and are supportive of it, and comfortable that they remain low-risk counterparties. There is evidence that lending between local authorities continues to happen, including to those that have been highlighted as in very difficult financial positions.

#### Counterparty List

78. The combination of all these factors produces a counterparty list, for the County Council, which comprises only very secure financial institutions, and a list that is managed pro-actively as new information is available.

79. There is a requirement within the Annual Investment Strategy to state which of the approved methods of lending are specified, and which are non-specified. In broad terms a specified investment will be capable of repayment within one year and be made to a counterparty with a high credit rating; by implication non-specified investments are riskier than specified investments as they are either for longer periods of time or to lower-quality counterparties. Anything that does not meet either of these 'tests' is, by default, non-specified and must be highlighted as such within the Strategy. The long-term nature of the 'LOBO-offset' loan to Danske Bank means that it is non-specified investment, although the off-setting nature of the borrowing and the loan actually makes it low risk. Investment in pooled private debt, capital release funds, pooled property and pooled infrastructure funds are also non-specified, primarily due to the illiquid and medium-term nature of the investment.

Investment	Repayment within 12 months	Level of Security	Maximum Period	Maximum % of Portfolio or cash sum <sup>1</sup>
Term deposits with the Debt Management Office	Yes	Government-Backed	1 year	100%
UK Government Treasury Bills	Yes	Government-Backed	1 year	100%
Term deposits with credit-rated institutions with maturities up to 1 year <sup>2</sup> (including both ring fenced and non-ring fenced banks)	Yes	Varied acceptable credit ratings, but high security	1 year	100%

Term deposits with overseas banks domiciled within a single country.	Yes	Varied acceptable credit ratings, but high security	1 year	£70m
Private Term deposits that are legally capable of offset against existing LOBO borrowing that the Council has <sup>3</sup>	No	Varied, but off-setting nature of borrowing against loan gives a very low risk	20 years	25%
Money Market Funds: Constant NAV <sup>4</sup> Low Volatility NAV <sup>5</sup>	Yes	At least as high as acceptable credit – rated banks	Daily, same-day redemptions and subscriptions	£200m (includes any investment in variable NAV MMFs)
Variable NAV Money Market Funds <sup>6</sup>	Yes	At least as high as acceptable credit – rated banks	Same day subscriptions, 2 – 3 day redemption period	£160m (includes any investment in other MMFs)
Pooled private debt funds	No	Diversification within pooled fund and historic loss rate suggests high security	Varies across funds – likely to be at least a three year investment period, followed by a further three years to redeem all loans	£50m (£30m plus temp £20m overlap at renewal)
Pooled bank capital release funds	No	Diversification within pooled fund, resilience of SME loans to default and historic loss rate suggests high security	Varies across funds – likely to be at least an 18 month investment period, followed by a further 5 years to redemption	£20m
Pooled Property Funds	No	Diversification within pooled fund, exposure to UK property market.	Varies across funds	£20m
Pooled Infrastructure Funds	No	Diversification within pooled fund, exposure to global core infrastructure assets.	Open ended	£15m
Term Deposits with UK Local Authorities up to 1 year	Yes	LA's do not have credit ratings, but high security	1 year	50%
Certificates of Deposit with credit-rated institutions with maturities of up to 1 year	Yes	Varied acceptable credit ratings, but high security	1 year	100%

- (1) As the value of the investment portfolio is variable, the limit applies at time of agreeing the investment. Subsequent changes in the level of the portfolio will not be classed as a breach of any limits.
- (2) For administrative purposes a commitment may need to be made in advance of the investment period commencing. To avoid being overexposed with a counterparty this will be kept to a few days.
- (3) Non-specified investment
- (4) Funds where the capital value of a unit will always be maintained at £1. These funds have to maintain at least 99.5% of their assets in government backed assets.
- (5) Funds are permitted to maintain the unit price at £1 as long as the net asset value does not deviate by more than 0.20% from this level.
- (6) Funds will value their units on the basis of the underlying value of the assets that they hold; the unit price will not necessarily always be exactly £1

80. Following the lasting implications of the Covid-19 pandemic, in particular, the demonstration that unforeseeable events can very quickly cause significant uncertainty and shock financial markets, it is recognised that in exceptional circumstances the Director of Corporate Resources, in order to protect capital balances and liquidity, may have to take immediate action that breaches the above policy on a temporary basis. The action will only be taken as a last resort and will be reported, along with the rationale behind it, to the Corporate Governance Committee at the first opportunity.

Investment Strategy

81. The investment strategy shall be to only invest in those institutions and/or asset types that are included in the counterparty list, and only to lend up to the limit set for each counterparty. Periods for which loans are placed will take into account the outlook for interest rates and, to a lesser extent, the need to retain cash flows. There may be occasions when it is necessary to borrow to fund short-term cashflow issues, but there will generally be no deliberate intention to make regular borrowing necessary.

Environmental, Social and Governance (ESG) Policy

82. The Council is committed to being a responsible investor at all times. Responsible investment means to recognise the importance of the long-term health and stability of the financial markets, and to understand that this depends on key external non-financial factors, such as the environment, social stability and strong governance. Collectively, these factors are often referred to under the umbrella of ESG.

83. The Council's objective is to recognise all these risks, to mitigate them where possible and thereby improve the security of its portfolio in the long-term.

84. Within these risks, the Council has identified climate change as a long-term, material and systemic financial risk with the potential to significantly impact the treasury portfolio and the Council's financial resilience over time. Therefore, the Council seeks to:

- Minimise exposure to counterparties and investments heavily impacted by climate change risk;
- Increase exposure to sectors, counterparties and investments, such as renewables, whose activities aid the transition to a lower carbon world and economy;
- Contribute meaningfully to an improved economically sustainable future locally and nationally, without sacrificing security.

85. The Council sees positive social impact also as a key mitigation to aid long-term financial stability, and as a meaningful contribution to the local, regional and national economy. Good governance meanwhile is also critical to safeguarding the Council's reputational risk.

86. The Council will incorporate ESG issues into its analysis and decision making processes when considering the treasury portfolio and investments. The Council will seek to use data and analysis to determine the type and materiality of relevant issues for counterparties, and their alignment with the Council's core principles.

87. It is important to note that the Council shall invest on the collective basis of its investment priorities – security, liquidity, yield and ESG impact – having considered all factors contributing to the risk of its counterparties and investments, including ESG

factors to the extent these indirectly or directly impact on financial risk and return as well as the Council's broader policy objectives and reputation.

### Scheme of Delegation

88. (i) Full Council

- Approval of annual strategy
- Other matters where full Council approval is required under guidance or statutory requirement

(ii) Cabinet

- Approval of updates or revisions to strategy during the year
- Approval of Annual Treasury Outturn report

(iii) Corporate Governance Committee

- Mid-year treasury management updates (usually quarterly)
- Review of treasury management policy and procedures, including making recommendations to responsible body
- Scrutiny of Treasury Management Strategy/Annual Investment Strategy and Annual Treasury Outturn report.

(iv) Director of Corporate Resources

- Day-to-day management of treasury management, within agreed policy
- Appointment of external advisers, within existing Council procurement procedures

### Role of Section 151 Officer

89. The Section 151 Officer is the Director of Corporate Resources, who has responsibility for the day-to-day running of the treasury management function.

### Pension Fund Cash

90. The Council will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which were implemented on 1<sup>st</sup> January 2010, and will not pool pension fund cash with its own cash balances for investment purposes. Any investments made by the pension fund directly with the County Council after 1<sup>st</sup> April 2010 will comply with the requirements of SI 2009 No 3093. From time to time the Council will manage short term cash flow requirements for either the County Council or the Pension Fund on a non-beneficial basis (i.e., at no beneficial cost – no charge will be incurred above and beyond costs incurred).

### Eastern Shires Purchasing Organisation (ESPO)

91. As part of the service level agreement with ESPO, the council provides a treasury management service on behalf of ESPO for investment of surplus balances and borrowing. This service is carried out with due regard to this policy and responsibility for day-to-day management lies with the Director of Corporate Resources. Surplus balances are invested in their own right and not pooled with the County Council.

## **ANNUAL STATEMENT FOR THE DETERMINATION OF THE ANNUAL MINIMUM REVENUE PROVISION (MRP)**

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). The 2003 Regulations have been further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of Capital Financing Requirement (CFR) from its calculation, unless by an exception set out in statute.

### **Prudent Provision.**

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The definition of what is prudent provision is determined by each local Council based on guidance rather than statutory regulation.

During 2024/25 the Authority undertook a review of its MRP policy to assess its appropriateness. The review has identified that changes to the existing policy can be made to remain prudent and to more accurately reflect the time value of money through the use of an Annuity calculation. This results in a consistent charge to the general fund for assets over their useful lives. Setting the annuity rate at the Bank of England's Monetary Policy Committee's inflation target rate of 2% is considered appropriate and prudent. MRP will increase by this percentage each year. This reflects the time value of money and can be considered to be fairer on council tax-payers as it produces a consistent charge as measured in real terms. The previous policy was to apply MRP at a rate of 2.5% per year using the straight line method. The revised approach, with effect from 2025/26, was approved by the Council in February 2025.

CIPFA's Practitioners' Guide to Capital Finance in Local Government supports the use of the Annuity method on the basis that the MRP charge to the General Fund takes account of the time value of money.

### **It is proposed that provision is made on the following basis:**

#### Government supported borrowing and Prudential (unsupported) borrowing as at 31 March 2025:

Provision to be based on the estimated life of the assets remaining with repayments by annuity instalments of 2% each year. The extent of borrowing required to finance the capital programme is not directly linked to any specific projects thus in determining the average life of assets an average of 35 years has calculated for all existing assets as at 31 March 2025.

#### Prudential (unsupported) borrowing and expenditure capitalised by direction of the Secretary of State and certain other expenditure classified as capital incurred after 31 March 2025:

Provision to be based on the estimated life of the assets remaining with repayments by annuity instalments of 2% each year. The extent of borrowing required to finance the capital

programme is not directly linked to any specific projects thus in determining the average life of assets an average of 40 years has been taken as a proxy for the average life of assets.

The County Council will also look to take opportunities to use general underspends and one-off balances to make additional (voluntary) revenue provision where possible to reduce ongoing capital financing costs. As at 31 December 2025, the cumulative amount of voluntary MRP paid in advance was £12m.

### **Financial Implications**

MRP is a constituent of the Financing of Capital budget shown within Central Items component of the revenue budget and for 2026/27 is estimated to total £4.2m, excluding finance lease MRP.

**PRUDENTIAL AND TREASURY INDICATORS**

In line with the requirements of the CIPFA Prudential Code for Capital Finance in local authorities, the various indicators that inform authorities whether their capital investment plans are affordable, prudent and sustainable, are set out below.

A further key objective of the Code is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. The indicators for Treasury management are set out in this paper.

Compliance with the Code is required under Part I of the Local Government Act 2003.

	<u>2025/26 Estimate</u>	<u>2026/27 Estimate</u>	<u>2027/28 Estimate</u>	<u>2028/29 Estimate</u>	<u>2029/30 Estimate</u>
Capital Expenditure	£200m	£164m	£166m	£145m	£146m
Capital financing requirement	£193m	£189m	£195m	£220m	£250m
Ratio of total financing costs to net revenue stream	2.0%	2.0%	1.9%	1.8%	1.9%
Ratio of net income from commercial activities to net revenue stream	1.0%	1.3%	1.3%	1.3%	1.3%

The projected level of capital expenditure shown above differs from the total of the detailed four year programme presented in the MTFS as an allowance has been provided to cover estimated additional expenditure that may occur during the course of a year, for instance projects funded by government grants, section 106 contributions and projects funded from the future developments programme.

The capital financing requirement (CFR) measures the Council's need to borrow for capital purposes and as such is influenced by the availability of capital receipts and income from third parties, e.g. grants and developer contributions. The CFR is increasing during the MTFS period for essential investment in services, investment for growth and invest to save projects. The prudential code includes the following as a key indicator of prudence:

'In order to ensure that over the medium term gross debt will only be for a capital purpose, the local Council should ensure that gross debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years'. In the short term this indicator will not be met due to the reduction in the capital financing requirement in recent years and the currently prohibitively expensive premiums to repay existing debt. The Council will consider options to reduce this position where they are in the long term financial interests of the Council. Further details are included in the main Treasury Management Strategy Statement and Annual Investment Strategy 2026/27.

In respect of external debt, it is recommended that the Council approves the limits detailed in the tables below for its total external debt for the next four financial years. These limits separately identify borrowing from other long term liabilities such as finance leases. The Council is asked to approve these limits and to delegate authority to the Director of Corporate

Resources, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities. Any such changes made will be reported to the Cabinet at its next meeting following the change.

There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. They are both based on estimates of most likely, but not worst case, scenario. The key difference is that the Authorised Limit cannot be breached without prior approval of the County Council. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, "invest to save" projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls as well as an assessment of risks involved in managing cash flows. The Operational Boundary is a more realistic indicator of the likely position.

