



Meeting: **Scrutiny Commission**

Date/Time: **Wednesday, 28 January 2026 at 10.00 am**

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

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

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

Membership

Mrs D. Taylor CC (Chairman)

Dr. J. Bloxham CC	Mrs K. Knight CC
Mr. M. Bools CC	Mr. M. T. Mullaney CC
Mrs. L. Danks CC	Mr. B. Piper CC
Dr. S. Hill CC	Mr J. Poland CC
Mr. A. Innes CC	Mr. K. Robinson CC
Mr. P. King CC	Mr. C. A. Smith CC

Please note: this meeting will be filmed for live or subsequent broadcast via the Council's web site at <http://www.leicestershire.gov.uk>

AGENDA

<u>Item</u>	<u>Report by</u>
1. Minutes of the special meeting held on 29 October 2025.	(Pages 5 - 10)
2. Minutes of the meeting held on 10 November 2025.	(Pages 11 - 20)
3. Question Time.	
4. Questions asked by members under Standing Order 7(3) and 7(5).	
5. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.	



6. Declarations of interest in respect of items on the agenda.
7. Declarations of the Party Whip in accordance with Overview and Scrutiny Procedure Rule 16.
8. Presentation of Petitions under Standing Order 36.
9. Provisional Medium Term Financial Strategy 2026/2027 - 2029/2030 Director of Corporate Resources (Pages 21 - 106)

Mr D. Harrison CC, Leader of the Council, and Mr H. Fowler, Lead Member for Resources, have been invited to attend for this and all other MTFS items listed below.

10. Medium Term Financial Strategy 2026/30 - 2029/30 - Chief Executive's Department Chief Executive and Director of Corporate Resources (Pages 107 - 122)

In addition to the Leader and Lead Member for Resources, the following Lead Members have been invited to attend for this item:

Mr K Crook CC (Lead Member for Marketing, promotion and tourism)
Mr V. Richichi CC (Lead Member for Regulatory Services)

11. Medium Term Financial Strategy 2026/27 - 2029/30 - Corporate Resources Department Director of Corporate Resources (Pages 123 - 144)
12. Medium Term Financial Strategy 2026/27 - 2029/30 - Consideration of responses from other Overview and Scrutiny Committees.

The purpose of this item is to enable consideration of the responses of the following Overview and Scrutiny Committees to their respective areas of the Medium Term Financial Strategy:

- Health Overview and Scrutiny Committee (meeting held on 14 January 2026)
- Adults and Communities Overview and Scrutiny Committee (meeting held on 19 January 2026)
- Children and Families Overview and Scrutiny Committee (meeting held on 20 January 2026)
- Highway and Transport Overview and Scrutiny Committee (meeting held on 22 January 2026)
- Environment and Transport Overview and Scrutiny Committee (meeting held on 26 January 2026)

- | | | | |
|-----|---|---------------------------------------|----------------------|
| 13. | Draft Revised Investing in Leicestershire
Programme Portfolio Management Strategy
2026 - 2030 | Director of
Corporate
Resources | (Pages 145 -
186) |
|-----|---|---------------------------------------|----------------------|

The Lead Member for Resources, Mr H. Fowler CC, has been invited to attend for this item.

14. Date of next meeting.

The next meeting of the Commission is scheduled to take place on Wednesday, 11 March 2026 at 10.00am.

15. Any other items which the Chairman has decided to take as urgent.

QUESTIONING BY MEMBERS OF OVERVIEW AND SCRUTINY

The ability to ask good, pertinent questions lies at the heart of successful and effective scrutiny. To support members with this, a range of resources, including guides to questioning, are available via the Centre for Governance and Scrutiny website www.cfgs.org.uk. The following questions have been agreed by Scrutiny members as a good starting point for developing questions:

- Who was consulted and what were they consulted on? What is the process for and quality of the consultation?
- How have the voices of local people and frontline staff been heard?
- What does success look like?
- What is the history of the service and what will be different this time?
- What happens once the money is spent?
- If the service model is changing, has the previous service model been evaluated?
- What evaluation arrangements are in place – will there be an annual review?

Members are reminded that, to ensure questioning during meetings remains appropriately focused that:

- (a) they can use the officer contact details at the bottom of each report to ask questions of clarification or raise any related patch issues which might not be best addressed through the formal meeting;
- (b) they must speak only as a County Councillor and not on behalf of any other local authority when considering matters which also affect district or parish/town councils (see Articles 2.03(b) of the Council's Constitution).





Minutes of a meeting of the Scrutiny Commission held at County Hall, Glenfield on Wednesday, 29 October 2025.

PRESENT

Mrs D. Taylor CC (in the Chair)

Dr. J. Bloxham CC
Mrs. L. Danks CC
Dr. S. Hill CC
Mr. A. Innes CC
Mr. P. King CC
Mrs. K. Knight CC

Mr. P. Morris CC
Mr. M. T. Mullaney CC
Mr. O. O'Shea JP CC
Mr J. Poland CC
Mr. K. Robinson CC

In attendance.

Mr. D. Harrison CC - Leader
Mr. K. Crook CC – Deputy Leader
Mr. H. Fowler CC - Cabinet Lead Member for Resources
Mrs. N. Bottomley CC
Mr. J. Miah CC (via Teams)

31. Minutes.

The minutes of the meeting held on 8 September 2025 were taken as read, confirmed and signed.

32. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

It was noted that all members that were also district councillors would have an other registerable interest in agenda item 4: Local Government Reorganisation.

No other declarations were made.

33. Declarations of the Party Whip.

There were no declarations of the party whip in accordance with Overview and Scrutiny Procedure Rule 16.

34. Local Government Reorganisation

The Committee received a presentation from the Chief Executive and Director of Corporate Resources regarding Local Government Reorganisation (LGR) to allow the Commission to comment on the Council's proposals as part of the engagement exercise being undertaken. The presentation covered the government criteria for LGR, the options under consideration for Leicester, Leicestershire and Rutland, and the financial impacts of those options. A copy of the presentation slides is filed with these minutes.

The Chairman welcomed to the meeting Mrs. N. Bottomley CC who had been invited to attend for this item. She also welcomed Mr. J. Miah CC who was attending via Microsoft Teams. The Chairman explained that this was to ensure all political parties would be represented in the discussion. Mr. M. H. Charlesworth CC had been invited but had been unable to attend.

Arising from discussions the following points were noted:

- (i) The comments and feedback from the Scrutiny Commission would be taken into account when shaping the Council's business case for Local Government Reorganisation. The business case was in the process of being drafted.
- (ii) Members expressed disappointment that limited detail of the proposals had been provided at the meeting and requested the opportunity to scrutinise the business case prior to it being considered by the full Council on 12 November 2025. It was noted that the timeline for producing the business case had been challenging for officers, given that both Council meetings in July had taken negative decisions and did not come to a position on a preferred option. In addition, it had been necessary to wait for the outcome of the financial modelling in order for an informed proposal to be developed.
- (iii) The Leicestershire County Council administration was proposing one brand new Council for Leicestershire and Rutland, based on current boundaries, with Leicester City retaining its current boundaries. The County Council would also welcome a Strategic Authority with an elected Mayor sat above the local authorities in Leicester, Leicestershire and Rutland.
- (iv) An external consultancy had been jointly commissioned by Leicestershire County Council and Leicester City Council to produce financial modelling of the different options for LGR. An offer had been made to the District Councils for them to join in with the modelling, but they declined the offer and carried out their own modelling. PricewaterhouseCoopers (PwC) also carried out modelling of the financial impacts and came to similar outcomes across the options as the County and City Councils. Members were reassured by this, particularly as the two organisations that had carried out the modelling were independent. However, one member submitted that the presentation at the meeting was prejudiced towards the county council proposals rather than the district council proposals.
- (v) The Leader Mr. D. Harrison CC said he was confident that the modelling and assumptions were as accurate as they could be and it had been worth taking the extra time to put the proposals together.
- (vi) The District Councils had proposed a north/south split of the County. They had taken a different approach to the financial modelling for this proposal than that taken by the County and City Councils and included savings which were not dependent on reorganisation. There had been no clear instructions from government on the way the modelling should be carried out. However, it was not clear from the approach taken by the District Council that they fully appreciated the complexities of scaling up services to the extent proposed in their business case.
- (vii) Rutland County Council currently relied on Leicestershire County Council to carry out services for it, including Youth Offending and a range of social care services. It

was not cost effective to carry out those services solely within Rutland and there were economies of scale joining up with Leicestershire.