#### Operational boundary for external debt

	<u>2026/27</u> £m	<u>2027/28</u> £m	<u>2028/29</u> £m	<u>2029/30</u> £m
Borrowing	194	200	225	255
Other long term liabilities (finance leases)	1	1	1	1
<b>Total</b>	<b>195</b>	<b>201</b>	<b>226</b>	<b>256</b>

#### Authorised limit for external debt

	<u>2026/27</u> £m	<u>2027/28</u> £m	<u>2028/29</u> £m	<u>2029/30</u> £m
Borrowing	204	210	235	265
Other long term liabilities (finance leases)	1	1	1	1
<b>Total</b>	<b>205</b>	<b>211</b>	<b>236</b>	<b>266</b>

In agreeing these limits, the Council is asked to note that the authorised limit determined for 2026/27 will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.

#### Comparison of original 2025/26 indicators with the latest forecast

In February 2025 the County Council approved certain prudential limits and indicators, the latest projections of which are shown below:

	<u>Prudential Indicator</u> 2025/26	<u>Latest Projection</u> 31/12/25
Actual Capital Financing Costs as a % of Net Revenue Stream	2.2%	1.9%
Capital Expenditure	£164m	£200m
Operational Boundary for External Debt	£207m	£207m
Authorised Limit for External Debt	£217m	£217m
Net Income from Commercial Activities as % of net revenue stream	1.0%	1.0%
Estimated Debt as at 31/03/2026	N/A	£146m
Capital Financing Requirement	£196m	£193m
Liability Benchmark - Gross loans requirement (£m)	£-186m	£-192m

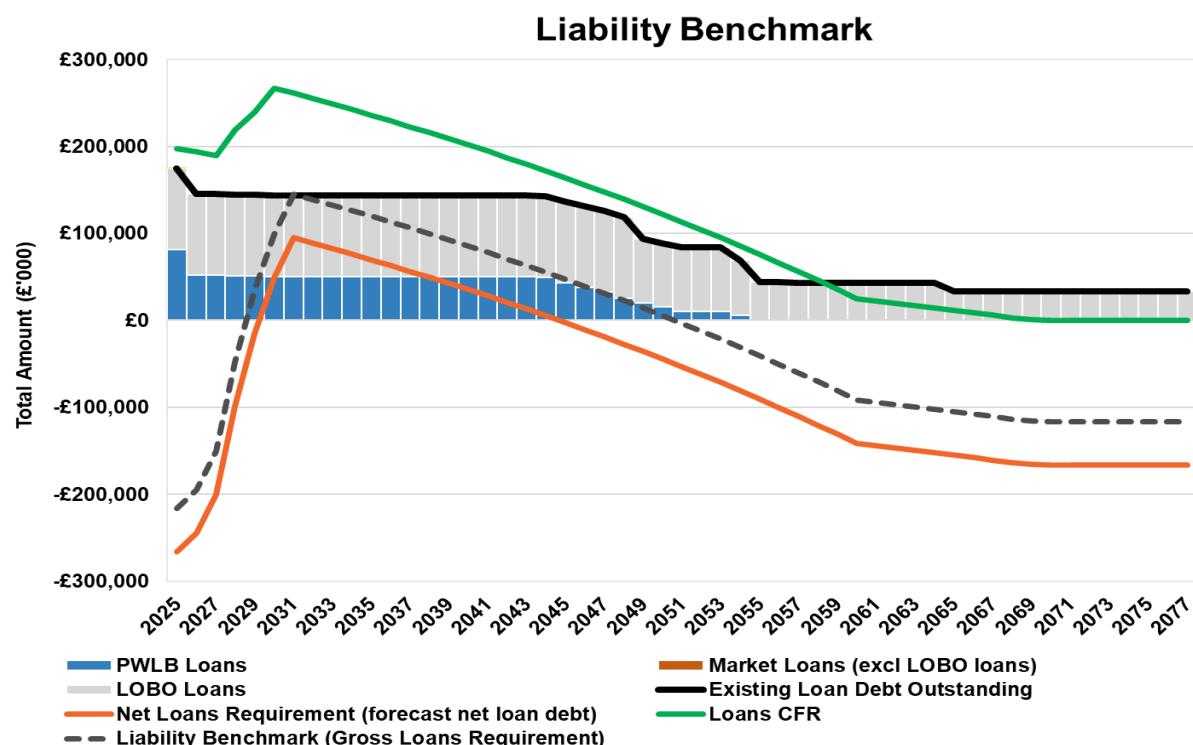
With the exception of the capital expenditure forecast for 2025/26 all other indicators are within the targets set. The latest estimate of capital expenditure in 2025/26 is £200m compared with the original prudential indicator of £164m. The increase is due to additional government capital grants, announced after the MTFS was approved, and the rephasing of capital expenditure (and its funding) from the 2024/25 outturn. The increase in the programme is fully funded. The Director of Corporate Resources reports that no difficulties are envisaged in complying with these indicators. The latest forecast of external debt at 31 March 2026 is £146m and is within both the authorised borrowing limit and the operational boundary set for 2025/26. The maturity structure of debt is within the indicators set.

#### Treasury Management Indicators

The Local Government Act 2003 requires the County Council to ensure that treasury management is carried out with good professional practice. The Treasury Management and Prudential Codes includes the following as the required indicators in respect of treasury management:

a) Liability benchmark - is a projection of the amount of loan debt outstanding that the Council needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. This is shown by the gap between the Council's existing loans that are still outstanding at a given future date and the Council's future need for borrowing (as shown by the liability benchmark). It is presented as a chart, covering four sections:

- Existing loan debt outstanding – shown by the type of debt, to show interest risk
- Loans capital financing requirement – same as the CFR
- Net loans requirement (NLR) – gross debt less treasury management investments, proposed prudential borrowing, MRP and any other major cash flows forecast
- Liability bench mark (or gross loans required) equals the net loans requirement plus short-term liquidity allowance.



The opening position is as at April 2025. At this point the net loans requirement (NLR) is calculated as outstanding debt of £175m less treasury management investments of £441m. For the Council this is a negative figure of £-266m. The liability benchmark, or gross loans requirement, is this figure plus the short-term liquidity requirements of the Council, which provides a negative figure of £-216m. This position is primarily due to funding set aside to fund the capital programme, no new prudential borrowing for over a decade and limited opportunities to repay debt early.

As the chart moves through the MTFS period 2026-30 the liability benchmark (gross loans requirement) increases as the capital strategy is actioned through prudential borrowing and earmarked reserves being used. After this date the benchmark then reduces as MRP reduces the CFR. Despite this the gross loans requirements is always below the level of existing debt outstanding which indicates that no external borrowing is likely to be required.

There are limitations with the chart in that it is focused on current commitments and makes no assumption of any future possible prudential borrowing needs. However, it is a useful tool to review the net management of the treasury position with the aim to minimise and reduce refinancing, interest and credit risk by profiling borrowing portfolio to benchmark borrowing requirements.

- b) Upper and lower limits for the maturity structure of its borrowings as follows:  
Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate:

	<u>Upper Limit %</u>	<u>Lower Limit%</u>
under 12 months	30	0
12 months and within 24 months	30	0
24 months and within 5 years	50	0
5 years and within 10 years	70	0
10 years and above	100	25

- c) An upper limit for treasury management investments longer than 1 year is 25% of the portfolio.

The County Council has adopted the CIPFA code of Practice for Treasury Management in the Public Services.

ANNEX 3POLICY ON APPROVED ORGANISATIONS FOR LENDINGAPPROVED ORGANISATIONS/ LIMITS FOR LENDING

<u>Institution*</u>	<u>Maximum Sum Outstanding/Period of Loan</u>
UK Clearing Banks and UK Building Societies**	£35m/6 months up to £55m/12months (Not special Institutions) £75m/12months (special Institutions) 'Special' = significant element of UK government ownership.
UK Debt Management Office	No maximum sum outstanding/12 months
UK Government Treasury Bills	No maximum sum outstanding/12 months
Overseas Banks	£10m/6 months £20m/12 months
Money Market Funds***	£40m ongoing limit within any AAA-rated fund, rising to £50m should the cash position necessitate. £200m maximum exposure to all Money Market Funds
UK Local Authorities	£10m/12 months
Pooled Private Debt Funds	£50m/variable 3-6 years
Pooled Bank Capital Release Funds	£20m/variable 3-6 years
Pooled Property Funds	£20m/variable
Pooled Infrastructure Funds	£15m/variable

\* includes ring fenced and non-ring fenced banks.

\*\*In the event that an investment is entered into which is legally offset against borrowing in the form of a LOBO (Lender's Option, Borrower's Option) from the same counterparty, the maximum period will be 20 years and the maximum sum will be the amount of the LOBO deal against which the legal offset exists.

\*\*\* For the most part, a practical limit of £40m will apply to each of the four MMF's available. However, if the total cash requirement for MMFs does exceed £160m (e.g. the £40m limit is reached in each), then the limit can be increased to £50m for each MMF.

The list of acceptable institutions will mirror the list of suggested counterparties maintained by MUFG Pension & Market Services, except the maximum maturity period will be restricted to 1 year and any institution with a suggested maturity period of 100 days or less will be excluded.

Some financial institutions have both a parent company and a subsidiary that are licensed deposit takers in the UK. Where this is the case a 'group limit' will apply, and this will be the limit that is given to the parent company.

In some cases the parent company will be an overseas institution and they will have UK-registered subsidiaries. Where this is the case the parent company limit will apply at a total group level, even if this limit is less than would be given to the UK subsidiary on a stand-alone basis. Any money invested with a UK subsidiary of an overseas institution will be classed as being invested in the country of domicile of the parent if the parent is an overseas institution for country-maximum purposes.

If the credit rating of an individual financial institution decreases to a level which no longer makes them an acceptable counterparty the Director of Corporate Resources will take action to bring this back into line at the earliest opportunity. It should be noted that there will be no legal right to cancel a loan early, and any premature repayment can only be made with the approval of the counterparty and may include financial penalties. Similar actions will be taken if a counterparty is downgraded to a level which allows them to remain on the list of acceptable counterparties, but where the unexpired term of any loan is longer than the maximum period for which a new loan could be placed with them.

In the event that the circumstances highlighted above occur, the Director of Corporate Resources will report to the Corporate Governance Committee.

**TREASURY MANAGEMENT POLICY STATEMENT (TMPS)**

1. This organisation defines its treasury management activities as:

“The management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

This page is intentionally left blank



# Provisional Medium Term Financial Strategy

## 2026-2030

Public consultation results



January 2026

Business Intelligence Service  
Leicestershire County Council

Richard Wilding  
Business Intelligence Team Leader

Stewart Smith  
Service Development Business Partner

Michelle Monamy  
Research & Insight Manager

Nicole Brown  
Research & Insight Manager

Business Intelligence Service  
Leicestershire County Council  
County Hall, Glenfield  
Leicester LE3 8RA

Email : [stewart.smith@leics.gov.uk](mailto:stewart.smith@leics.gov.uk)

Produced by the Business Intelligence Service at Leicestershire County Council.

With support from:

- Strategic Finance, Leicestershire County Council
- Policy Team, Leicestershire County Council
- Communications Team, Leicestershire County Council

Whilst every effort has been made to ensure the accuracy of the information contained within this report, Leicestershire County Council cannot be held responsible for any errors or omission relating to the data contained within the report.

## CONTENTS

	Page
Key findings	4
Background	6
Methodology	6
Communication	7
Questions	7
Analysis	7
Results	
Role of respondent	8
Growth and savings allocation	10
Disagreement with specific savings	11
Focus for savings opportunities	13
Comments and suggestions on areas for further savings	15
Comments about the areas identified for growth or capital investment	17
Council Tax increase	19
Other comments on the council's budget proposals	21
Communications	23
Appendices	
Appendix 1 - Questionnaire	24
Appendix 2 - Respondent profile	33
Appendix 3 - Statistical analysis	35

## Key findings

In total, 346 responses were received to the consultation survey, of which 77% were residents of Leicestershire and 47% were employees of Leicestershire County Council (LCC) (multiple-choice question).

### Growth and Savings

When respondents were asked whether they agreed or disagreed with how the growth and savings had been allocated across services, 45% agreed and 28% disagreed (28% neither agreed nor disagreed).

Respondents were asked whether there were any savings they disagreed with. Some respondents simply said they disagreed with most or all of them, whilst others mentioned specific services including Children's and Adult's services and services for children with Special Educational Needs and Disabilities (SEND). Other savings areas that respondents disagreed with included public transport, libraries and Beaumanor Hall and Park.

Many respondents disagreed with the council proposing further rises in Council Tax, with some expressing concern about increases at a time when residents are already stretched. Several respondents felt that residents are paying more tax to receive less services, and a few expressed frustration at proposed rises to Council Tax when the new council leadership had stated that they would not increase Council Tax in their manifesto. Although responses referencing Council Tax were largely negative, a few respondents acknowledged that a rise is necessary or expected to fund crucial council services.

Several respondents mentioned the council's need for improving efficiencies and systems in order to make savings, including less layers of management and duplication of work tasks. A notable proportion of respondents felt that insufficient information or data was provided around proposed savings to allow them to give a meaningful response, whilst others criticised the council for paying external consultants to carry out the council's efficiency review.

### Savings Opportunities

Respondents were asked to what extent they thought the areas identified by the council should contribute to savings. Overall, the response was largely positive, with over 70% of respondents considering the areas identified should contribute to savings either 'A great deal' or 'To some extent'. 'Procurement of external spend' was the area which respondents felt should most contribute to savings. The area that respondents were least supportive of was 'Use of technology/ artificial intelligence to improve efficiency'.

Respondents were asked whether they thought the areas identified were the right areas to focus on, and whether there were any other areas where they thought the council could make further savings. Common suggestions included reducing the use of external consultants and reviewing staff structures. Several respondents highlighted risks or concerns with the proposals, specifically in relation to vulnerable groups and pressure on staff.

Overpaying for procurement, improving council efficiencies, current use of council buildings, concentrating on economic growth and reviewing staff expenditure were also mentioned by respondents. Others suggested ideas around road repairs and maintenance, better use of voluntary and community services and making better use of research.

### **Council Tax**

Just under a third of respondents (32%) said that they would be prepared to pay a 5% increase or above in Council Tax (including the adult social care precept), and over a third (36%) said they would be prepared to pay a 3% increase. Just over a fifth (21%) said they would not be prepared to pay any increase in any Council Tax and just over a tenth (11%) said they thought Council Tax should be reduced.

### **Ideas for growth and capital investment**

When asked to comment on the areas identified for growth or capital investment, several comments highlighted areas that they felt should be prioritised, with specific references to children's and adult's services. Some of those who mentioned these services highlighted a need to focus on preventative services. Environment and transport was another common theme, with several respondents highlighting a need to focus on improvements to the road infrastructure and flood prevention. Other specific areas of focus included free access to waste and recycling centres, improving communication between local authorities and investment in Beaumanor Hall and Park.

A number of comments suggested other sources of income or funding, particularly using developer contributions to support new housing infrastructure (e.g. schools and roads) and requesting government grants for specific services. Suggestions around future savings and efficiencies was another key theme noted among comments, including references to shared IT resources, back office costs and staffing structures. Several areas of concern were raised within the comments, particularly around government funding and the impact of austerity, increasing demand for social care and increased Council Tax. A number of respondents felt they did not have enough detail to respond to the question, whilst others indicated general agreement with the ideas for growth or capital investment.

### **Other comments around the council's budget proposals**

Respondents were asked to provide any further comments or suggestions about the council's budget proposals. The most common theme concerned perceived inefficiency of the council, with suggestions for improving efficiency and productivity and for the council to 'live within its means'. The financial impact of proposed Council Tax rises was a concern for several respondents, whilst others felt that increasing Council Tax was necessary and preferable to reducing services. Other respondents mentioned the need for fairer funding from Central Government, reducing spending on external consultants, improving road repairs and increasing spending on schools. Several respondents criticised the consultation, stating the information on proposals was too vague, insufficient and unclear.

## Background

Uncertainty around Government funding and relentless growth in demand for services is dominating the council's budget proposals for 2026-30. The council's yearly core budget is £660m - or £1.3billion including all grants and income that relate to specific services. The county council is one of the biggest organisations in Leicestershire, spending more than £20million every week on crucial services for its residents.

The council's biggest funding source is Council Tax, followed by Government grants - some of which can only be spent on specific projects. Around three-quarters of the budget is spent on social care and supporting vulnerable people.

The four-year proposals earmark £131million extra for social care, which is 20% more than previous forecasts, to manage the rising demand for support for vulnerable people. Over the last 12 months, demand for children needing costly residential provision has increased by 28%. The council knows that action is needed to bridge a budget gap, forecast to exceed £100m by 2030. It is carrying out an efficiency review to help identify opportunities to close the gap and these proposals include some early ideas to reduce costs.

Proposals included:

- £131million more to support vulnerable people
- £63million to cover National Living Wage and inflation increases
- £45million of savings—plus early opportunities identified in the council's efficiency review
- A £456million four-year capital pot—to pay for improving roads, providing social care accommodation and new school places to support new housing

District councils, police, fire and parish and town councils all make up portions of residents' total Council Tax bills. Next year's proposals show the extra income that would be raised by a 2.99% increase in Council Tax, however, the final level will not be agreed until February when the level of Government funding will be known. A rise of this percentage would mean bills would increase by 97p a week, however, the council would still need to find £106million of savings by 2030.

The consultation exercise on the budget plan provided an opportunity for residents, staff, businesses, community groups, and other stakeholders to have their views heard and taken into account when the budget plan is considered and finalised by the County Council.

## Methodology

Following the publication of the detailed budget proposals, a consultation summary and survey form were made available on the County Council's website for the duration of the consultation period of 17th December 2025 to 18th January 2026.

This provided the opportunity for residents and other stakeholders to have their say. Paper copies of the survey and copies in alternative formats were available on request.

## Communication

A comprehensive range of communications activity promoted the budget consultation and encouraged people to have their say.

This included a Chief Executive's briefing for staff, a social media campaign (across X, Facebook, LinkedIn, Instagram and Next Door), a bespoke budget webpage, intranet content, newsletters, Leicestershire Matters, media releases and direct emails to parish councils, businesses and other stakeholders. This generated engagement across social media platforms and wide-ranging press coverage in print, online and broadcast media, which ultimately helped to generate 346 responses.

## Questions

The survey asked respondents about Council Tax levels and the extent to which they agreed or disagreed with how the budget had been allocated across services. It also asked respondents the extent to which certain areas should contribute to savings, with an open-ended question to ask respondents whether these areas were the right ones to focus on and whether there any areas where they thought the council could make further savings?

Additionally the survey asked a number of other open-ended questions about the budget and the way the council works. These are listed below:

- Are there any savings you disagree with?
- Do you have any comments about the areas identified for growth or capital investment?
- Do you have any other comments about our draft budget proposals?

For each question, all comments were read by analysts, and a summary of key themes for each open-ended question was produced. All comments have been passed on to the council's Finance Service, in full, for further consideration.

A range of demographic questions were also asked, namely: gender, age, disability, ethnicity, religion, sexual orientation, postcode, whether the respondents are parents or carers of a young person aged 17 or under, or a carer of a person aged 18 or over. See Appendix 1 for the full questionnaire.

## Analysis

Graphs and tables have been used to assist explanation and analysis. Question results have been reported based on those who provided a valid response, i.e. taking out the "don't know" responses and no replies where relevant.

The responses of different demographic groups were analysed and statistically significant differences are highlighted within the relevant sections of this report. See Appendix 3 for the full statistical analysis.

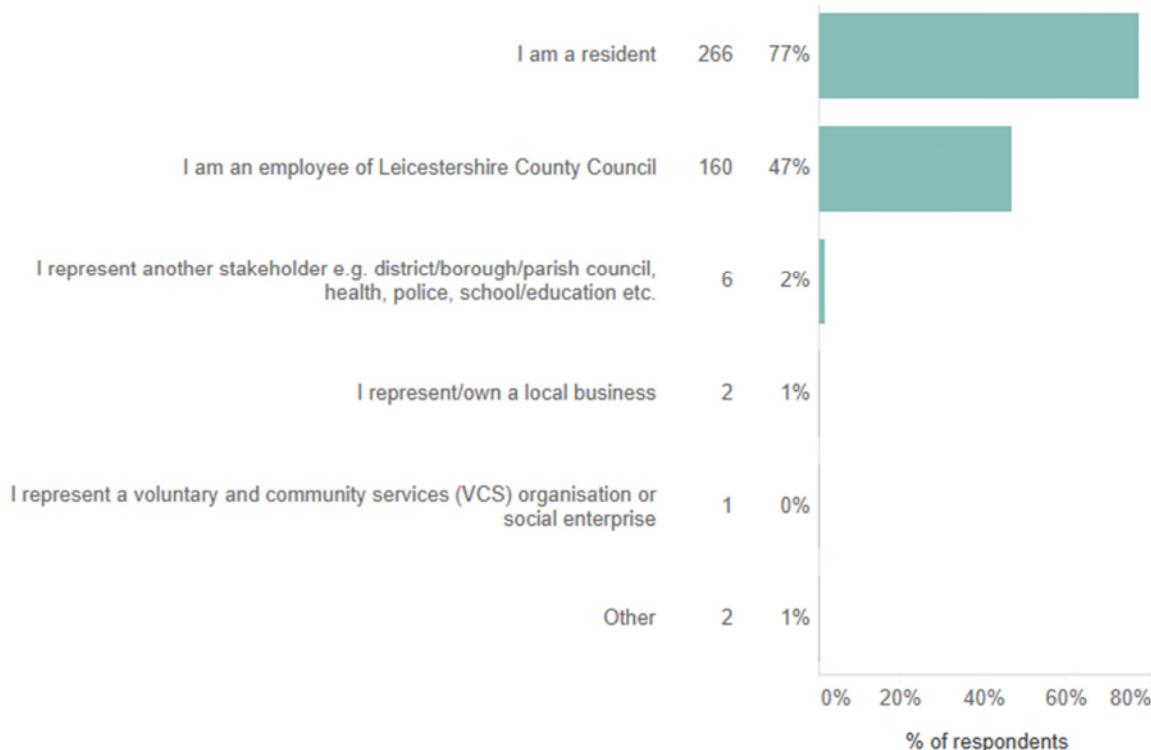
## Results

In total, 346 responses to the survey were received. A full respondent profile can be found in Appendix 2.

### Question 1 - Role of Respondent

Respondents were asked in what capacity they were responding to the survey. Chart 1 shows that 77% of people who completed the survey were responding as residents and 47% were employees of Leicestershire County Council (LCC). Fewer responses were from representatives of organisations. This question was multiple choice.

**Chart 1 - Role of Respondent (multiple response)**

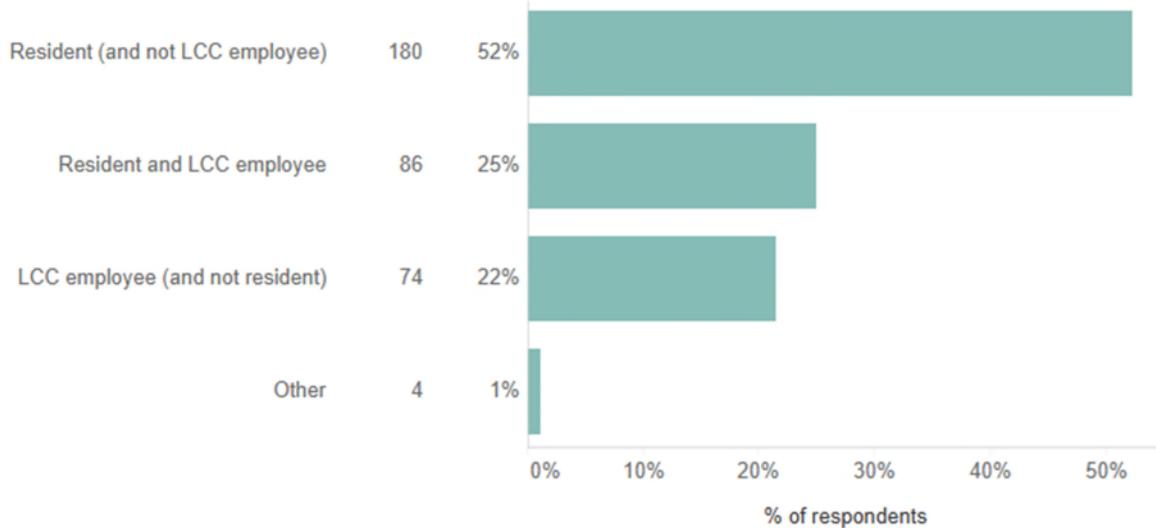


Base = 344

Chart 2 shows 52% were residents and not employees of LCC, 22% were LCC employees and not residents, and 25% were both.

Throughout the analysis that follows, a comparison has been made between the views of residents who are not LCC employees (180 respondents) and the views from LCC employees (160 respondents).

**Chart 2 - Role of Respondent (single response)**



Base = 344

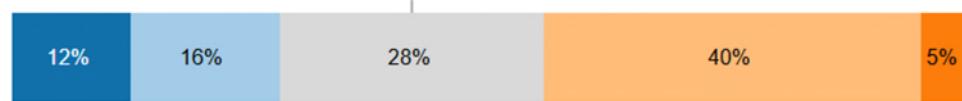
#### Question 4 - Growth and savings allocation

Respondents were asked to what extent they agreed or disagreed with how the growth and savings had been allocated across services. As summarised in Chart 3, 45% agreed, 28% disagreed and 28% neither agreed nor disagreed.

Chart 4 shows 32% of residents agreed with how growth and savings had been allocated across services, 39% disagreed and 29% neither agreed nor disagreed.

Over half of LCC employees (59%) agreed with how growth and savings had been allocated across services, 16% disagreed and 26% neither agreed nor disagreed (see Chart 5).