- (viii) The Local Government Boundary Commission for England (LGBCE) had indicated that a full boundary review would not have to be carried out in time for the shadow unitary council elections due to take place in May 2027. An interim review would be sufficient. The existing council boundaries would be used as building blocks.
- (ix) The LGBCE was also responsible for deciding the number of Councillors for each authority. It was unlikely that the LGBCE would accept more than 100 Councillors for the Leicestershire and Rutland area. The district councils were proposing 70 councillors for the south unitary and 72 councillors for the north unitary. The County proposal was expected to comprise less councillors and would therefore be more cost effective.
- (x) Leicester City Council was proposing to expand its boundary which would mean taking territory away from Leicestershire County Council. The City Council felt that this was necessary for the City Council's financial stability and housing needs. In response to concerns raised by a member that this could in turn affect the sustainability of the Leicestershire and Rutland Council area, the Director of Corporate Resources explained that the smaller the Leicestershire Council area was, the less economies of scale there would be.
- (xi) Whilst the Leicestershire County Council administration was not in favour of City Council expansion, the Government had already indicated that this was something they would consider, and therefore it was important that the final submission from the County Council addressed the issue and set out what the impact would be.
- (xii) In response to a suggestion that as the County and District Councils appeared to all be against Leicester City expansion they should work together on opposing it, it was explained that the County Council had made an offer to the district councils in this regard but no response had been received from the Districts.
- (xiii) After Local Government Organisation, Council Tax would have to be harmonised across the whole area covered by a unitary council. This could mean that residents in some areas would have to pay more Council Tax compared to before whereas some residents might be able to pay less. Members raised concerns that there was currently insufficient information on what this could look like. In response it was explained that Council Tax was a political decision to be made by the members of the new authorities, and it had not been taken into account when calculating the possible savings as a result of local government reorganisation.
- (xiv) The Government had announced that in Surrey the County's 12 existing Councils would be replaced by two unitary authorities, East Surrey and West Surrey. However, this did not mean that the government would take a similar approach in Leicestershire because Surrey had unique features which had been taken into account.
- (xv) In response to a suggestion that the County Council needed a detailed understanding of the district councils' finances to ascertain what risks and liabilities there were, reassurance was given that the Medium Term Financial Strategies of the districts had been analysed and no major issues had been found. None of the Districts in Leicestershire had taken on a significant amount of debt.

- (xvi) In response to a concern raised that a single, large unitary authority would not protect funding for services currently provided by district councils, members were advised that this proposal would instead enable smaller budgets to be better protected. It was more likely that in a smaller unitary authority, areas of significant spend such as Children with Special Educational Needs and Disabilities (SEND) would affect the budget available for discretionary services.
- (xvii) One of the advantages of having one Council for Leicestershire and Rutland was that customers would not have to be passed from one authority to another with regards to services.
- (xviii) The areas of Environment and Transport, Children and Families, Adults and Communities, and Public Health currently formed part of the County Council. Were the District Council proposal of splitting Leicestershire and Rutland into 'North' and 'South' to be implemented, those services would have to be disaggregated into two separate councils, creating duplication in senior management roles. Recruiting qualified staff could become more difficult due to competition between councils.
- (xix) In Children and Families, specialist teams efficiently supported small groups of children under the current model; duplicating these teams across two authorities would be inefficient and costly. The North/South proposal also risked reducing school choices for pupils. Service demand in the north of the county was higher, which could create challenges if funding was distributed evenly. Smaller authorities would be less able to prioritise and target funding where it was needed. Similar issues existed in Adults and Communities; higher demand and uneven care home distribution in the north meant splitting teams would reduce efficiencies.
- (xx) In response to a query as to whether two unitary authorities could share a Director of Children and Family Services it was confirmed that this was not permitted and each unitary would have to have its own Director.
- (xxi) Members questioned what the public considered to be 'local' in the context of Council services. It was suggested that people tended to focus on the hyper local level such as towns and villages rather than larger areas. With the Districts North/South proposal some areas within the footprint of those new authorities would be very far apart from each other.
- (xxii) The County Council proposals included strong community engagement and the use of Area Committees to make decisions about local issues. It was proposed to use parish councils as the building blocks and parish councils would have representatives on the Area Committees. Members raised concerns that not all areas of Leicestershire were parished. There was no intention to force areas to become parished but if they wished to do so then they would be supported. The precise makeup of these local structures had deliberately been kept loose at this stage. However, it was emphasised that these structures would be based around the wishes of communities rather than be imposed from the centre.
- (xxiii) A member suggested that the County Council proposals needed to be more customer focused and demonstrate how the public would see improvements in services.

- (xxiv) Traditionally one local authority would manage a pension scheme on behalf of other local authorities, and it was expected that this would remain the case after LGR had taken place.
- (xxv) The County Council's business case would cover the fact that partners such as the fire service and the health service would have to attend less local authority meetings under the one Leicestershire proposal.
- (xxvi) In response to a request from a member for the figure of savings per head of population that would be gained from the LGR proposals, it was explained that this information was not currently available.
- (xxvii) Concerns were raised that the timescales for LGR work to be carried out were very short.
- (xxviii) It was hoped to hold another meeting of the Scrutiny Commission on 10 November 2025 to enable the Commission to consider the business case before it went to the County Council meeting on 12 November 2025. Officers would confirm this as soon as they knew whether the business case would be ready.

RESOLVED:

- (a) That the comments now made regarding the Local Government Reorganisation proposals be forwarded to Cabinet for consideration at its meeting on 25 November 2025.
- (b) That the draft business case be considered at the meeting of the Scrutiny Commission on 10 November 2025.

35. Date of next meeting.

RESOLVED:

That the next meeting of the Commission be held on Monday 10 November 2025 at 10.00am.

2.00 - 5.00 pm
29 October 2025

CHAIRMAN

This page is intentionally left blank



Minutes of a meeting of the Scrutiny Commission held at County Hall, Glenfield on Monday, 10 November 2025.

PRESENT

Mrs D. Taylor CC (in the Chair)

Dr. J. Bloxham CC
Mr. M. Bools CC
Mrs. L. Danks CC
Dr. S. Hill CC
Mr. A. Innes CC
Mr. P. King CC

Mrs. K. Knight CC
Mr. M. T. Mullaney CC
Mrs. R. Page CC
Mr. B. Piper CC
Mr J. Poland CC
Mr. K. Robinson CC

36. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 34.

37. Questions asked by members under Standing Order 7(3) and 7(5).

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

38. Urgent items.

There were no urgent items for consideration.

39. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

All Members who were also district councillors declared an Other Registerable Interest in agenda item 7 (Local Government Reorganisation).

There were no other declarations.

40. Declarations of the Party Whip in accordance with Overview and Scrutiny Procedure Rule 16.

There were no declarations of the party whip.

41. Presentation of Petitions under Standing Order 36.

The Chief Executive reported that no petitions had been received under Standing Order 35.

42. Change to the Order of Business

The Chairman sought and obtained the consent of the Commission to vary the order of business from that set out on the agenda.

43. Local Government Reorganisation - Draft Business Case.

The Commission considered a joint report of the Chief Executive, the Director of Corporate Resources and the Director of Law and Governance, the purpose of which was to present the Council's draft business case for local government reorganisation in Leicester, Leicestershire and Rutland. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

The Chairman welcomed to the meeting Mr J. Miah CC and Mrs N. Bottomley CC who had been invited to attend for this item. The Chairman explained that this was to ensure all political parties would be represented in the discussion. Mr Charlesworth CC had also been invited but had been unable to attend.

At the invitation of the Chairman, in introducing the Council's draft business case, the Leader made the following comments:

"I'd like to thank all officers for their hard work in getting the business case ready, in a very short timescale. It is testament to their professionalism that they have achieved this.

The business case presents our preferred option: creating a single unitary council for Leicestershire and Rutland. We have considered feedback from residents, and this proposal avoids splitting communities or changing city boundaries, which could affect our local heritage. We plan to use area committees and keep parish and town councils involved, so local identity and representation are maintained.

Our approach also aims to involve communities in shaping local services. Through local area committees and area planning committees, the new unitary council for Leicestershire and Rutland will ensure that local people are involved in the decisions that affect them and their local areas.

Combining services across county, district, and Rutland will reduce duplication, improve coordination, and provide consistent, high-quality services. This model avoids the problems that come with breaking up working teams, especially in critical areas like children's social care, and helps smaller communities like Rutland remain resilient.

Financially, this proposal is strong. Independent analysis estimates annual savings of about £40 million, mainly from management and back-office efficiencies. These savings can be put back into frontline services, helping to protect them in the long term. Our approach is expected to deliver savings more quickly and with less risk than other options.

We have consulted with residents, businesses, voluntary groups, parish and town councils, and staff. Nearly half of survey responses supported a single unitary authority, while over two thirds were against expanding city boundaries and three quarters were against any change at all.

In regard to a City boundary extension and as discussed at the last meeting of the Commission, my view and the view of my Group, is that we need to recognise the City

Council's proposals, even though we do not agree with them. It is not enough, however, to say that we do not agree with them. So, our business case sets out an analysis of the different options and in particular what the impact of a City boundary extension would be on the surrounding County.

We believe this option meets all the criteria set by the Ministry of Housing, Communities and Local Government. It is based on strong evidence, provides real financial benefits, and protects our heritage.

It is the only option that keeps the boundaries of the historic counties of Leicestershire and Rutland intact. Other options, such as creating smaller authorities or expanding city boundaries, don't offer the same benefits and carry more risks- such as financially unviable councils- and fewer savings.

I hope members of the Commission will be supportive of this proposal and I'm happy to take any questions."

Arising from discussion the following points were made:

- (i) Members welcomed receipt of the draft business case for comment and reiterated the Leader's remarks regarding the hard work of officers in preparing this. It was noted that the final version would be more visually appealing, including images that would make the document feel more place based.
- (ii) Concerns were raised that too many options were currently included in the options appraisal section of the report. It was suggested that those no longer considered viable following the modelling work undertaken, be removed. Whilst it was helpful to recognise all the options considered, focus should be given to those 'shortlisted' as being most relevant to the Council's preferred approach.
- (iii) A Member commented that the scoring of Option 7 (Three unitary councils for LLR) was overly negative regarding democratic governance and neighbourhood empowerment. It was suggested these could be reconsidered whilst still emphasising the strengths of the County Council's preferred option.
- (iv) Members agreed that the 'Case for Change' section (page 22) of the business case should be strengthened further, particularly the need to focus on those proposals that did not require administrative changes to boundaries, but which linked directly to service improvements. Members recognised that any change to boundaries would cause added delays.
- (v) Regarding the recent inclusion of Harborough, with Blaby and Oadby and Wigston, in the City Council's base model the Director advised that this resulted in projected savings which were broadly comparable to other models it had put forward, albeit slightly lower due to disaggregation costs. It was noted that the City Council had been advised by MHCLG to adhere to Government guidance that districts be accounted for in their entirety. It was noted that the County Council's business case would take account of this additional option once the data had been confirmed.
- (vi) Members strongly and unanimously agreed that there should be no expansion of the City's current boundary and asked that this be emphasised within the business case more clearly. It was further suggested that, if the Government was minded to implement such an option, that a request be made to hold a referendum on that

proposal.

- (vii) It was commented that the current draft of the business case might be read to suggest that the County Council would assume control of Rutland and district council functions, rather than outlining the intention to create a new, independent local authority for Leicestershire and Rutland. It was suggested that a simple change to the language used throughout the report would address this.
- (viii) The Leader emphasised that the preferred single unitary approach would be a union of current council structures, not a takeover. It was acknowledged that the business case should acknowledge and respect distinct localities and would, for example, recognise Rutland's civic responsibilities. The Leader further commented that whilst Rutland Council might look to join other unitary proposals, in his view, Leicestershire was the best fit and the Commission agreed this should be reflected in the Council's business case.
- (ix) Some members commented on the potential impact a single unitary approach could have on local identity and representation and queried whether service points and satellite offices would be maintained. The Director of Corporate Resources confirmed that while changes might occur, key local access points would remain.
- (x) A member challenged claims that the restructure would unlock sufficient resources to address current financial challenges, as well as increase support to front line services. The Director of Corporate Resources explained that a single unitary authority would have reduced overheads and would free up resources currently tied up in delivering multiple back-office services across the County and seven district councils which could be diverted to front line services. It was acknowledged this would not be a 'silver bullet' and further actions would still be needed. It was suggested that the language used in the business case be amended to make this argument clearer.
- (xi) Members welcomed references to community grants but requested clearer detail on safeguarding these within the proposals.
- (xii) Whilst the business case aimed to set out the high-level approach planned, how this would operate in practice would be determined by the political administration elected to the new authority once established. Recognising this, some of the proposals had not been specified in detail, for example, the operation of area committees and aims to increase community involvement.
- (xiii) Members were assured that in determining the approach to area committees and area committee boundaries, local views and needs would be sought and considered as part of this process. The Chief Executive reported that such committees would most likely match parliamentary constituency boundaries and so align with the newly elected members' divisions which could be more clearly reflected in the draft report.
- (xiv) Members highlighted capacity concerns within parish and town councils noting that not all areas had one, and of those that did, some were understaffed, relying on volunteers with little resources or experience in delivering services. Members emphasised that any devolution of services must be voluntary and supported by appropriate standards and governance arrangements.

- (xv) The proposal for single member wards was welcomed by some on the basis this would be much simpler for residents, having one elected representative as a point of contact. A criticism of current local government structures was that residents did not always know whether to contact their parish, district or county councillors. This approach together with joined up county and district services would reduce confusion and duplication within the system. It was requested that this be positively reflected in business case.
- (xvi) Some members challenged the adequacy of 90 councillors to manage projected workloads under a single unitary structure and commented that capacity could be an issue. It was noted that the figure was close to the upper limit (99) set by the Boundary Commission. The Chief Executive advised that arrangements would be reviewed to ensure effective representation by the Boundary Commission should it view this to be inadequate. It was suggested that workload would not necessarily increase, as 90 councillors was much higher than the 55 seats currently allocated to the County Council. There would therefore be capacity for newly elected members to take on current County Council functions and the wider community role currently fulfilled by district councillors.
- (xvii) A key consideration for the Government would be how sustainable a proposal would be over the long term. To demonstrate this account needed to be taken of projected population growth. This would unlikely affect the City Council's proposals but could have a significant impact on the County's approach over the next decade. It was suggested that this was a gap in the current draft submission and risked the Council not meeting the Government's criteria in this regard.
- (xviii) Members voiced concern regarding the operation and powers of planning committees under a single unitary structure, including the balance between strategic and local decision making and ensuring local representation. The Chief Executive advised that strategic planning decisions (such as major developments that will have a wider impact on the area) would be taken by a central committee, with area planning committees established to consider local planning applications. This approach would ensure alignment with the new single Local Plan for the area which would need to be developed and allow for broader consideration and coordination of strategic infrastructure. Whilst it was recognised that much would depend on the Government's approach, currently set out in the Planning and Infrastructure Bill, Members requested greater clarity be included within the business case on this issue.
- (xix) Concerns were raised that creating a single unitary council would have a negative impact on the varied nature of some services currently delivered by district councils. The Director for Corporate Resources suggested that conversely one Council for Leicestershire and Rutland would bring consistency, for example regarding the retention of housing stock and in the delivery of services generally across the County which would avoid what was currently a post code lottery approach.
- (xx) Members noted that whilst the return rate for the online survey had been limited, this was not the only source of feedback relied upon. A breadth of engagement activities had been undertaken and the responses received had provided a valuable steer on the public's views. This included feedback provided to the consultation undertaken in March 2025. It was noted that the Government would

also undertake a full consultation when final proposals were put forward.

- (xxi) It was agreed that the Business Case should include a table of gross expenditure and staffing levels for all Leicestershire authorities that would be impacted.
- (xxii) A Member suggested that the Annual Delivery Report and Performance Compendium provided a wealth of performance data and demonstrated the County Council's strong track record in delivering good services. It was suggested that this could be referenced within or appended to the business case.
- (xxiii) Concerns were expressed about public statements made regarding data sharing within the district councils business case which were inaccurate. Members agreed that these should be addressed and the County Council's response referenced in the executive summary of the business case. Members further agreed that whilst the two rebuttals within the agenda pack were on public record, these should be sent to district councils to make clear the County Council's position on these issues.

RESOLVED:

- (a) That the Council's draft business case for local government reorganisation be noted;
- (b) That the comments now made by the Scrutiny Commission and suggestions for improvement, be presented to the Cabinet for consideration at its meeting on 25th November 2025;
- (c) That the Cabinet be requested to address and respond to each of the comments and suggested amendments now put forward for consideration and to provide reasons if these were not accepted.

44. Medium Term Financial Strategy Monitoring (Period 6).

The Commission considered a report and a supplementary report of the Director of Corporate Resources, the purpose of which was to provide an update on the 2025/26 revenue budget and capital programme monitoring position as at the end of Period 6 (the end of September 2025). A copy of both reports marked 'Agenda Item 10' is filed with these minutes.

Arising from discussion, the following points were made:

- (i) Members expressed deep concern that the sharp rise in the High Needs Block deficit which had almost doubled in less than a year now created a real financial risk to the Council, particularly given the £34m cost avoidance delivered through Newton Europe's work with the Department in recent years. Whilst the scale of the increase since May 2025 had been unprecedented, Members noted that the Council was not an outlier, and a similar trend was being reported by other authorities.
- (ii) The Assistant Director of Children and Family Services reported that the increase stemmed from uncertainty around the government's SEND White Paper and media speculation about Education, Health and Care Plan (EHCP) rights which had undermined parental confidence and prompted early applications for an

EHCP. It was noted that parental requests for an EHCP had risen from 19% to 48% since January 2025, meaning the Council had reached its three-year EHCP projection levels early.

- (iii) Members noted that mitigation measures were in place to address this focusing on reducing EHCP requests through strengthened mainstream provision, address reliance on Independent Specialist Providers which remained a key cost driver nationally, supporting schools to manage exclusions and adopt flexible teaching approaches, and expanding local specialist provision, with 90 additional places planned for 2026 and further expansion thereafter. Members acknowledged the scale of the challenge and urged a collaborative approach with schools and providers to manage demand effectively.
- (iv) The engagement of Newton to carry out an efficiency review and to identify savings across the Council would cost £1.4m. This was a fixed fee for the investigatory work now being undertaken (phase 1) and any further work to implement recommendations would be a separate decision at a later point. There was the potential that the Council could receive a rebate of £250,000 if it later decided to proceed to implement Newton's recommendations and engage them further to support that next phase.
- (v) Members acknowledged that no commitment had been made beyond phase 1. Although an upper cost estimate of £30m had been provided, the cost of engaging Newton to assist with phase 2 implementation would be subject to a later decision. This would depend on which recommendations the Council chose to pursue after completing the initial review and what support was required to do this. The Director reassured Members that any decision to proceed with potentially costly recommendations would require the resulting savings to justify the additional expenditure. For phase 2, a performance-based model would be used, meaning some of the fees paid to Newton would be dependent on successful delivery of savings.
- (vi) Concerns were raised regarding timescales and the visibility of planned savings in time for the MTFS to be considered in the New Year. The Leader emphasised the need for patience while contractual work was completed with Newton who had only been instructed to conduct the review in October. The Leader commented that early indications were that the process would be positive and he reiterated his commitment to continue to seek to avoid service cuts where possible, focusing instead on efficiency and improvement.
- (vii) The Council does not have a vacancy freeze in place, but financial controls continued to be in place that provided an added layer of management oversight. Vacancies held for a time tended to be as a result of recruitment difficulties as the Authority struggled to be competitive against the private sector.
- (viii) The further reduction in the Council's debt was welcomed and some members commented on how this had been as a result of the approach taken by the previous administration that had come to fruition.

RESOLVED:

That the update on the 2025/26 revenue budget and capital programme monitoring position as at the end of Period 6 (the end of September 2025) and progress made with regard to the efficiency review be noted.