#### Chart 3 - Growth and savings allocation - All Respondents



Base = 329

#### Chart 4 - Growth and savings allocation - Residents only



Base = 173

#### Chart 5 - Growth and savings allocation - LCC employees



Base = 152

Response  
█ Strongly disagree      █ Tend to disagree      █ Neither agree nor disagree      █ Tend to agree      █ Strongly agree

Statistical analysis shows that LCC employees (59%) and those living in Hinckley and Bosworth (63%) were significantly more likely to agree with how growth and savings had been allocated across council services, compared to the average (44%). Looking at the response from residents only (32%) were significantly less likely to agree than the average (44%).

A significantly higher proportion of those aged over 55 (33%) and those with a long-term illness or disability (30%) neither agreed nor disagreed with how growth and savings had been allocated compared with the average (28%). Respondents with a long-term illness or disability (16%) were significantly less likely to respond 'neither agree nor disagree' compared to the average (28%).

Residents (39%) and respondents aged 35-44 (41%) were significantly more likely to disagree with how growth and savings had been allocated when compared with the average (28%).

### Question 5 - Disagreement with specific savings

Respondents were asked whether there were any savings they disagreed with. In total, 110 respondents provided a response to this question (40%).

Although several respondents answered “No” or “N/A”, there were many who expressed concerns or disagreed with specific savings. Some simply said they disagreed with ‘most’ or ‘all of them’. SEND (Special Education Needs and Disabilities) services, children’s and adult’s services were mentioned by several respondents, with particular concerns around cuts to special needs nurseries, Post-16 SEN transport, early years care and adult’s services accessed by elderly residents. A few of these respondents said they disagreed with cuts to vital services for vulnerable children and adults. Other savings areas that respondents disagreed with included public transport, libraries, Beaumanor Hall and Park, education and community centres. Some respondents urged the council to increase investment in highways, safe cycling routes and adult and community learning.

Many respondents disagreed with the council proposing further rises in Council Tax. Several respondents expressed concern about increases in Council Tax at a time when cost of living (such as bills and food) is also increasing. Respondents suggested that residents were already feeling stretched and costs were already too high. Some respondents felt that a high proportion of residents do not access adult or children’s social care, so therefore their Council Tax should not be increased to cover these council services, whilst others disagreed with increases in Council Tax when there are further proposed cuts to services. A few respondents expressed frustration with the new council leadership, which stated in their manifesto that Council Tax would not be increased. Whilst the comments referencing Council Tax were largely negative, there were a few respondents who acknowledged that a rise in Council Tax was necessary or expected to fund council services.

Another strong theme for criticism was the perceived inefficiency of the council. Some respondents felt that the proposed savings indicate that the council is working inefficiently, and instead of further cuts to vital services, the council should focus on improving systems and inefficiencies – which respondents believed as a result, would create savings and prevent cuts to services. There was also a view that the council had been making savings for over ten years, and there is not much more to be cut. A few respondents mentioned staffing inefficiencies, suggestions included ‘less layers of management’, ‘less duplication of work tasks’, ‘more in-house training’ and ‘a full review of roles and responsibilities’. Employing less consultants was also mentioned as a way to make savings.

A notable proportion of respondents felt more information was needed on the council’s savings for them to provide a meaningful response. Some respondents expressed frustration at the lack of sufficient detail around the proposals, whilst others said the data needed to be explained in order to understand the savings being proposed. A few respondents criticised the council for paying external consultants to carry out the efficiency review.

Other comments included references to Local Government Reorganisation, combining authorities, not saving enough on specific services and climate change.

### Sample comments (for Q5)

““All of them”

“Should not cut costs for vulnerable children and adults including care”

“SEN support is vital. Mainstream schools need support to ensure children with SEN can make the required progress”

“Highways and education need maximum investment”

“The council needs to find savings, not impose further taxation on already-stretched residents, who pay their taxes”

“People are really feeling the pinch with the cost of living with all bills, food and general life. Most people cannot do things that they used to do as the essential household bills are too much already. Increasing council tax which is already over £210 a month in my household which only gets us fortnightly bin pick ups and no garden waste subscription included is just getting ridiculous. I appreciate that the services are important but there needs to be other avenues looked at rather than the working class constantly struggling, especially for services that they do not use.”

“I don’t agree with rises whilst we are not receiving a rise in services”

“REFORM UK categorically stated in their manifesto, Council Tax would not be increased if they successfully lead the council.”

“The overwhelming majority of expense is surrounding social care, but a huge proportion of residents do not need to access this in any capacity. Increased payments to these areas for something that people don’t use could be considered unfair when the services they do use are getting comparatively very little.”

“It is a false economy to cut any services which support early years care, social provisions such as libraries and community centres. These should be excluded from any cuts in spending although there may be ways to make services more efficient”

“A lot of savings could be made by less duplication of work tasks and less layers of management. Training, by allowing more in-house or smaller training companies to become involved.”

“You have provided zero data. How can we possibly provide meaningful comment?”

“Unless I have missed something there is no in depth analysis of where the savings are coming from and which departments and how that will affect the services that we provide to the citizens of Leicestershire.”

“Disagree with bringing in consultants to review the Council spend.”

“Combining authorities”

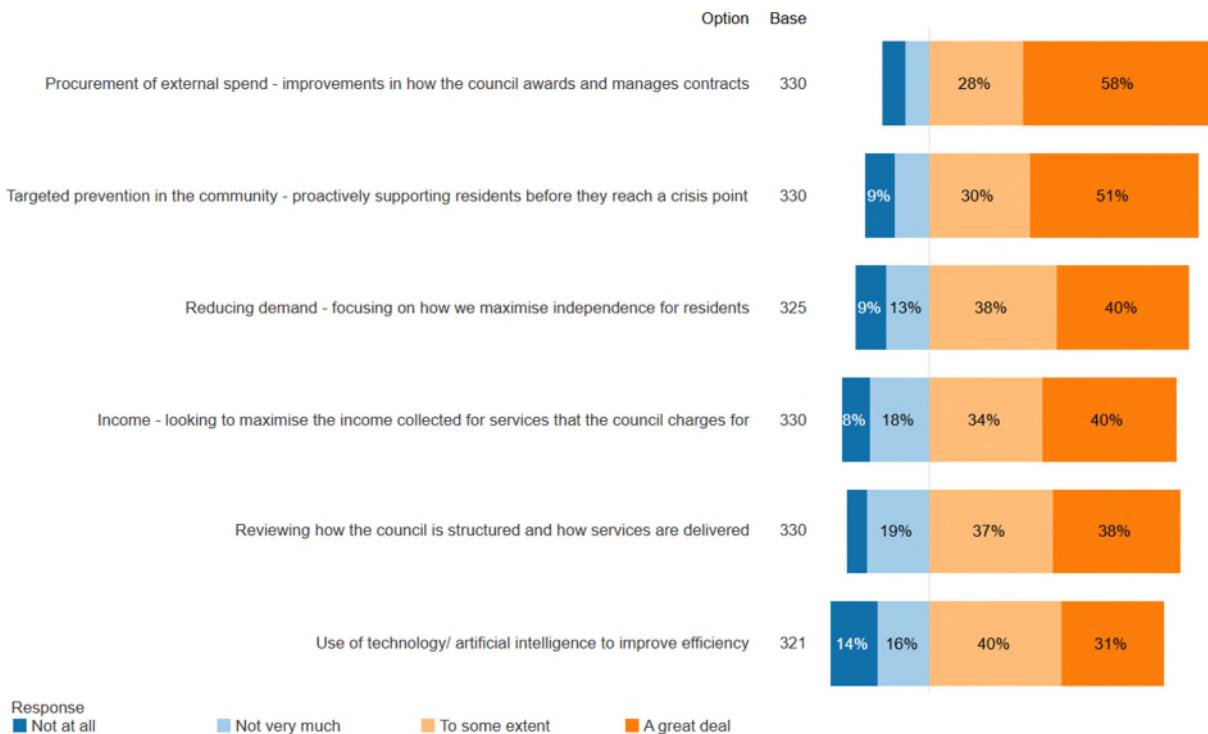
“Not saving enough on Public Health. It should not be part of local government.”

### Question 6 - Focus for savings opportunities

The survey highlighted that the council is carrying out an in-depth review of all of its spending, and listed areas for savings opportunities. Respondents were asked about the extent to which they thought these areas should contribute to the council's savings.

Overall, the response was largely positive, with over 70% of respondents considering the areas identified should contribute to savings either 'A great deal' or 'To some extent'. 'Procurement of external spend' was the area which respondents felt should most contribute to savings, with 86% of respondents saying 'A great deal' or 'To some extent'. Under three quarters (71%) felt 'Use of technology/ artificial intelligence to improve efficiency' should contribute to savings 'A great deal' or 'To some extent', which was the least supported out of the six areas (see Chart 6).

**Chart 6 - Areas for saving opportunities - All respondents**



Statistical analysis shows that female respondents (85%) and respondents living in Blaby (93%) were significantly more likely to say that 'Targeted Prevention' should contribute to savings 'A great deal' or 'To some extent', when compared to the average (81%). Male respondents (75%) were significantly more likely to say that 'Targeted prevention in the community' should contribute to savings 'Not very much' or 'Not at all', compared to the average (19%).

Compared to the average (74%), LCC employees (79%) and respondents aged over 55 (85%) were significantly more likely to say that 'Looking to maximise the income collected for services the council charges for' should contribute to savings 'A great deal' or 'To some extent'.

Statistical analysis shows that those living in rural areas of the county (86%) were significantly more likely to say that 'Reviewing how the council is structured and how services are delivered' should be an area that contributes to savings 'A great deal' or 'To some extent' when compared to the average (75%). Those living in urban areas (73%) were significantly less likely to say this.

Respondents aged over 55 (79%) and those living in the least deprived areas (85%) were significantly more likely to say that 'Use of technology / artificial intelligence to improve efficiency' should be an area considered for savings either 'A great deal' or 'To some extent' compared to the average (70%). Those aged 35-44 (60%) and those living in the third most deprived quintile (where 1 = most deprived and 5 = least deprived) (60%) were significantly less likely to say this, when compared to the average (70%). Respondents aged 35-44 (40%) and those living in the third IMD quintile areas in Leicestershire were significantly more likely to say that 'Use of technology / artificial intelligence to improve efficiency' should contribute to savings 'Not very much' or 'Not at all', when compared to the average (30%). Those aged over 55 (21%) and those living in the least deprived areas of the county (15%) were significantly less likely to say this, than the average (30%).

**Question 6a - Comments and Suggestions on areas for further savings**

Respondents were asked whether they thought the savings opportunities within Question 6 were the right ones to focus on, and whether they thought there were other areas in which to make further savings. In total, 146 respondents provided a response to this question (42%).

The most common suggestion was to stop or reduce the use of external consultants. Another common suggestion related to the council staff and structure, for example, reducing the number of managers to increase front line workers or other reviews of current practice, with some suggesting a reduction in overall numbers. A similar number of respondents highlighted risks or concerns with the proposals, with concern for vulnerable groups and pressure on staff.

Procurement, with a perception of overpaying, was highlighted by several respondents, with a similar amount of people suggesting the council could be run more efficiently, with excessive bureaucracy and procedures mentioned. Spending on SEND services and other independent care providers was highlighted by some with independent care, SEND transport and SEND in general mentioned. Adult Social Care was also mentioned, but by fewer respondents.

The idea of using AI to generate savings was questioned by several respondents who were sceptical of the idea, whilst a smaller number felt that better use of AI and technology was a good idea.

It was questioned by some respondents why a spending review was taking place with the forthcoming Local Government Reorganisation. Others suggested looking at the current use of council buildings (including references to heating and lighting but also selling or leasing underused facilities), whilst the reducing the number of councillors and associated costs (e.g. expenses and support) was suggested by others.

Some respondents felt that expenditure on staff pensions could be an area for savings, whilst a similar number felt more flexible working (including contracted hours) and working from home could generate savings.

There were some ideas that were less common but were mentioned more than once. These included better road repairs and maintenance (to save future and recurring costs), receiving more income from large developers, better use of voluntary and community services, reducing expense claims and reducing or stopping the amount the council spent on benefits and childcare. A couple of comments related to research, examples included making better use of research and bringing in more research funding.

Other ideas suggested by respondents included raising Council Tax for multi-occupancy homes; stop spending on Net Zero, Equality, Diversity and Inclusion, and translation services; more money for youth clubs and young people; concentrate on economic growth; more shared services with other local authorities, reduce fraud; ask staff for ideas; increased Central Government funding; more joined up work between departments; and reduce agency spending.