45. Annual Delivery Report and Performance Compendium 2025.

The Commission considered a report of the Chief Executive the purpose of which was to present the draft Annual Delivery Report and Performance Compendium for 2025 which set out the Council's progress and performance over the past year and which would be presented to full Council on 3 December 2025. A copy of the report, marked Agenda Item 8 is filed with these minutes.

Arising from discussion, the following points were made:

- (i) Members welcomed the report as well as the Council's performance which remained strong despite its low funded position.
- (ii) Noting the fall in performance for park and ride journeys, it was questioned why this service did not appear to perform as well in Leicestershire as it did in other areas. It was suggested this was due to lower parking costs and improved bus services into the City. It was noted that the Council currently subsidised this service jointly with the City Council.
- (iii) Survey results regarding adult social care satisfaction and quality of life continued to be disappointing, the Council performing marginally lower than other comparative authorities. It was not entirely clear why this was the case as the survey did not allow for the collection of wider feedback. However, some of the issues raised in the CQC Inspection report relating to the complexity of navigating the health and social care system, finding information, waiting times, care staff turnover and tight criteria for access to some services were likely to be factors. It was noted that due to the Council's low funding position the threshold to access some of its services had had to be increased over previous years. Members noted that a new Improvement Plan was being progressed following the inspection and aimed to secure increased overall satisfaction levels.
- (iv) A Member questioned what performance data was available regarding the Council's Multi Agency Travellers Unit, in particular regarding the education of children from that community. The Chief Executive undertook to provide more information on this outside the meeting.

RESOLVED:

That the Annual Delivery Report and Performance Compendium for 2025 be noted and welcomed.

46. Annual Traded Services Strategy update and Performance Review.

The Commission considered a report of the Director of Corporate Resources the purpose of which was to provide an update on the performance of Leicestershire Traded Services (LTS) during 2024/25. The report also sought the Commission's views on the future

direction of Beaumanor Hall and Park, as part of the Council's engagement process. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

Arising from discussion, the following comments were made:

- (i) Members acknowledged the reasons for ending the School Food Service. However, recognising the importance of food quality for school children, an area on which the Service had focused, some expressed disappointment that this had been necessary, particularly as the Service had generated a small profit this year.
- (ii) Whilst positive outcomes had been observed over the current financial year, Members expressed satisfaction that the Council was moving away from operating cafés given high costs and stronger private sector competition.
- (iii) Whilst the proposal to sell Beaumanor Hall had not been taken forward by the current administration some expressed concerns about taxpayers continuing to subsidise a facility that was not widely used by residents in their areas. Members commented that whilst a small profit could be achieved from continuing to run the Hall, this would require significant and ongoing investment. Given this was an aging listed building, this was felt to be unsustainable in the long term. It was recognised that the Council had to balance financial considerations against cultural heritage. However, as the lowest funded County Council and in light of the £90m deficit in the Medium Term Financial Strategy, some Members commented that this might need to be revisited again in the future.
- (iv) It was questioned whether running the Century Theatre could be regarded as a strategic fit for the Council and its core business. A Member suggested that the theatre could be better run by the community noting that theatres brought wider health and social benefits. It was noted that this was the only theatre owned and run by the Council. Members further noted that efforts were being made by the theatre to make it more outward facing, aligning some shows with the school curriculum.

RESOLVED:

That the performance of Leicestershire Traded Services (LTS) during 2024/25 be noted and the Commission's views on the future direction of Beaumanor Hall and Park be forwarded to the Cabinet for consideration as part of the Council's ongoing engagement process.

47. Date of future meetings.

RESOLVED:

It was noted that future meetings of the Commission would be held on the following dates and times:

Wednesday, 28th January 2026 at 10.00am
 Wednesday, 11th March 2026 at 10.00am
 Wednesday, 15th April 2026 at 10.00am

Wednesday 10th June 2026 at 10.00am
Wednesday, 2nd September at 10.00am
Wednesday, 11th November at 10.00am

10.00 am - 12.52 pm
10 November 2025

CHAIRMAN



SCRUTINY COMMISSION – 28 JANUARY 2026

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

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. The purpose of this report is to:
 - a) Provide information on the proposed 2026/27 to 2029/30 Medium Term Financial Strategy (MTFS) as it relates to Corporate and Central Items;
 - b) Provide an update on changes to funding and other issues, arising since the publication of the draft MTFS in December 2025;
 - c) Provide details of the Earmarked Reserves Policy and Balances, and Capital Strategy;
 - d) Ask members of the Commission to consider any issues as part of the consultation process and make any recommendations to the Cabinet accordingly.

Timetable for Decisions (including Scrutiny)

2. 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 will consider the proposals during January 2026.
3. An update of the MTFS will be reported to the Cabinet on 3 February 2026, and then to the County Council on 18 February 2026 to approve 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

4. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council on 19 February 2025. The County Council's Strategic Plan (agreed by the Council on 18 May 2022) outlines the Council's

long-term vision for the organisation and the people and place of Leicestershire. The MTFS, along with other plans and strategies such as the Transformation Programme, aligns with and underpins the Strategic Plan.

MTFS Summary – Cabinet 16 December 2025

5. The draft MTFS was approved by the Cabinet on 16 December 2025. A copy is attached as Appendix A.
6. The key revenue budget details were:
 - Local Government Settlement to cover 2026/27, 2027/28, and 2028/29.
 - Council Tax increase of 2.99% in 2026/27, and 2.99% for the following three years
 - Growth of £131m required, primarily to meet the forecast increase in demand for social care
 - Provision for pay and price inflation in 2026/27 and later years, £79m, driven by the National Living Wage (NLW) increases.
 - Savings required of £199m - of which £45m are identified and £48m relate to Special Education Needs, leaving a shortfall of £106m to be found.
7. The key capital programme details were:
 - The draft four-year capital programme totals £456m
 - Capital funding available totals £372m
 - Balance of £84m requiring prudential borrowing to be temporarily funded from the Council's internal cash balances.

Changes to the Revenue Budget 2026-30

8. A summary of the overall MTFS revenue position as reported to Cabinet on 16 December 2025 is shown in Appendix B.
9. The draft MTFS to the Cabinet in December was compiled prior to the announcement of the provisional local government settlement. Following receipt of the provisional settlement and other updates since December the following changes will be incorporated in the final version of the MTFS to the Cabinet in February.

	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
Provisional Settlement	-3.0	-3.0	-6.1	-6.1
Growth changes	-1.9	-1.9	-1.9	-1.9
Bank Interest / Financing of Capital	0.0	-1.0	-1.2	-1.3
Council Tax – updated tax base	0.1	0.1	0.1	0.1
Inflation contingency, other changes	-1.2	-3.1	-5.1	-7.1
Revised Shortfalls	17.3	40.1	64.0	89.8

10. There are estimated gains from the Provisional Settlement of £3.0m in 2026/27 and 2027/28 rising to £6.1m from 2029/30. Some of the changes on grants are complex and issues on ring-fencing are awaiting clarification from the Government.
11. Growth changes will be confirmed in the report to Cabinet on 3 February, including:
 - Reductions to the Children and Families Services growth for Social Care Placements by around £2m.
 - Growth of £0.1m in the Chief Executive's Department budget for subscriptions for rejoining the Local Government Association and the County Councils Network.
12. Forecasts of bank and other interest and the costs of financing capital are being updated and show net benefits of £1.0m in 2027/28 rising to £1.3m in 2029/30.
13. 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 reduction of £0.1m in the Council Tax precept.
14. Inflation contingency, other, net reduction of £1.2m in 2026/27 rising to £7.1m by 2029/30, mainly due to a reduction in running cost inflation estimates following lower CPI forecasts.
15. The above changes have not yet been reflected in the Appendix B to this report which is unamended from the version that was presented to Cabinet in December. The net effect of the changes above, and any others that may arise subsequently, will be proposed to the Cabinet in February.
16. Balancing the budget is a continued challenge. With continual growth in service demand recent MTFS's have tended to show two-years of balanced budgets followed by two years of growing deficits. This approach balances the need for sufficient time to identify initiatives that will close the gap without cutting back services excessively. The draft MTFS still has a gap next year £23.3m (which would reduce to £17.3m based on the latest figures from the table above) with the following three years also all in deficit.
17. The updated £40m gap in the second year will not be cleared by the time the MTFS is approved in February 2026. Reserves are only a short-term solution and the Council will need to ensure it has adequate savings and growth mitigation plans in place from 2027/28 to avoid the need to rely on reserves again to balance the budget. A heightened focus on the County Council's finances continues to be required whilst this situation remains.
18. Considering the scale of the challenge faced by the Council, existing financial control measures are being kept in place to ensure a tight focus on eliminating non-essential spend. The controls will be kept under review and consideration

will be given to stepping them up or down as required, subject to the Council's financial position and expected reliance on reserves.

Future Financial Sustainability

19. Despite delivery of extensive savings already, a significant financial gap remains within the Council's MTFS, emphasising the need to accelerate and expand the Council's ambitions and explore new, innovative options. A step-change in approach is required.
20. The Efficiency Review was initiated by the new Administration in response to a then-projected £90m budget gap by 2028/29, alongside mounting pressures on capital funding and special educational needs budgets. To address these financial challenges, the Council commissioned a comprehensive, evidence-led review of all services and spending, aiming to identify ways to accelerate existing initiatives and identify new opportunities. The review will identify opportunities to redesign services, optimise resources, and embed a performance-driven culture across the organisation.
21. 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.
22. The review is being undertaken by Newton Impact and commenced in early November, with detailed recommendations due early 2026 to inform future financial planning and Cabinet decisions
23. The first stage of work was focused on any immediate opportunity to accelerate existing MTFS savings. The first of these, included in the draft MTFS position, is reablement in Adult Social Care. The initial saving included in the MTFS is £1m, building on an existing saving in this area of £1.9m.
24. The further initiatives that will be developed over the next few months are expected to be a combination of i) ideas that had not progressed due to resource availability, ii) existing initiatives that can be expanded due to greater insight, iii) new initiatives to the Council.
25. The review is still in its early stages and is progressing as expected. If further initiatives can be developed to a satisfactory level of confidence they will be included in the MTFS report to the Cabinet in February.