**Sample comments (for Q6a)**

*"The above areas are the right areas to look for efficiencies. The restructuring of the council/adult social care services has been attempted every couple of years. A large amount of money is spent on outside consultancy agencies to achieve the same outcomes - renaming the teams/disbanding them, without addressing deeper systemic issues. This can lead to frustration, wasted resources, and little improvement in service delivery"*

*"The use of artificial intelligence in my opinion has challenges and frustrations. Technology is fine if people can use it but AI is very unpopular due to its failings. Older people and vulnerable people would not be able to access the services they desperately need"*

*"In terms of reviewing how the council is structured, and how services are delivered, with local government just around the corner, it feels like doing the same job twice."*

*"Staffing structures ,better quality of road repairs"*

*"A total rethink and re-evaluation in services provided, and the associated costs. Public sector pay should not rise in the way it has, given private sector pay stagnation, and the pension plans for public sector workers are out of line with the rest of the working population."*

*"Look at footfall and focus on areas that residents can travel easily to rather than keeping little used buildings open just because they fall in poorer areas."*

*"Has the impact of savings made through LGR been factored in and the changes in management structure, buildings and greater strength in bargaining of contracts?"*

*"Ensuring people have access to the right support before reaching crisis is very sensible for all. It's impossible to comment on the others without more context"*

*"Investment in mainstream SEN and pull expenditure from independent non maintained provision."*

**Question 7 - Comments about the areas identified for growth or capital investment**

Respondents were asked whether they had any other comments about the areas identified for growth or capital investment. In total, 86 respondents provided a response to this question (25%).

Apart from those who answered 'No,' 'None' or 'n/a,' many respondents highlighted areas that they felt should be prioritised, with a number mentioning children's and adult's services including education, social care, early help and SEND. Some who mentioned children's and/or adult's services also highlighted a need to focus on preventative services, along with the view that the council should invest in mental health earlier.

Environment and transport was another theme noted amongst the comments, with several highlighting a need to focus on improvements to the road infrastructure (particularly potholes) and/or flood prevention. There was also support from some respondents for more focus on sustainable transport solutions, with specific references to cycling infrastructure and public transport.

Several comments suggested a need to focus on other specific areas. These included support for the voluntary and community sector (VCS), local businesses, working parents, and for a rise in the living wage. Other comments referenced a need for further analysis and thinking outside the box along with the need for consistent funding as opposed to short term grants.

Other specific areas of focus suggested include free access to waste and recycling centres to prevent fly tipping, improvements in planning and planning reform, along with improving communication between local authorities. Investment in Beaumanor Hall and Park was mentioned as an opportunity to support wider council services, particularly young people, whilst there was also the view that Beaumanor Hall could generate income as a hotel.

A number of comments did suggest other sources of income or funding, particularly using developer contributions to support new housing infrastructure such as schools and roads. Requesting government grants for specific services was mentioned whilst others suggested generating income, for example through investment in rental property and renewable energy, or by charging for services, including learning and development, trade waste, museums and legal services.

Suggestions around further savings and efficiencies was another key theme noted amongst the comments. These included references to shared IT resources, back office costs, management, staffing and structures. Opportunities to leverage the local labour market and reduce commissioning costs by moving away from managing demand to shaping supply was also highlighted. Other more general comments suggested focusing on the basics, potential future exploration of AI, and the view that no growth is needed.

Several areas of concern were raised within the comments. These included general concerns around government funding and the impact of austerity, whilst others mentioned specific service areas such as increasing demand in social care and privatisation, SEND costs,

transport costs, funding of school places, farms sales and staffing concerns. Concern about increased Council Tax or rates and concern around the implications of local government reorganisation was also noted.

A number of respondents felt that they did not have enough detail to respond to the question, whilst a few reflected a general disagreement or negative view of the proposals. Others did not make a specific comment in response to this question but referred to their previous answers.

Several comments indicated general agreement with the ideas for growth or capital development and/or reflected a positive viewpoint, including the view that the council had been run efficiently despite underfunding. Others suggested agreement with the ideas but with a cautionary message, such as the need for wise investment and for it to be ethical, future-proofed, evidence-led, disciplined and aligned with protecting services and

### Sample comments (for Q7)

*"Children's services are [in] great need and they will eventually move into the adult social care arena - as SEN covers up to 25, they will instantly become part of the [Adult] SC budget when they age out. - focus on this holistically to ensure support is in place earlier and maximise independence would be beneficial and reduce the strain on adult services."*

*"Potholes need sorting more roads need gritting in bad weather"*

*"I generally agree but would say that the majority of the cost for new school places should be met by the developers of the new housing."*

*"Some chargeable services for those that can afford it e.g. learning & development modules for businesses"*

*"Greater use of shared IT resources. Inc Children's adults and external. Spending on flood prevention/infrastructure. So much time and money is lost to the Department/government in time wasted."*

*"You haven't really provided any detail. Presume investment for new school places should be funded through developer contributions, or does the Council have to top this up - if so by how much. What are the proposals for social care accommodation - where will it be. Is this the right time given pending LGR and potential boundary changes with the City? Where is the investment in roads going - Melton [distributor] - but what else? Are there plans to break the endless cycle of filling potholes, rather than improving roads."*

*"Why had it taken so long to identify such simple areas of savings"*

*"Investment and growth should be relative to need and not to the disadvantage of service delivery"*

*"Ensure that any investment is ethically done and reflects the council core values. Future proof any new buildings/upgrades to be fit for purpose and future proofed to be separated/co-shared if service change or demand reduces."*

*"The ideas for capital investment appear sound and based on need/demand."*

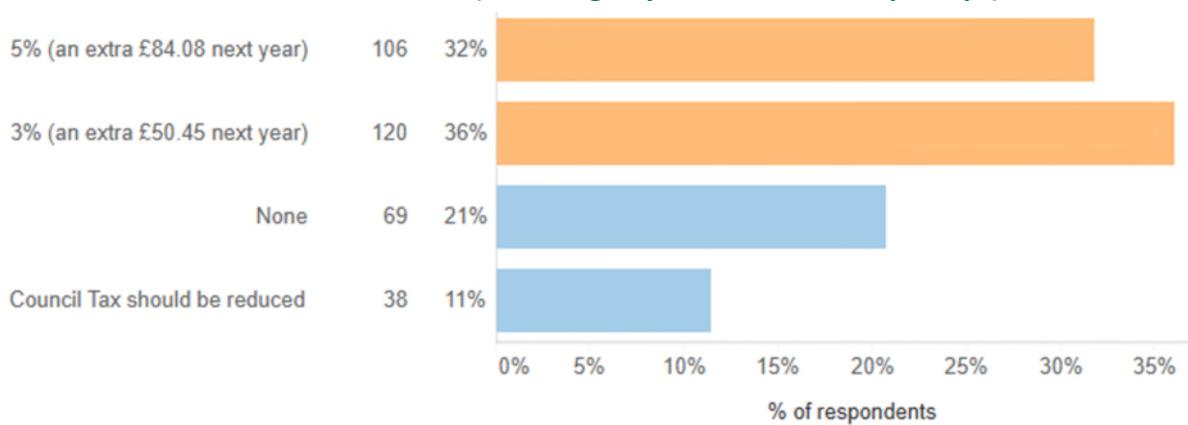
### Council Tax increase

Respondents were asked what Council Tax increase they would be prepared to pay next year, to fund county council services (including both the core and adult social care precepts). Chart 7 shows that 68% were prepared to pay an increase in Council Tax.

Just under third of respondents (32%) were prepared to pay an increase of 5% and over a third (36%) were prepared to pay an increase of 3%

Just over a fifth (21%) said they did not want any increase in Council Tax and just over a tenth (11%) said they thought Council Tax should be reduced.

**Chart 7 - Total Council Tax increase (including any adult social care precept)**



Base = 333

Statistical analysis showed that LCC employees (39%) and those aged 45-54 (42%) were significantly more likely to agree with a total Council Tax increase of 5%, when compared to the average (32%). Residents (25%) were significantly less likely to agree to an increase of 5% than the average.

When compared to the average (36%), respondents who were aged over 55 (46%) and those living in Blaby (53%) were significantly more likely to agree to a Council Tax increase of 3%, whereas respondents aged 35-44 were significantly less likely to agree (25%).

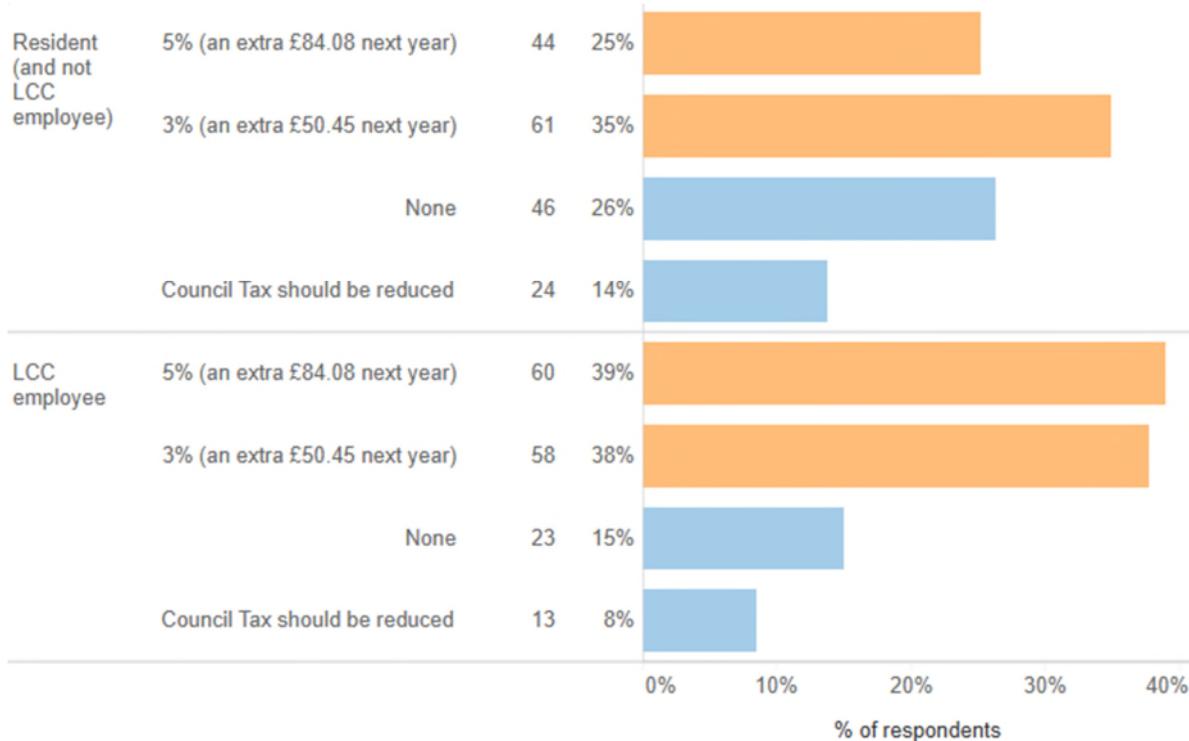
Of those who indicated a preference for no increase in Council Tax, residents (26%) were significantly more likely to agree when compared to the average (21%). LCC employees (15%) were significantly less likely to agree with no increase in Council Tax compared to the average (21%).

Respondents aged 35-44 (22%) or those who said they were a parent or carer of a young person aged 17 or under (19%) were significantly more likely to be in favour of reducing Council Tax than the average (11%). Those aged over 55 (6%), those who were not a parent or carer of a young person (6%) and those living in Blaby (2%) were significantly less likely to be in favour of reducing Council Tax than the average (11%).

Chart 8 shows the comparison of responses between residents and LCC employees for a proposed total increase in Council Tax (including any adult social care precept). A higher proportion of LCC employees (39%) were prepared to pay a Council Tax increase of 5% compared to residents (25%). A slightly higher proportion of LCC employees (38%) were prepared to pay an increase of 3% when compared to residents (35%).

A larger proportion of residents were not prepared to pay any increase in Council Tax (26%) or thought Council Tax should be reduced (14%) compared to LCC employees (15% and 8%, respectively).

**Chart 8 - Council Tax increase (including any adult social care precept) - by role**



Resident base: 175

LCC employee base: 154

**Question 9 - Other comments on the council's budget proposals**

Respondents were asked to provide any other comments they had about the council's draft budget proposals. In total, 136 respondents provided a response to this question (39%). Apart from those who responded "No" or "None", the response to this question was mixed.

Comments could be broadly grouped by theme. The most common theme concerned the efficiency of the council, which contained general comments about improving efficiency and productivity, but also more specific comments referencing children's services expenditure being out of control, that large salaries should be reduced and the council needing to live within its means.

Another common theme was criticism of the information provided for the consultation, with some respondents stating that the information was not sufficient, not clear, lacked detail and that the proposals were too vague.

The financial impact of a Council Tax rise was mentioned by several respondents, often relating to the cost of living. Some felt that any rise should not exceed inflation or other rises in income, whilst others said it was unaffordable and would cause hardship. A similar number of comments suggested that the council had 'promised' to either freeze or reduce Council Tax and some felt that this promise had been broken.

There was some support for raising Council Tax, with a few respondents who felt it was necessary and would be preferable to reducing services. Several respondents felt the county should receive more from Central Government, indicating concern that Leicestershire was not receiving 'fair' funding.

The theme of consultants was again mentioned with concerns about reduced consultant spending being mentioned by some respondents. Others mentioned specific topics including reducing spending on flags, improving youth facilities, increasing spending on schools, improving road repairs and reducing Adult Social Care. The view that there should be no change to working patterns and that redundancies should be avoided was also noted.

**Sample comments (for Q9)**

*"It looks like there needs to be a reduction in the amount spent on adult social services"*

*"I disagree with your approach. You should be raising Council Tax instead of relying on savings- let's face it, 'savings' is just a euphemism for cuts."*

*"We simply can't afford to pick up more and more in taxation - residents are stretched, we can't afford our own bills. We're at our wits' end, and the thought of putting up council tax further is such a blow. Please don't punish us further, we just can't manage to pay more."*

*"Should be focused on wasteful expenditure, overstaffing and lack of productivity"*

*"You continue to increase council tax... but the services do not justify the increase."*

*"You said they'd be no increase to council tax. Yet here we are!"*

*"Do not employ external consultants and reinvest that money in something more practical."*

*"Not much detail yet... interested to see how this vague plan will work."*

*"Changes are needed in the council's structure to enable targeted prevention, and more help for people who need it"*

*"Council Tax increases appear to be your only answer but are NOT affordable for many residents who struggle to meet day to day living costs. I work for LCC and my annual salary is not in line with inflation or increases with the proposed council tax increase. I do not agree with this"*

*"I don't agree with the council tax increase but cannot see another way of boosting our income - However fair funding from central government should be a must - Leicestershire is one of the lowest funded councils and has been for years to bring us in line with other comparable authorities may fill some of the gaps we have"*

*"School and nursery funding is essential"*

## Communications

### Question 10 - How the respondents found out about the consultation

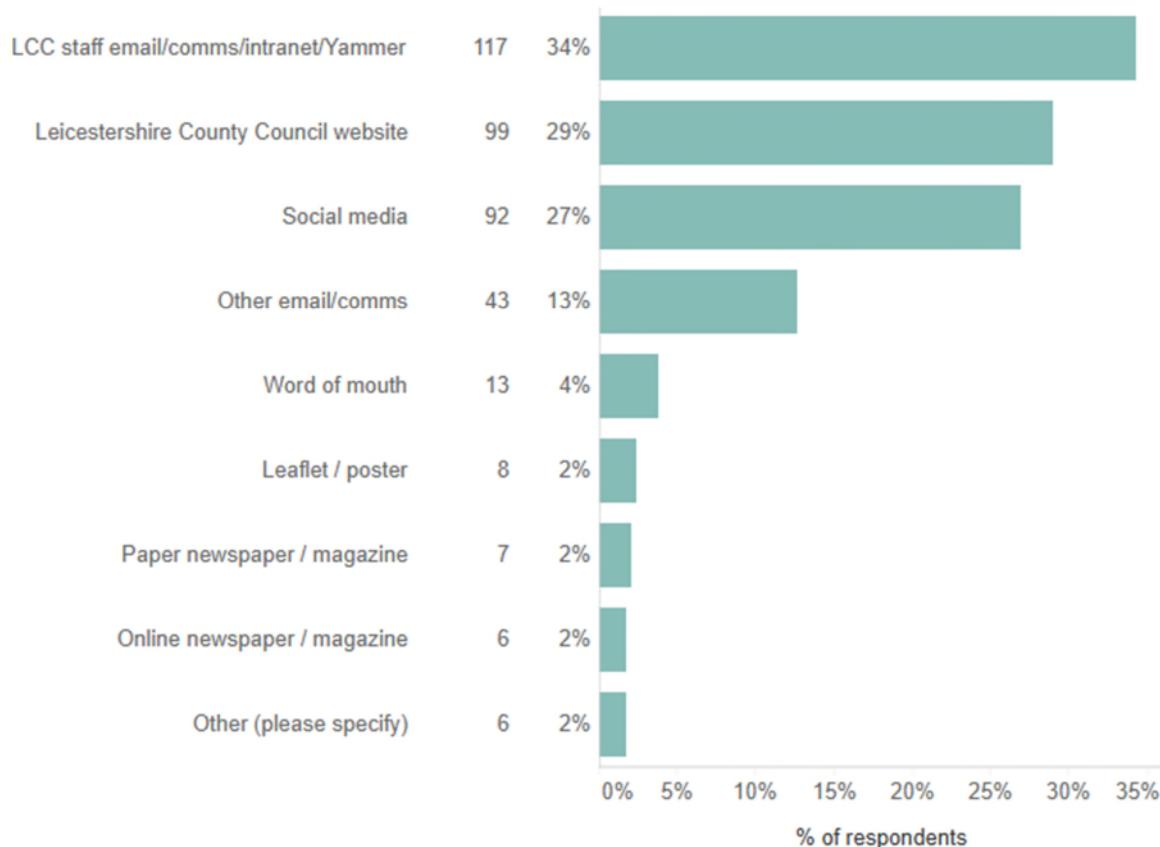
The questionnaire asked respondents how they found out about this consultation.

Chart 9 shows that over a third (34%) of respondents said they found out about the consultation through LCC staff email/comms/intranet/Yammer and a similar proportion found out through the Leicestershire County Council website (29%) or social media (27%).

Over a tenth of respondents said they found out from other emails or communications (13%). A smaller proportion said they found out through word of mouth, online newspaper/magazine, paper newspaper/magazine, leaflet/poster, radio or television.

Some respondents said they found out about the consultation through other sources, including message from a Parish Council, a Cabinet report and LinkedIn or other social media.

### Chart 9 - How respondents found out about the consultation (multiple response)



Base = 341

## Appendix 1 - Questionnaire



# Have your say on our draft budget plans 2026 - 2030

## Background

We've published our four-year draft budget proposals for 2026-30.

Uncertainty around Government funding and relentless growth in demand for services is dominating - 20% more compared to the previous budget.

We know that action is needed to bridge a budget gap, forecast to exceed £100m by 2030. We're carrying out an efficiency review to help identify opportunities to close the gap and these proposals include some early ideas to reduce costs.

Over the next few months, the review expects to identify more options to unlock savings, allowing us to develop a comprehensive efficiency plan.

Our yearly net budget totals £660m. The county council is one of the biggest organisations in Leicestershire, spending more than £20m every week on crucial services for our residents.

District councils, police, fire and parish and town councils all make up portions of residents' total Council Tax bills.

If you have any comments about the draft budget proposals, we would like to hear from you. Your views will be taken into consideration when the council finalises its spending plans.

We would encourage you to read the budget proposals web page, or the supporting information enclosed before completing the survey: <http://www.leicestershire.gov.uk/budget>

Consultations on individual proposals will be brought forward in due course.

The closing date for this consultation is midnight **18 January 2026**.

Thank you for your assistance. Your views are important to us.

---

Please note: Your responses to the main part of the survey (including your comments) may be released to the general public in full under the Freedom of Information Act 2000. Any responses to the questions in the 'About you' section of the questionnaire will be held securely and will not be subject to release under Freedom of Information legislation, nor passed on to any third party. To find out more about how, why and what information we use please visit <https://www.leicestershire.gov.uk/about-the-council/data-protection-and-privacy>

## Your role

Q1 In which role(s) are you responding to this consultation? Please tick all applicable.

- I am a resident
- I represent/own a local business
- I represent a voluntary and community services (VCS) organisation or social enterprise
- I represent another stakeholder e.g. district/borough/parish council, health, police, school/education etc.
- I am an employee of Leicestershire County Council
- Other

Please specify 'other' below

Q2 If you indicated that you represent an organisation, business, community group, school/other educational establishment, please provide your details.

Name:

Organisation:

Q3 Are you providing your organisation's official response to the consultation?

- Yes
- No

## Our proposals

We have published our 2026-2030 spending plans for consultation.

The proposals at a glance:

- A budget gap of over £100m by 2029/30
- Around £131m more to support vulnerable people – in response to huge increase in demand
- Next year's proposals show the extra income that would be raised by a 2.99% Council Tax rise - but the final level won't be agreed until February, when there should be clarity on Government funding
- £63m to cover National Living Wage and inflation increases
- £45m of savings – plus early opportunities identified in our efficiency review
- A £456m four-year capital pot – to pay for improving roads, providing social care accommodation and new school places needed to support new housing

The Council Tax bill for county council services in 2025/26 is currently £1,681.50 per year for a band D property. Every 1% increase in Council Tax generates £4.2m of extra income each year to help close the budget gap and reduce the need to make savings.

Council Tax is one of the most important considerations when preparing the council's budget. It is an important source of income and an increase in Council Tax can help protect vital services by closing the budget gap. We are also aware of the need to balance any increase in Council Tax with the impact it has on our residents.

The 2.99% increase currently included in the draft budget proposals will raise income of £12.9m - to help close the budget gap and reduce the need to make savings - and increase bills by 97p per week. If the council decides to go for the maximum increase (4.99%), bills would increase by a further 65p and raise a further £8.6m to fund existing services (£21.5m in total).

Q4 Overall, to what extent do you agree or disagree with how the growth and savings have been allocated across our services?

Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q5 Are there any savings you disagree with?

The council is carrying out an in-depth review of all of its spending. Savings opportunities are likely to be focused on the following areas:

- Targeted prevention in the community - proactively supporting residents before they reach a crisis point and need formal support from the council
- Reducing demand - focusing on how we maximise independence for residents and improve outcomes independence
- Procurement of external spend - improvements in how the council awards and manages contracts to ensure we are procuring the highest quality services, at the best value
- Reviewing how the council is set up and structured and how services are delivered
- Income - looking to maximise the income collected for services that the council charges for
- Use of technology/ artificial intelligence to improve efficiency

Q6 To what extent, if at all, do you think the following areas should contribute to savings?

	A great deal	To some extent	Not very much	Not at all	Don't know
Targeted prevention in the community -proactively supporting residents before they reach a crisis point	<input type="radio"/>				
Reducing demand - focusing on how we maximise independence for residents	<input type="radio"/>				
Procurement of external spend - improvements in how the council awards and manages contracts	<input type="radio"/>				
Reviewing how the council is structured and how services are delivered	<input type="radio"/>				
Income - looking to maximise the income collected for services that the council charges for	<input type="radio"/>				
Use of technology/ artificial intelligence to improve efficiency	<input type="radio"/>				

Do you think the areas above are the right areas to focus on? Are there any areas where you think we could make further savings?

Q7 Do you have any comments about the areas identified for growth or capital investment?

The table below gives an example of the financial impact of different Council Tax increases, both for the Council's budget but also for the amount a household has to pay:

Q8 Bearing in mind the Council Tax information above, what Council Tax increase would you be prepared to pay next year to fund county council services (including both the core and adult social care precepts).

The figures in brackets show what this increase would be next year for a household in a band D property.

- 5% (an extra £84.08 next year)
- 3% (an extra £50.45 next year)
- None
- Council Tax should be reduced
- Don't know

### Any other comments

Q9 Do you have any other comments about our draft budget proposals?

Q10 How did you find out about this consultation? Please tick all applicable.

- Leicestershire County Council website
- Word of mouth
- Leaflet / poster
- Online newspaper / magazine
- Paper newspaper / magazine
- Social media
- Television
- Radio
- LCC staff email/comms/intranet/Yammer
- Other email/comms
- Other (please specify)

Please specify 'Other' below

## About you

Leicestershire County Council is committed to ensuring that its services, policies, and practices are free from discrimination and prejudice, address the needs of all sections of the community and promote and advance equality of opportunity.

Many people face discrimination in society because of their personal circumstances and for this reason we have decided to ask these monitoring questions.

We would therefore be grateful if you would answer the following questions. You are under no obligation to provide the information requested, but it would help us greatly if you did.

Q11 What is your gender? Please select one option only.

- Male
- Female
- I use another term

Q12 What was your age on your last birthday? (Please enter your age in numbers not words)

Q13 What is your postcode? This will help us understand views in different areas.

Q14 Are you a parent or carer of a young person aged 17 or under? Please select one option only.

- Yes
- No

Q15 Are you a carer of a person aged 18 or over? Please select one option only.

- Yes
- No

A carer is someone of any age who provides unpaid support to family or friends who could not manage without this help.

Q16 Do you have a long-standing illness, disability or infirmity? Please select one option only.

- Yes
- No

Q17 What is your ethnic group? Please select one option only.

- White
- Mixed
- Asian or Asian British
- Black or Black British
- Other ethnic group

Q18 What is your religion or belief? Please select one option only.

- No religion
- Christian (all denominations)
- Buddhist
- Hindu
- Jewish
- Muslim
- Sikh
- Any other religion or belief

Q19 What is your sexual orientation? Please select one option only.

- Bi
- Gay or Lesbian
- Straight/ Heterosexual
- I use another term

Thank you for your time. Your views will be considered before the budget is finalised in February 2026.

Data Protection: Personal data supplied on this form will be held on computer and will be used in accordance with current Data Protection Legislation. The information you provide will be used for statistical analysis, management, planning and the provision of services by the county council and its partners. Leicestershire County Council will not share any personal information collected in this survey with its partners. The information will be held in accordance with the council's records management and retention policy. Information which is not in the 'About you' section of the questionnaire may be subject to disclosure under the Freedom of Information Act 2000.