26. The County Council is taking decisive action to close the budget gap and build a financially resilient organisation. The Efficiency Review will result in a revised Transformation Programme underpinned by strong governance and innovation to accelerate delivery and embed new ways of working. With significant uncertainty and change linked to Local Government Reorganisation, the coming year will be critical in driving high-impact change, engaging stakeholders, and preparing the organisation for future challenges.
27. There will need to be a renewed focus on these programmes during the next few months to ensure that savings are identified and delivered to support the 2026/27 budget gap. Given the scale of the financial challenge, focus will be needed to prioritise resources on the change initiatives that will have the greatest impact, and work is already underway to do this.

Corporate and Central Items

28. Details of the corporate and central items elements of the MTFS are shown in Appendix C.

Dedicated Schools Grant (DSG) - Central Dept Recharges

29. A total of £2.3m is set aside from the DSG to fund central department costs of schools.

MTFS Risks Contingency

30. The proposed MTFS 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 Better Care Fund.
 - Pressure on demand-led budgets particularly in social care.
 - Maintaining the level of investment required to deliver savings.
 - New service pressures that arise.
 - Risks around commercial services.
 - Other one-off pressures.
31. If the contingency is not required resources will be directed to reducing the revenue gaps in later years.

Contingency for Inflation / Living Wage

32. A total of £19m has been included in the draft MTFS for 2026/27, rising to £39m in 2027/28, £59m in 2028/29, and £79m in 2029/30. This contingency will be allocated to services as necessary. Further details are provided in the draft MTFS report, from paragraph 114, attached as Appendix A.

Financing of Capital

33. Capital financing costs are budgeted at £12.4m in 2026/27, reduced from £14.8m in the original 2025/26 budget mainly due to debt interest savings following the early repayment of £29m of external debt principal in September 2025. Financing costs are expected to then rise to £12.5m in 2027/28, £13.3m in 2028/29 and £13.9m in 2029/30, as a result of the increasing financing requirement for the capital programme.

Bank and Other Interest

34. Interest income relating to Treasury Management investments is budgeted at £11.0m in 2026/27 and is estimated to reduce to £6m in 2027/28, £3m in 2028/29 and £1.0m in 2029/30, as balances are reduced to fund internal borrowing for the capital programme and interest rates are expected to fall. Whilst the Council has benefitted, and continues to benefit, from high interest rates, this will reduce in later years of the MTFS.

Central Expenditure

35. The 2025/26 budget includes £2.2m for Central Expenditure consisting of:

- Pensions (£1.3m) - funding for added years, agreed before and as part of Local Government Reorganisation in 1997;
- Members' Expenses and support (£1.5m);
- Elections (£0.5m) annual contribution to an earmarked reserve to fund County Council elections;
- Flood Defence Levies (£0.3m) payable to the Environment Agency;
- Financial Arrangements (-£0.4m) – including income from Eastern Shire Purchasing Organisation (ESPO) and external audit fee costs.
- Extended Producer Responsibility (EPR) (-0.9m) – an estimate of increased income, this will be reviewed in the updated MTFS to be taken to Cabinet.

Corporate Growth and Savings

36. G30 - Corporate Growth contingency, £6.8m in 2027/28, rising to £17.1m in 2029/30. This has been included to act as a contingency for potential further cost pressures in the later years of the MTFS. The value has been set based upon historic levels of growth incurred. Without the use of such a contingency the Council is likely to be required to make savings in a very short time period.

Adequacy of Earmarked Reserves and Robustness of Estimates

37. 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.
38. The financial environment continues to be challenging with a number of known major risks over the next few years. These include:
- High inflation persisting for longer than expected.

- Non-achievement of savings and income targets. The requirement for savings and additional income totals £183m over the next four years of which £90m is unidentified. Successful delivery of savings is not wholly in the control of the County Council.
 - Unforeseen service pressures resulting in an overspend, particularly demand-led children's and adult social care.
 - SEN spend in excess of grant. A cumulative deficit of in excess of £400m is forecast by the end of 2029/30. Expenditure each year is expected to be between £72m and £102m more than high needs block funding, despite £48m of savings being targeted.
 - The National Living Wage is estimated for three of the four years of the MTFS and pay awards are unknown for any year.
 - The strength of the economy dictates the funding of the public sector, both directly through council tax and business rate income and indirectly through the influence on Government funding decisions.
 - The increasing reliance on income generated from services in other parts of the public sector (such as schools and NHS). Given the tight financial environment it will be challenging to maintain or keep increasing income.
 - Uncertainty of the timing and financial impact of a number of significant government initiatives:
 - Review of SEND reforms
 - Adult Social Care charging reforms
 - Children's Social Care reforms
39. Although it is understood from 2028/29 the Government will absorb SEND costs, it has not specified how this will be achieved and how it will be funded. This may mean that local authorities would not build up further DSG deficits from 2028/29. However, based on current policy, local authorities would then be required to recognise the historic DSG deficits, which are expected to reach £14 billion nationally, on their balance sheets. This would be very likely to result in many local authorities issuing Section 114 Notices – effectively declaring that they are unable to set a balanced budget. The fiscal impact of this would depend on how central government and individual local authorities respond. The Government has not set out how it will address this issue other than to state that its policy position is to work with local authorities to manage their SEND deficits and that it will set out more detail in the final Local Government Finance Settlement in early 2026, supported by any subsequent updates contained in the Schools White Paper due to be published in the new year.
40. 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.
41. There are a number of ways that risks will be mitigated and reduced. These are summarised below and explained in more detail in the following paragraphs:
- General Fund
 - MTFS contingencies
 - Earmarked reserves
 - Effective risk management arrangements.

General Fund

42. The General Fund balance is available for unforeseen risks that require short term funding. The forecast balance at the end of 2025/26 is £26m which represents 4.1% of the net budget (excluding schools' delegated budgets). 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. Examples of risks include:
- Legal challenges that result in a change in savings approach.
 - Legislative changes 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.
43. To put the level of resources into context: with the exclusion of schools, the County Council spends nearly £75m a month.
44. The proposed MTFS also includes a contingency of £8m in each year for other specific key risks that could affect the financial position on an ongoing basis. Further details are provided earlier in the report.

Earmarked Reserves

45. The estimated balance for revenue earmarked reserves as at 31 March 2026 is £177m. This is set out in detail in Appendix D to this report. These figures are provisional and may be updated in the report to Cabinet on 3 February. The final level of earmarked reserves will be subject to the current year budget outturn.
46. Earmarked reserves and balances are held for specific purposes in line with the Council's Earmarked Reserves Policy attached as Appendix E. This is subject to review and may be updated in the report to Cabinet. The main earmarked reserves and balances projected at 31 March 2026 are:
- (a) Capital Financing (£89m). Holds MTFS revenue contributions for the capital programme or one-off projects.
 - (b) Budget Equalisation (£120m). This reserve is held to manage variations in funding across financial years including 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 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.
 - (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 (£36m).

- (f) DSG Reserve (-£94m). Forecast deficit balance, which includes the High Needs SEND deficit.

47. The overall forecast position on earmarked reserves shows earmarked reserves potentially being overdrawn by £51m 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. As mentioned above, details are expected from the DfE in early 2026 with regards to how Council's will be supported to manage DSG deficits. This position is kept under continual review.
48. 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

49. 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

50. The Council's risk management policy statement and strategy, and insurance policy are reviewed annually and will be considered by the Corporate Governance Committee on 23 January 2026.

Robustness of Estimates

51. 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 department's 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.
52. 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.

53. 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.

Conclusion

54. Having taken account of the overall control framework, budget provisions included to support the delivery of transformation, growth to reflect spending pressures, the inclusion of a contingency for MTFS risks and the earmarked reserves and balances of the County Council, assurance can be given that the estimates are considered to be robust and the earmarked reserves are adequate in the short term. The Council's previous strategy has been for the budget equalisation reserve to support the first two years of financial gaps in the MTFS but based on current projections it is only sufficient to support 2026/27. Given that there is still a £17m gap for 2026/27 and that further work is ongoing to reduce the gap ahead of final budget proposals in February, the assurance statement will need to be reviewed to ensure any changes made are reasonable and prudent.
55. 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.

Capital Programme 2026-30

56. The overall approach to developing the capital programme is set out in the capital strategy (Appendix F) and is based on the following key principles:
- To invest in priority areas of growth including roads, infrastructure, economic growth and to support delivery of essential services.
 - No discretionary Capital schemes will be added to the programme unless fully funded by external sources.
 - Capital schemes will only be added to the programme once a Business Case has been completed.
 - To invest in projects that generate a positive revenue return (spend to save), Minimum return on investment for new schemes: 7% return (circa 10 year payback) .
 - Passport Government capital grants received for key priorities for highways and education to those departments.
 - No new forward funding of section 106 contributions.
 - Maximise external sources of income including capital receipts, section 106 housing developer contributions and bids to external funding agencies.
 - No investment in capital schemes primarily for financial return where borrowing is required anywhere within the capital programme (in line with the Prudential Code).