## Appendix 2 - Respondent profile

Age	346	Survey Responses		2021 Census (15+)
		% Ex NR*	% Inc NR*	%
Under 15	0	0.0	0.0	16.4
15-24	2	0.7	0.6	11.7
25-34	26	8.7	7.5	12.0
35-44	57	19.0	16.5	12.1
45-54	86	28.7	24.9	13.7
55-64	97	32.3	28.0	13.3
65-74	23	7.7	6.6	11.2
75-84	9	3.0	2.6	7.0
85 or above	0	0.0	0.0	2.6
No reply	46		13.3	

Gender	346	Survey Responses		2021 Census
		% Ex NR*	% Inc NR*	%
Male	125	38.6	36.1	49.4
Female	194	59.9	56.1	50.6
I use another term	5	1.5	1.4	
No reply	22		6.4	

Do you have a long-standing illness or disability?*	346	Survey Responses		2021 Census
		% Ex NR*	% Inc NR*	%
Yes	84	26.7	24.3	16.2
No	231	73.3	66.8	83.8
No reply	31		9.0	

\*2021 Census asks if respondents day-to-day activities are limited a lot

Ethnicity	346	Survey Responses		2021 Census
		% Ex NR*	% Inc NR*	%
White	279	91.8	80.6	87.5
Mixed	2	0.7	0.6	2.2
Asian or Asian British	13	4.3	3.8	8.2
Black or Black British	2	0.7	0.6	1.1
Other ethnic group	8	2.6	2.3	1.0
No reply	42		12.1	

Sexual orientation	346	Survey Responses		2021 Census
		% Ex NR*	% Inc NR*	%
Bi	2	0.7	0.7	1.0
Gay or Lesbian	13	4.5	3.8	1.2
Straight/Heterosexual	262	91.6	75.7	91.1
I use another term	9	3.1	2.6	0.2
No reply	60		17.3	6.5

What is your religion?	346	Survey Responses		2021 Census
		% Ex NR*	% Inc NR*	%
No religion	149	49.2	43.1	40.3
Christian (All denominations)	132	43.6	38.2	45.8
Buddhist	3	1.0	0.9	0.3
Hindu	5	1.7	1.4	3.7
Jewish	1	0.3	0.3	0.1
Muslim	3	1.0	0.9	2.3
Sikh	1	0.3	0.3	1.7
Any other religion or belief	9	3.0	2.6	0.5
No reply	43		12.4	5.5

Are you a parent or carer of a young person aged 17 or under?	346	Survey Responses		2021 Census
		% Ex NR*	% Inc NR*	%
Yes	108	34.2	31.2	(Census data includes
No	208	65.8	60.1	all people cared for
No reply	30		8.7	regardless of age)

Are you a carer of a person aged 18 or over?	346	Survey Responses		2021 Census
		% Ex NR*	% Inc NR*	%
Yes	74	23.6	21.4	(Census data includes
No	240	76.4	69.4	all people cared for
No reply	32		9.2	regardless of age)

District	346	Survey Responses		2021 Census
		% Ex M/O <sup>#</sup>	% Inc M/O <sup>#</sup>	%
Blaby	47	18.3	13.6	14.5
Charnwood	55	21.4	15.9	25.8
Harborough	25	9.7	7.2	13.7
Hinckley & Bosworth	43	16.7	12.4	16.0
Melton	15	5.8	4.3	7.3
North West Leicestershire	42	16.3	12.1	14.7
Oadby & Wigston	7	2.7	2.0	8.1
Missing/ Invalid/ Non-Leics Postcode	23	8.9	6.6	
	89		25.7	

National IMD quintile 2019	346	Survey Responses		2021 Census
		% Ex NR*	% Inc NR*	%
1 (most deprived)	6	2.3	1.7	1.6
2	26	10.1	7.5	10.7
3	44	17.1	12.7	16.6
4	94	36.6	27.2	33.5
5 (least deprived)	87	33.9	25.1	37.6
Null / No reply	89		25.7	

\*NR = No reply

<sup>#</sup> M/O = Missing/invalid or Other Authority postcode

## Appendix 3 - Statistical Analysis

### How to read these tables

These tables allow you to statistically compare a response by a specific demographic group against the overall respondent sample. The statistical test used to identify statistical significance is called chi-square.

Statistical significance using chi-square tests is determined by looking at the difference between the expected and observed proportion of respondents. For example if 50% of the whole sample said 'agree' for a given question, the expected proportion of any demographic (e.g. males) saying 'agree' is 50%. The expected proportion is then compared to the actual/observed proportion of the demographic who said 'agree', and a measure of statistical significance is calculated.

To maximise statistical reliability, responses were aggregated where appropriate. For example, Matrix 1 displays the statistical analysis for Question 4. Responses were aggregated into 'Agree' = ('Strongly agree' and 'Tend to agree') and 'Disagree' = ('Strongly disagree' and 'Disagree').

## Matrix 1

41: "Overall, to what extent do you agree or disagree with how the growth and savings have been allocated across our services?"

Role (combined response)	Gender	Age	Disability	Ethnic group	Religion	Parent/ Carer u17	Carer o18	Sexual Orientation	District	IMD Quintile	RfU Classifi- cation	Response Avg %							
												Agree	Disagree	Agree	Disagree	Agree	Disagree	Agree	Disagree
LCC Employee	Female	35-44	Use another term	Male	Non-religion	Non-Christians (all denominations)	Christian	Straight/Heterosexual	Blaby	2	Yes	56	43	2	93	2	98	2	98
		45-54			White	White	Non-white		Metton	2	Yes	50	49	2	70	2	73	2	73
		55+			2	Yes	55		Hatherrough	2	Yes	42	48	2	41	2	46	2	46
		Under 35			2	Yes	46		North West Leicestershire	2	Yes	40	49	2	70	2	73	2	73
		35-44			2	Yes	45		Non-Leicestershire authority	2	Yes	38	42	2	70	2	73	2	73
		45-54			2	Yes	46		Hinckley and Bosworth	2	Yes	36	43	2	70	2	73	2	73
		55+			2	Yes	48		Day and Wigston	2	Yes	38	41	2	73	2	73	2	73
		Under 35			2	Yes	49		1 - most deprived	2	Yes	37	42	2	73	2	73	2	73
		35-44			2	Yes	50		5 - least deprived	2	Yes	36	43	2	73	2	73	2	73
		45-54			2	Yes	51		Rural	2	Yes	35	44	2	73	2	73	2	73
		55+			2	Yes	51		Urban	2	Yes	34	45	2	73	2	73	2	73
		Under 35			2	Yes	52			2	Yes	33	46	2	73	2	73	2	73
		35-44			2	Yes	53			2	Yes	32	47	2	73	2	73	2	73
		45-54			2	Yes	53			2	Yes	31	48	2	73	2	73	2	73
		55+			2	Yes	54			2	Yes	30	49	2	73	2	73	2	73
		Under 35			2	Yes	55			2	Yes	29	50	2	73	2	73	2	73
		35-44			2	Yes	56			2	Yes	28	51	2	73	2	73	2	73
		45-54			2	Yes	57			2	Yes	27	52	2	73	2	73	2	73
		55+			2	Yes	58			2	Yes	26	53	2	73	2	73	2	73
		Under 35			2	Yes	59			2	Yes	25	54	2	73	2	73	2	73
		35-44			2	Yes	60			2	Yes	24	55	2	73	2	73	2	73
		45-54			2	Yes	61			2	Yes	23	56	2	73	2	73	2	73
		55+			2	Yes	62			2	Yes	22	57	2	73	2	73	2	73
		Under 35			2	Yes	63			2	Yes	21	58	2	73	2	73	2	73
		35-44			2	Yes	64			2	Yes	20	59	2	73	2	73	2	73
		45-54			2	Yes	65			2	Yes	19	60	2	73	2	73	2	73
		55+			2	Yes	66			2	Yes	18	61	2	73	2	73	2	73
		Under 35			2	Yes	67			2	Yes	17	62	2	73	2	73	2	73
		35-44			2	Yes	68			2	Yes	16	63	2	73	2	73	2	73
		45-54			2	Yes	69			2	Yes	15	64	2	73	2	73	2	73
		55+			2	Yes	70			2	Yes	14	65	2	73	2	73	2	73
		Under 35			2	Yes	71			2	Yes	13	66	2	73	2	73	2	73
		35-44			2	Yes	72			2	Yes	12	67	2	73	2	73	2	73
		45-54			2	Yes	73			2	Yes	11	68	2	73	2	73	2	73
		55+			2	Yes	74			2	Yes	10	69	2	73	2	73	2	73
		Under 35			2	Yes	75			2	Yes	9	70	2	73	2	73	2	73
		35-44			2	Yes	76			2	Yes	8	71	2	73	2	73	2	73
		45-54			2	Yes	77			2	Yes	7	72	2	73	2	73	2	73
		55+			2	Yes	78			2	Yes	6	73	2	73	2	73	2	73
		Under 35			2	Yes	79			2	Yes	5	74	2	73	2	73	2	73
		35-44			2	Yes	80			2	Yes	4	75	2	73	2	73	2	73
		45-54			2	Yes	81			2	Yes	3	76	2	73	2	73	2	73
		55+			2	Yes	82			2	Yes	2	77	2	73	2	73	2	73
		Under 35			2	Yes	83			2	Yes	1	78	2	73	2	73	2	73
		35-44			2	Yes	84			2	Yes	0	79	2	73	2	73	2	73
		45-54			2	Yes	85			2	Yes	0	80	2	73	2	73	2	73
		55+			2	Yes	86			2	Yes	0	81	2	73	2	73	2	73
		Under 35			2	Yes	87			2	Yes	0	82	2	73	2	73	2	73
		35-44			2	Yes	88			2	Yes	0	83	2	73	2	73	2	73
		45-54			2	Yes	89			2	Yes	0	84	2	73	2	73	2	73
		55+			2	Yes	90			2	Yes	0	85	2	73	2	73	2	73
		Under 35			2	Yes	91			2	Yes	0	86	2	73	2	73	2	73
		35-44			2	Yes	92			2	Yes	0	87	2	73	2	73	2	73
		45-54			2	Yes	93			2	Yes	0	88	2	73	2	73	2	73
		55+			2	Yes	94			2	Yes	0	89	2	73	2	73	2	73
		Under 35			2	Yes	95			2	Yes	0	90	2	73	2	73	2	73
		35-44			2	Yes	96			2	Yes	0	91	2	73	2	73	2	73
		45-54			2	Yes	97			2	Yes	0	92	2	73	2	73	2	73
		55+			2	Yes	98			2	Yes	0	93	2	73	2	73	2	73
		Under 35			2	Yes	99			2	Yes	0	94	2	73	2	73	2	73
		35-44			2	Yes	100			2	Yes	0	95	2	73	2	73	2	73
		45-54			2	Yes	101			2	Yes	0	96	2	73	2	73	2	73
		55+			2	Yes	102			2	Yes	0	97	2	73	2	73	2	73
		Under 35			2	Yes	103			2	Yes	0	98	2	73	2	73	2	73
		35-44			2	Yes	104			2	Yes	0	99	2	73	2	73	2	73
		45-54			2	Yes	105			2	Yes	0	100	2	73	2	73	2	73
		55+			2	Yes	106			2	Yes	0	101	2	73	2	73	2	73
		Under 35			2	Yes	107			2	Yes	0	102	2	73	2	73	2	73
		35-44			2	Yes	108			2	Yes	0	103	2	73	2	73	2	73
		45-54			2	Yes	109			2	Yes	0	104	2	73	2	73	2	73
		55+			2	Yes	110			2	Yes	0	105	2	73	2	73	2	73
		Under 35			2	Yes	111			2	Yes	0	106	2	73	2	73	2	73
		35-44			2	Yes	112			2	Yes	0	107	2	73	2	73	2	73
		45-54			2	Yes	113			2	Yes	0	108	2	73	2	73	2	73
		55+			2	Yes	114			2	Yes	0	109	2	73	2	73	2	73
		Under 35			2	Yes	115			2	Yes	0	110	2	73	2	73	2	73
		35-44			2	Yes	116			2	Yes	0	111	2	73	2	73	2	73
		45-54			2	Yes	117			2	Yes	0	112	2	73	2	73	2	73
		55+			2	Yes	118			2	Yes	0	113	2	73	2	73	2	73
		Under 35			2	Yes	119			2	Yes	0	114	2	73	2	73	2	73
		35-44			2	Yes	120			2	Yes	0	115	2	73	2	73	2	73
		45-54			2	Yes	121			2	Yes	0	116	2	73	2	73	2	73
		55+			2	Yes	122			2	Yes	0	117	2	73	2	73	2	73
		Under 35			2	Yes	123			2	Yes	0	118	2	73	2	73	2	73
		35-44			2	Yes	124			2	Yes	0	119	2	73	2	73	2	73
		45-54			2	Yes	125			2	Yes	0	120	2	73	2	73	2	73
		55+			2	Yes	126			2	Yes	0	121	2	73	2	73	2	73
		Under 35			2	Yes	127			2	Yes	0	122	2	73	2	73	2	73
		35-44			2	Yes	128			2	Yes	0	123	2	73	2	73	2	73
		45-54			2	Yes	129			2	Yes	0	124	2	73	2	73	2	73
		55+			2	Yes	130			2	Yes	0	125	2	73	2	73	2	73
		Under 35			2	Yes	131			2	Yes	0	126	2	73	2	73	2	73
		35-44			2	Yes	132			2	Yes	0	127	2	73	2	73	2</	

## Matrix 2

Question 6: “To what extent, if at all, do you think the following areas should contribute to savings?”