- In exceptional circumstances limited prudential borrowing will be considered where needed to fund essential investment in service delivery.
- Through risk appraisal of new schemes, with adequate contingencies held.

57. The draft programme and funding are shown below.

Draft Capital Programme 2026-30

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

Capital Resources

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

58. 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.

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

Service Improvements	£272m
Invest to Save	£72m
Investment for Growth	£49m
Future Developments/ Risk Contingency	£63m
Total	£456m

Funding and Affordability

Forward Funding

60. 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.

Capital Grants

61. Grant funding for the capital programme totals £255m across the 2026-30 programme. The majority of grants are awarded by Government departments including the Department for Education (DfE) and the Department for Transport (DfT).

Capital Receipts

62. The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £16m across the four years to 2029/30.
63. 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

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

External Contributions and Earmarked Capital Funds

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

Funding from Internal Balances

67. Overall a total of £84m additional funding is required to fund the proposed 4-year capital programme and enable investment in schools and highway infrastructure to be made. Over the next 10 to 15 years £5m of this funding will be repaid through the associated developer contributions forward funded.
68. Due to the strength of the County Council's balance sheet, it is possible to use internal balances (cash balances) to fund the capital programme on a temporary

basis instead of raising new external loans. Levels of cash balances held by the Council comprise the amounts held for earmarked funds, provisions, the Minimum Revenue Provision (MRP) set aside for the repayment of debt and working capital of the Council. The cost of raising external loans over the medium to long term is forecast to exceed the cost of interest lost on cash balances by circa 2%.

69. The overall cost of using internal balances to fund £84m of investment depends on what happens to interest and borrowing rates over the medium to long term. Current forecasts show the cost of externally borrowing would be around £6.5m per annum for the next 40 years, in interest and repayment of principal - MRP. Internal borrowing would still require MRP setting aside but net interest savings could amount to £2m per annum. Because of the uncertainty on interest rates, this position will be kept under review as part of the treasury management strategy.
70. 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

71. Details for each department are included in the MTFS report attached as Appendix A.

Changes to the Capital Programme 2026-30

72. Since the draft capital programme to the Cabinet in December a number of government capital grant allocations have been announced confirmed. These and other changes as described below will be incorporated into the final version of the MTFS to the Cabinet in February.

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
E&T – Local Authority Bus Grant (LABG)	2.7	2.8	2.8	2.9
E&T – Consolidated Active Travel Fund*	0.0	0.9	0.9	0.9
E&T – Highway Maintenance Incentive Fund**	0.0	0.0	2.6	2.6
Capital Financing Reserve	9.0	0.0	0.0	0.0
Total	11.7	3.7	6.3	6.4

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

73. Local Authority Bus Grant, 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.
74. Consolidated Active Travel Fund - DfT funding to support local transport authorities to develop and build infrastructure for walking and cycling.

- 75. Highways maintenance – increased estimates for the incentive element of the grant allocations following a review of the guidance.
- 76. Capital financing reserve – additional contributions to reduce the overall capital shortfall from £84m to £75m.
- 77. Work is also currently underway to review the expenditure profiles on all schemes to ensure the programme reflects the latest known position. The updated profiles will be reported in the MTFS report to the Cabinet in February 2026.

Investing in Leicestershire Programme

- 78. The Council directly owns and manages properties, including Industrial, Office and County Farms as part of the Investing in Leicestershire Programme (liLP). The fund also includes financial investments outside of direct property ownership, for example private debt, and pooled property investments (the indirect investments provide diversification of the fund). The fund is held for the purposes of supporting the delivery of various economic development objectives and is also income generating so makes a contribution to the Council's overall financial position. The aims of the liLP 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.
- 79. 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.

East Midlands Freeport

- 80. 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.
- 81. 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.

Budget Consultation

- 82. The Cabinet at its meeting on 16 December 2025 approved the MTFS proposals for consultation. The consultation asked for views on the savings plan and the appetite for Council Tax increases. The consultation closed on 18 January 2026.

The responses are currently being analysed. A report on the outcome will be included within the MTFS report to the Cabinet on 3 February 2026.

Results of Scrutiny Process

83. The Overview and Scrutiny Committees and the Scrutiny Commission have received detailed reports on the revenue budget and capital programme proposals, which can be viewed via the Council's website (www.leicestershire.gov.uk). A summary of the comments arising from the meetings of Scrutiny bodies will be presented with the MTFS report to the Cabinet on 3 February 2026.

Equality and Human Rights Implications

84. 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.
85. 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.
86. A high-level Equalities Impact Assessment of the MTFS 2025-29 was completed last year to:
- Enable decision makers to make decisions on an informed basis which is a necessary component of procedural fairness;
 - Inform decision makers of the potential for equality impacts from the budget changes;
 - Consider the cumulative equality impacts from all changes across all Departments;
 - Provide some background context of the local evidence of cumulative impacts over time from public sector budget cuts.
87. This assessment will be revised and updated for the new MTFS 2026-90 and included in the proposed MTFS to the Cabinet in February 2026. Many of the proposals in the MTFS were agreed as part of the decision to adopt the previous

MTFS, and others are amendments to existing plans that have already been agreed.

88. Overall, the previous assessment found that the Council's budget changes will have the potential to have an adverse impact older people, children and young people, working age adults with mental health or disabilities and people with disabilities more than people without these characteristics. This is as expected given the nature of the services provided by the Council. The findings between April 2020 and March 2025 of the Leicestershire Community Insight Survey found that a significantly higher percentage of women, non-white British people, people with health problems, people with a disability and people who receive care support responded that they had been affected a "fair amount" or a "great deal" by national and local public sector cuts.
89. 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.
90. If as a result of undertaking an assessment, potential negative impacts are identified, these will be subject to further assessment.
91. 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

92. 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

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

Environmental Implications

94. The MTFS will include schemes to support the Council's response to climate change and to make environmental improvements.

Partnership Working and Associated Issues

95. 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

96. 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 – 2029/30

<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 2025-29

<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: Draft MTFS 2026-30 Cabinet Report – 16 December 2025

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

Appendix C: Corporate and Central Items Revenue Budget 2026/27

Appendix D: Earmarked Reserves Balances

Appendix E: Earmarked Reserves Policy

Appendix F: Capital Strategy

Appendix G: Draft Capital Programme 2026/27 to 2029/30

Officers to Contact

Declan Keegan, Director of Corporate Resources,

Corporate Resources Department,

☎0116 305 7668 E-mail Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director (Finance, Strategic Property and Commissioning),
Corporate Resources Department,

☎0116 305 7066 E-mail Simone.Hines@leics.gov.uk

This page is intentionally left blank

CABINET – 16 DECEMBER 2025**PROVISIONAL MEDIUM TERM FINANCIAL STRATEGY
2026/27 - 2029/30****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****PART A****Purpose of the Report**

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

Recommendations

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

(d) A further report be submitted to the Cabinet on 3 February 2026.

Reasons for Recommendations

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

Timetable for Decisions (including Scrutiny)

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

Policy Framework and Previous Decisions

10. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council on 19 February 2025.
11. The County Council's Strategic Plan (agreed by the Council on 18 May 2022) summarises the Council's vision for Leicestershire through five strategic outcomes and a single line vision statement. The outcomes represent long-term aspirations for Leicestershire which may not be achieved in full during the four-

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

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

Legal Implications

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

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

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

Resource Implications

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

expense of rural ones, despite the updated funding needs assessment showing that county areas have seen the biggest increase in needs. This has led the County Councils Network to conclude

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

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

2.99% Council Tax increase, although no decision has yet been made on the level of increase to be approved. To have a realistic chance of closing the gap the County Council will need to quickly identify additional savings or source additional income that allow 2027/28 to be balanced without the use of reserves, which the Efficiency Review will support.

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

approximately £21.5m in additional income, and ensure the taxbase is maximised for future years. The draft budget currently includes a 2.99% increase, per the currently approved MTFS, for illustrative purposes. The report sets out the consequences of different Council Tax increases, both for the Council and its residents.