1) Targeted prevention in the community - proactively supporting residents before they reach a crisis point

integrated prevention in the community - proactively supporting residents before they reach a crisis point

b) Reducing demand - focusing on how we maximise independence for residents

Role (combined response)		Gender		Age		Disability		Ethnic group		Religion		Parent/Carer u17		Carer o18		Sexual Orientation		District		IMD Quintile		RfU Classification			

**Matrix 3****Question 6: "To what extent, if at all, do you think the following areas should contribute to savings?"****c) Procurement of external spend - improvements in how the council awards and manages contracts****d) Reviewing how the council is structured and how services are delivered**

Number	Response	Avg %	LCC Employee	Resident (and not LCC employee)	Male	Female	Age	Ethnic group	Religion	Disability	Age	Sexual Orientation	Parent/ Carer u17	Carer 0-18	RNU Classification	IMD Quintile	District	Deprived	Urban	Rural		
38	A great deal / to some extent	86	88	84	80	83	82	89	90	88	86	88	86	87	81	88	91	86	91	87	88	91
	Not very much / not at all	14	12	16	14	12	20	17	18	11	10	12	14	12	14	13	19	12	9	14	11	9
	A great deal / to some extent	75	72	78	79	72	20	74	75	64	78	75	76	64	74	80	73	72	77	75	68	70
	Not very much / not at all	25	28	22	21	28	80	26	25	36	22	25	24	25	26	20	27	28	23	25	32	20
	Reviewing structure (Q6d)																					
	Not very much / not at all																					

Significance  
■ Very significantly higher   ■ Significantly higher   ■ Significantly lower   ■ Very significantly lower  
□ Similar   ■ Suppressed

## Matrix 4

**Question 6: "To what extent, if at all, do you think the following areas should contribute to savings?"**

e) Income - looking to maximise the income collected for services that the council charges for

## f) Use of technology/ artificial intelligence to improve efficiency

Effect	Significance
Effect on outcome	Very significantly higher
Effect on outcome	Significantly higher
Effect on outcome	Significantly higher

Significantly lower

■ Very significantly lower

■ Suppressed

**Matrix 5**  
**Question 8: "Bearing in mind the Council Tax information above, what Council Tax increase would you be prepared to pay next year to fund county council services (including both the core and adult social care precepts)?"**

Role (combined response)	LCC Employee	Resident (and not LCC employee)	Female	Male	I use another term	35-44	45-54	55+	White	Non-white	No religion	Christian (all denominations)	Non-Christian	Straight/Heterosexual	Lesbian	Gay	LGB+	Bilby	Chamwood	Harrowough	Merton	North West Leicestershire	Non-Leicestershire Authority	Huckley and Bosworth	Dadby and Wigston	Leicester	1 - most deprived	2 - least deprived	3 - least deprived	4 - least deprived	5 - least deprived	Rural	Urban	IMD Quintile	RU Classification			
5% (an extra £34.08 next year)	32	39	25	29	37	40	25	42	15	34	32	33	34	21	35	30	32	28	35	35	32	34	30	25	38	33	29	37	30	33	30	40						
3% (an extra £50.45 next year)	38	33	41	29	20	25	32	37	40	44	34	38	25	34	44	27	33	38	35	37	32	38	53	40	38	13	34	30	37	29	17	32	38	47	41	31		
None	21	15	28	22	17	20	27	19	28	14	15	22	19	21	17	18	20	20	22	19	23	18	15	27	13	27	4	12	0	17	20	21	13	17	19			
Council Tax should be reduced	11	8	14	7	16	20	22	7	22	6	10	11	9	33	10	10	23	10	6	8	13	12	14	11	2	8	13	27	10	9	15	43	0	10	11	7	11	10

Significance

■ Very significantly higher

■ Significantly higher

□ Similar

■ Suppressed



If you require information contained in this leaflet in another version e.g. large print, Braille, tape or alternative language please telephone: 0116 305 6803, Fax: 0116 305 7271 or Minicom: 0116 305 6160.

ਜੇ ਆਪ ਆ ਮਾਹਿਤੀ ਆਪਨੀ ਭਾਖਾਮਾਂ ਸਮਝਵਾਮਾਂ ਓਤੀ ਮਦਦ ਠਚਨਾਂ ਹੋ ਤੋ 0116 305 6803 ਨੰਬਰ ਪਰ ਫੋਨ ਕਰਨਾ ਅਨੇ ਅਮੇ ਆਪਨੇ ਮਦਦ ਕਰਵਾ ਅਧਿਕਾਰੀ ਕਰੀਂਗੇ।

ਜੇਕਰ ਤੁਹਾਨੂੰ ਇਸ ਜਾਣਕਾਰੀ ਨੂੰ ਸਮਝਣ ਵਿਚ ਕੁਝ ਮਦਦ ਚਾਹੀਦੀ ਹੈ ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ 0116 305 6803 ਨੰਬਰ ਤੇ ਫੋਨ ਕਰੋ ਅਤੇ ਅਸੀਂ ਤੁਹਾਡੀ ਮਦਦ ਲਈ ਕਿਸੇ ਦਾ ਪ੍ਰਬੰਧ ਕਰ ਦਿਵਾਂਗੇ।

ਏਹੀ ਤਰ੍ਹਾਂ ਨਿਜੇਰ ਭਾਸ਼ਾਵ ਬੁਝਾਰ ਜਨ੍ਯ ਆਪਨਾਰ ਯਦਿ ਕੋਨ ਸਾਹਾਇਤੇ ਪ੍ਰਯੋਗ ਕਰਦੇ ਹਨ, ਤਥੇ 0116 305 6803 ਏਹੀ ਨੰਬਰ ਨੂੰ ਫੋਨ ਕਰਲੇ ਆਮਰਾ ਉਪਯੂਕਤ ਬਾਣੀ ਬਾਣੀ ਕਰਵਾਂਗੇ।

اگر آپ کو یہ معلومات سمجھنے میں کچھ مدد کا رہے تو راہ مہਰ بانی اس نمبر پر کال کریں 0116 305 6803 اور ہم آپ کی مدد کے لئے کسی کا انتظام کر دیں گے۔

假如閣下需要幫助，用你的語言去明白這些資訊，  
請致電 0116 305 6803，我們會安排有關人員為你  
提供幫助。

Jeżeli potrzebujesz pomocy w zrozumieniu tej informacji w Twoim języku, zadzwoń pod numer 0116 305 6803, a my Ci dopomożemy.

Business Intelligence Service  
Leicestershire County Council  
County Hall, Glenfield  
Leicester LE3 8RA

[ri@leics.gov.uk](mailto:ri@leics.gov.uk)  
[www.lsr-online.org](http://www.lsr-online.org)

This page is intentionally left blank

## **Summary of the Equality Impact Assessment of Leicestershire County Council's Medium-Term Financial Strategy 2026-30**

### **Equalities implications of the budget proposals**

The assessment of the Medium-Term Financial Strategy 2026-30 has been completed 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

### **Equalities issues**

The Council complies with equalities legislation and decision makers must be cognisant of the Public Sector Equality Duty<sup>1</sup>. Specifically, the Council must have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equalities Act 2010. Regard should also be had to the need to advance equality of opportunity between people with protected characteristics<sup>2</sup> and people who do not share those characteristics. Decision makers should also have regard to the need to foster good relations between those who share a relevant protected characteristic and those who do not share it. The Council decided in 2024 to include care leavers in the group of people with protected characteristics. In December 2025 the Council also decided to give special consideration of carers.

The Census data from 2020 showed that 16.5% of Leicestershire's population have a minority ethnic identity, 20.8% are aged 65 and over, 8.4% had a religion other than Christianity, 16.6% considered themselves disabled, and 2.4% are lesbian, gay, or have another sexual identity.

The Leicestershire Community Insight Survey of residents for 2025/26 found that 85.6% of people agree that Leicestershire is a place where people of different backgrounds get on well, and 80.3% of residents agree that Leicestershire County Council treats all types of people fairly. 27.9% of people report being affected by service changes. Interestingly people with disabilities report being more able than others to influence County Council decisions.

The County Council also chooses to look at the impact on other communities of interest. These include:

<sup>1</sup> Per Section 149 of the Equality Act 2010

<sup>2</sup> The protected characteristics are age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

- People serving within the armed forces or ex-armed forces
- Gypsy and Traveller communities
- Asylum seeker and refugee communities
- Migrant workers and other new arrivals
- Deprived or disadvantaged communities

### **Assessment Findings**

The Council continues to be committed to having due regard for equalities objectives across its work and this assessment does not remove the requirement to conduct Equality Impact Assessments (EIAs) on the Council's policies, projects and programmes. Each proposal within the MTFS will need to be subject to a separate EIA, to identify the potential impacts on people with protected characteristics and appropriate mitigations.

Many of the proposals in the MTFS 2026-30 were agreed as part of the previous MTFS, and others are amendments to existing plans that have already been agreed. There are several areas where there are opportunities for positive benefits for people with protected characteristics from the additional investment the County Council is making.

There is growth in funding for the following services:

- Older people community and residential social care
- Adult learning disabilities
- Adult mental health
- Physical disabilities
- Child social care
- Children with special educational needs
- Transport for social care and children with special educational needs.
- Unaccompanied asylum-seeking children
- Disabled Children Service

There will be savings or increased income through:

- Implementation of digital assisted technology in adult social care
- Fairer charging
- Review of contracts
- Review of assisted transport programme
- Alternative accommodation and support for children in care

However, due to the rising number and increasing complexity of eligible cases, there is a risk that this investment will not keep up with demand, impacting on the outcomes for people with protected characteristics who use these services.

Overall, the assessment finds that the Council's budget proposals risk a greater impact on older people, children, and disabled people more than people without these characteristics. This is as expected given the nature of the services provided by the Council.

**Proposed savings with potential significant equalities implications.**

Proposal Reference	Title	Dept.	Proposal Description	Protected Characteristic
CF2	Defining CFS For the Future Programme - Phase 2 - Social Care Workforce Strategy (Recruitment and Retention)	CFS	Recruitment and retention strategies for the social care workforce	All
CF4	Smarter Commissioning, Procurement and demand management – social care placements and externally commissioned services	CFS	Series of measures to manage commissioning and procurement of external services	All
AC1	Increased income from fairer charging and removal of subsidy/aligning increases	A&C	Increasing charges for adult social care services	All
AC2	Implementation of digital assistive technology to service users	A&C	Introducing digital assistive technology	Age, disability, and carers
AC14-16	Transforming commissioning	A&C	Procurement of major contracts relating to home care and community life choices	All
AC17-20	Prevention reviews	A&C	Review of cases, supported living, hospital discharge and partway to adulthood	All
ET1	Assisted Transport Programme	E&T HT	Reducing the Assisted Transport Programme	Disability, age, carers and socio-economic status
CE2	Additional Registrars fees and income	CE	Increasing fees for Registrar services	Marital status, age, sexual orientation
CR2	Customer Programme (Cross cutting)	CR	Review of customer services	All
	<b><u>Dedicated Schools Grant</u></b>			
	Deficit Reduction		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	Disability, age, and socio-economic status, carers

This page is intentionally left blank

<b>Efficiency Review – opportunities taken forward for further development in Phase 1</b>	
<b>Service</b>	<b>Commentary</b>
A&C	Preventing a crisis or escalation of need for our residents to enable them to live independently and safely for longer without formal support
A&C	How many additional residents could benefit from reablement (inc. admission avoidance)?
A&C	How many residents could be supported outside of residential care?
A&C	Could more residents with a life-long disability be more independent in the future?
A&C	Can we manage and mitigate external provider cost pressures through negotiation and market strategies and contract management? Can we better manage the market through a different and more strategic approach to commissioning?
A&C	Is there an opportunity to grow our internal provision to supplement the external commissioned market?
CFS	Prevention and Early Intervention keeping CYP and families together and safe outside of our care
CFS	Can we manage and mitigate external provider cost pressures through negotiation and market strategies and contract management? Can we better manage the market through a different and more strategic approach to commissioning?
CFS	How many additional CYP could be supported in our care in an internal family-based placement?
CFS	Is there an opportunity to manage and commission the external fostering market to support CYP with complex needs outside of residential?
CFS	Can we identify CYP in family-based placements who are at risk of a carer breakdown and prevent a breakdown and escalation into residential?
CFS	Could more CYP achieve reunification pre-18? (excluding SGO, adoption and CAO)
Public Health	Is there an opportunity to maximise the impact of our public health grants?

E&T	Can we support more CYP to receive ITT? Is there an opportunity to manage the market differently?
E&T	Review of how we deliver our placed based services?
Whole Council	Better managing our procurement spend through taking a strategic approach to third party spend
Whole Council	Target Operating Model inc. Efficiency and Effectiveness of the Council
Whole Council	Optimising the Council's estate portfolio so that it matches actual service delivery needs and is operated at a cost in line with other high performing Councils.
Whole Council	Maximising our income