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

Circulation under the Local Issues Alert Procedure

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

Officers to Contact

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

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

PART B

2025 Autumn Budget and Policy Statement

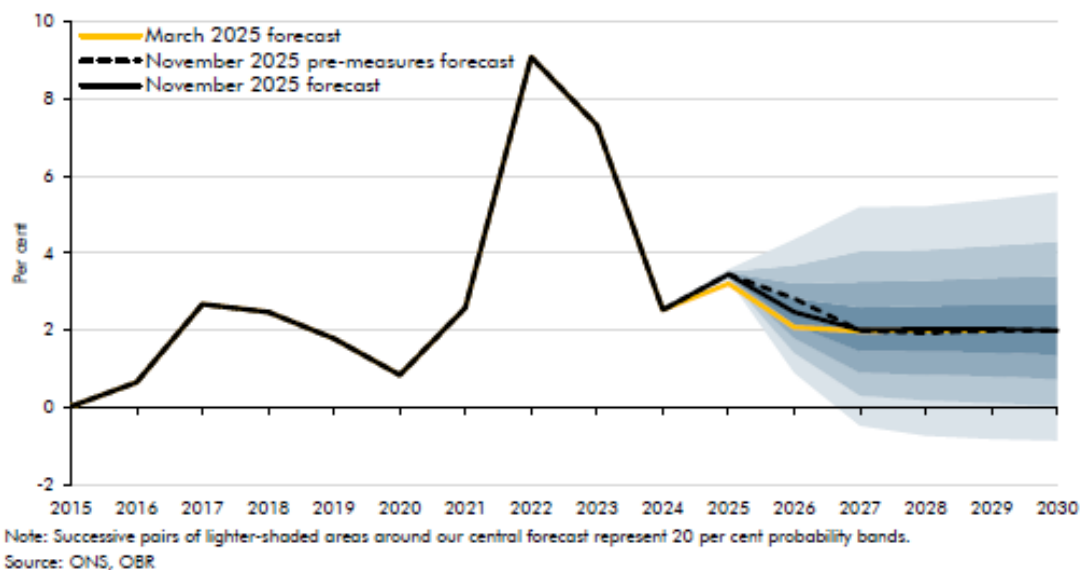
41. On 20 November 2025 the Government issued a Policy Statement on the Local Government Finance Settlement for 2026/27 to 2028/29. The paper announced:
- The Settlement will be the first multi-year settlement in a decade covering 2026-27, 2027-28 and 2028-29.
 - Significant emphasis on deprivation targeted funding – national £600m Recovery Grant remains in place (was to be temporary in 2025/26 only ahead of funding reforms) throughout the multi-year Settlement period targeting funding at low taxbase /high deprivation authorities, despite it not being included in the consultation on Fair Funding. The Council does not receive any Recovery Grant, but may lose funding as this is top sliced first and potentially could mean a loss of funding in the region of £5m for 2026/27 and ongoing.
 - Total distributable quantum remains unknown – hindering modelling of indicative figures.
 - Remoteness removed from the area cost adjustment except for Adult Social Care.
 - Transitional arrangements vary according to whether Authorities are above or below median for the class, but will last just three years.
 - Home to School distance cap raised to 50 miles, from 20 miles.
 - Core council tax referendum threshold at 3% and the adult social care precept referendum threshold at 2% for all authorities responsible for adult social care services during the multi-year Settlement.
 - Use of population projections in the formulae.
42. On 26 November 2025 the Chancellor of the Exchequer delivered the 2025 Budget. The main headlines from the day (for Local Authorities) include:
- Partial solution to special educational needs and disabilities (SEND) deficits – spending on SEND from 2028/29 to be absorbed by government from central budgets. No details on how it will address existing deficits other than to state that its policy position is to work with local authorities to manage their SEND deficits and that it will set out more detail at the provisional Local Government Finance Settlement in December.
 - Tax rises worth £26bn, £15bn in personal tax.
 - Income Tax, National Insurance, and Employer NIC thresholds frozen for 3 years from 2028-29.
 - New Business Rate Multipliers following revaluation and transitional relief.
 - “High Value Council Tax Surcharge” introduced on properties valued above £2m from April 2028 (to be administered by billing authorities with proceeds to be used for local government services – no details have been provided but it is likely that Council Tax will be re-allocated to different areas for the first time.)

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

National Context

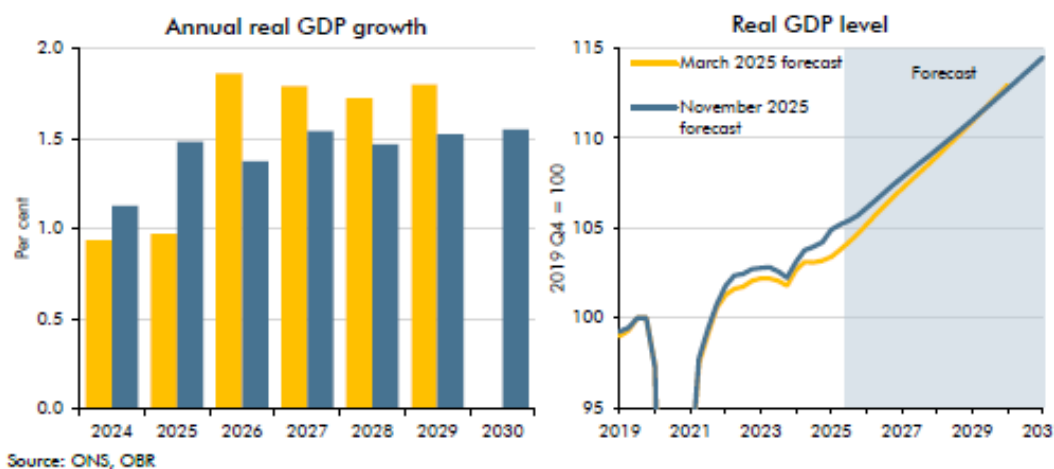
47. Following the Chancellor’s recent Budget announcement, it is clear that the Government does not have much room for manoeuvre. And so the challenges local government has faced due to over a decade of austerity, combined with significant growth in spending pressures, particularly from rising demand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

Graph 1 – Inflation



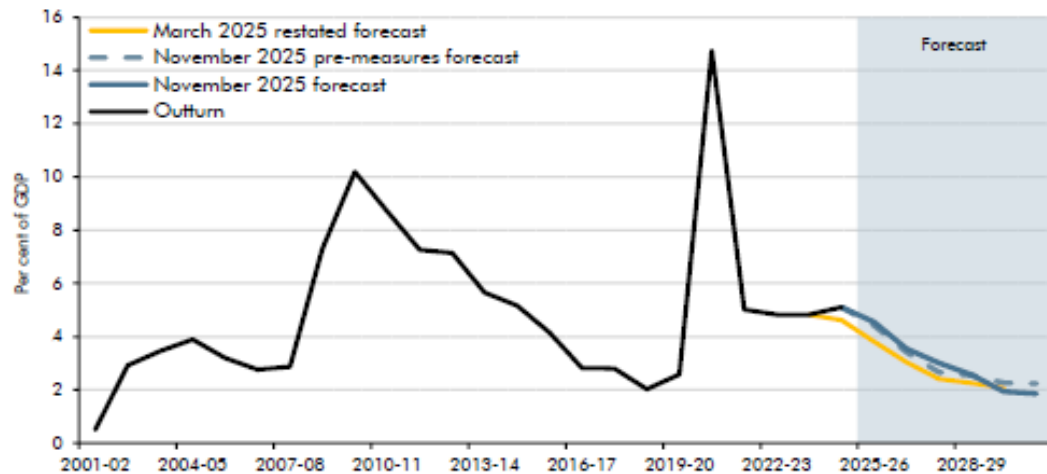
49. Gross Domestic Product (GDP) is expected to increase from 1.1% last year to 1.5% this year and to remain at around 1.5% thereafter. (Graph 2). GDP is an indicator of the health of the economy. The MTFS assumes a similar annual 1.5% increase in the Council Tax base.

Graph 2 – GDP forecast



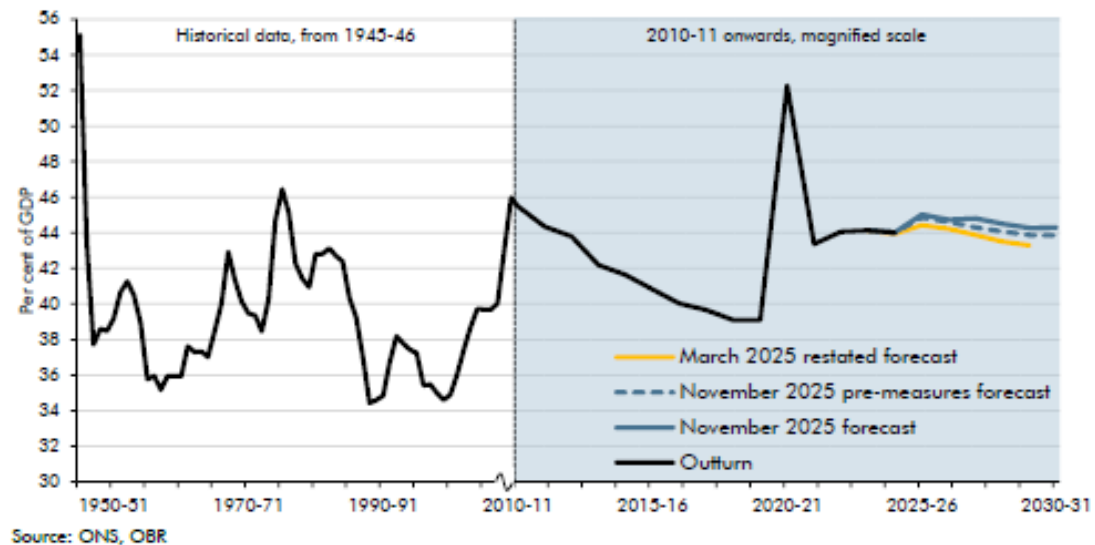
50. Public sector net borrowing, shown in Graph 3, is forecast to fall from £138.5bn in 2025/26 (4.5% of GDP) to £112.1bn in 2026/27. It is then forecast to fall by around 0.5% of GDP a year to £67.2bn (1.9% of GDP) by 2030/31.

Graph 3 Public Sector Net Borrowing



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

Graph 4 Public Spend as a % of GDP



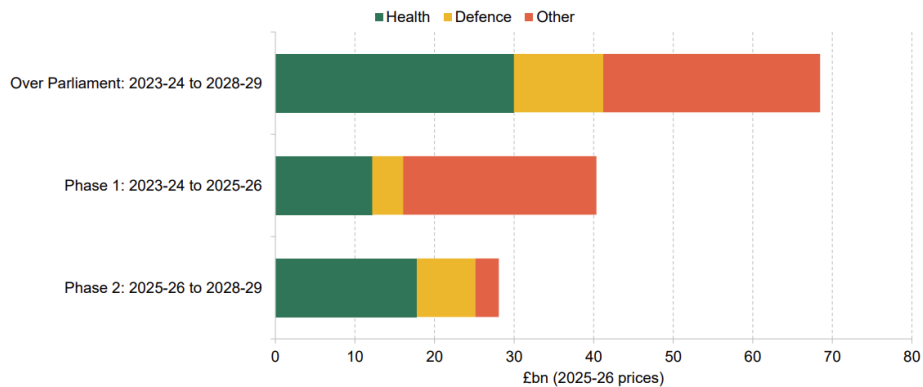
52. Graph 5 below is an analysis by the Institute of Fiscal studies that shows the overall funding position by government department between 2023/24 and (estimated) 2028/29, by phase. Local Government is included within the 'other' section of the chart. This shows the change in 'other' departments funding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

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

NHS and defence taking the lion's share



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



Local Government Finance Settlement

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

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

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

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

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

Spending Power

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

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

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

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

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

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

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

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

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

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

Business Rates

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

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

Council Tax

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

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

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

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

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

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

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

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

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

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

Budget Consultation

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

2026/27 - 2029/30 Budget

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

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

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

Savings and Transformation

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

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

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

Future Financial Sustainability

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

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

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

Theme	Description
Prevention	<ul style="list-style-type: none"> • Looking at demand drivers to the front door for the Council, particularly for Adult Social Care, and identifying what proportion of these are preventable with appropriate intervention. • Early intervention for Children and Young People (CYP) to keep families together.
Enabling independence – demand management	<ul style="list-style-type: none"> • Develop processes and services to support timely and effective hospital discharge. • Could more residents be supported outside of residential care. • Identify how more residents could benefit from reablement, including address workforce recruitment issues in HART to reduce waitlists.

	<ul style="list-style-type: none"> • Expand internal fostering capacity and achieving more reunification for more CYP in the Council's care. • Prevention of placement and family breakdown and increasing family-based placements. • Assisted Transport – go further in reviewing route optimisation, travel assistance and procurement.
Commissioning and Procurement of external spend	<ul style="list-style-type: none"> • Expand extra care housing as a cost-effective alternative to residential provision. • Mitigate external provider cost pressures through negotiation and contract management. • Review third party spend across the Council to consolidate suppliers.
Maximising income	<ul style="list-style-type: none"> • Uplifts to fees and charges, especially where charges are currently lower than others. • Introduce new charges where opportunities exist e.g. Network Management. • Maximise returns on commercial assets.
Council Operating Model and workforce capacity	<ul style="list-style-type: none"> • Consolidation and digital support to 'front door' customer contact. • Review staffing and management structures across the Council. • Using AI and technology to support staff, using benchmarks and best practice to test how efficiently the Council is using resources. • Reduction in agency spend across the Council. • Right sizing of property estate to ensure effective use of space.
Discretionary spend	<ul style="list-style-type: none"> • Review discretionary services with the potential to reduce.

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

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

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

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

Growth

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

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

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

Inflation

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

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

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

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

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

Central Items

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

Health and Social Care Integration

Better Care Fund (BCF)

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Grants and Funds

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

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

Dedicated Schools Grant Settlement 2026/27

Schools Block

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

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

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

Central Services Block

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

Early Years Block

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

High Needs

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

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

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

Earmarked Funds and Contingency

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

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

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

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

Adequacy of Earmarked Reserves and Robustness of Estimates

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

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

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

Concluding Comments – Revenue Position

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

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

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

Capital Programme 2026/27 to 2029/30

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

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

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

175. The draft programme and funding are shown below.

Draft Capital Programme 2026-30

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

Capital Resources

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

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

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

Service Improvements	£272m
Invest to Save	£49m

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

Funding and Affordability

Forward Funding

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

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

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

Capital Grants

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

Children and Family Services

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

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

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

Adult Social Care

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

Environment and Transport

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

Capital Receipts

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

Revenue / Earmarked Funds/ Contributions

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

External Contributions and Earmarked Capital Funds

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

Funding from Internal Balances

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

Capital Programme Summary by Department

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

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

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

Investing in Leicestershire Programme

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

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

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

Capital Summary

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

Other Funding Updates

East Midlands Freeport

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

Equality and Implications

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

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

Human Rights Implications

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

Crime and Disorder Implications

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

Environmental Implications

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

Partnership Working and Associated Issues

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

Risk Assessments

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

Background Papers

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

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

County Council Strategic Plan

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

Appendices

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

Appendix B: 2026/27 Revenue Budget

Appendix C: Savings 2026/27 to 2029/30

Appendix D: Savings under Development

Appendix E: Growth 2026/27 to 2029/30

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

2026/27 - 2029/30 REVENUE BUDGET *

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

CORPORATE & CENTRAL ITEMS**REVENUE BUDGET 2026/27**

Net Budget 2025/26 £		*	Employees £	Running Expenses £	Internal Income £	Gross Budget £	External Income £	Net Budget 2026/27 £
<u>CORPORATE</u>								
-2,285,000	DSG (Central Dept recharges)	S	0	0	0	0	-2,285,000	-2,285,000
8,000,000	MTFS Risks Contingency	B	0	8,000,000	0	8,000,000	0	8,000,000
15,644,000	Contingency for Inflation / Living Wage **	B	7,585,000	11,665,000	0	19,250,000	0	19,250,000
21,359,000	TOTAL CORPORATE BUDGETS		7,585,000	19,665,000	0	27,250,000	-2,285,000	24,965,000
<u>CENTRAL ITEMS</u>								
14,800,000	Financing of Capital	B	0	14,830,000	0	14,830,000	-2,430,000	12,400,000
-12,000,000	Bank & Other Interest	B	0	0	0	0	-11,000,000	-11,000,000
Central Expenditure								
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	515,000	0	515,000	-915,000	-400,000
-50,000	Car Leasing	B	0	0	-50,000	-50,000	0	-50,000
0	EPR estimated increased income in 26/27						-920,000	-920,000
3,273,600			1,379,300	2,755,000	-50,000	4,084,300	-1,835,000	2,249,300
6,073,600	TOTAL CENTRAL ITEMS		1,379,300	17,585,000	-50,000	18,914,300	-15,265,000	3,649,300

* **S/D/B** : indicates that the service is **S**tatutory, **D**iscretionary or a combination of **B**oth

** 2025/26 contingency of £34.4m less £18.8m transferred to Departmental budgets by November 2025

This page is intentionally left blank

EARMARKED RESERVES BALANCES

	Revised Balance 01/04/25 £000	Forecast Balance 31/03/26 £000	Forecast Balance 31/03/27 £000	Forecast Balance 31/03/28 £000	Forecast Balance 31/03/29 £000	Forecast Balance 31/03/30 £000
Renewal of Systems, Equipment and Vehicles	2,110	1,880	1,700	1,350	1,210	1,080
Trading Accounts						
Investing in Leicestershire Programme (IiLP)	5,760	6,250	8,170	10,370	11,820	13,270
Insurance						
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
Committed Balances						
Central Maintenance Fund	1,360	860	860	360	360	360
Other						
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
LLITM	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	570	340	180	30
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	120,080	138,920	142,680	189,080	240,080
Flooding Restoration Works	3,160	2,910	1,350	680	0	0
Capital Financing (phasing of capital expenditure)	139,520	88,720	36,980	16,320	9,140	260
Sub Total	294,270	260,940	217,860	197,920	236,950	279,230
Schools and Partnerships						
Dedicated Schools Grant	-48,350	-94,430	-168,110	-253,240	-348,040	-451,990
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
Total	-35,990	-84,020	-162,690	-249,120	-344,550	-448,540

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.

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 (liLP) Strategy and the Treasury Management Strategy. The liLP 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 £456m. External funding from capital grants, section 106 agreements and third party contributions totals £301m. Without this funding being available schemes of any significant size would not be affordable by the Council.

The balance of funding required is £155m to be funded from one off revenue reserves, capital receipts and a funding gap of £84m - to be financed by prudential borrowing at a cost to the Council's revenue budget of around £6.5m 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.	High	Central Government grants
Meet increasing demand for SEN places	High	Developer contributions (section 106)
Children's Accommodation Strategy	High	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)	High	Central Government grants/ Discretionary programme
Highways Depot Improvements	High	Discretionary programme
Property Flood Risk Alleviation	High	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 £155m. 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 £84m 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 £16m 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:

	General £m	Earmarked £m	Total £m
2026/27	4.2	0	4.2
2027/28	4.2	0.8	5.0
2028/29	3.7	2.7	6.4
2029/30	0.8	0	0.8
Total	12.9	3.5	16.4

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 £55m 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 Councils financial situation there are no longer any on-going revenue contributions to the capital programme.

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 £84m in funding required is included 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 last £5m forward funded 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 exceeds the cost of interest lost on cash balances by 1.5% to 2%.

The overall cost of using internal balances to fund £84m of investment is dependent on what happens to interest and borrowing rates over the medium to long term. Current forecasts show the cost of externally borrowing would be around £6.5m per annum for the next 40 years, in interest and repayment of principal - minimum revenue provision (MRP). Internal borrowing would still require MRP setting aside but net interest savings could amount to £2m per annum. But because of the uncertainty on interest rates, this position will be kept under review as part of the treasury management strategy.

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:

£m	2026/27	2029/30
Revenue	0.0	0.0
MRP	4.1	5.6
Interest	8.0	10.5
On-going revenue total	12.1	16.1
% Revenue budget	1.9%	2.2%
Voluntary MRP	0.0	0.0
One-off revenue/reserves	47.7	0.1
One-off revenue	47.7	0.1
Total	59.8	16.3
% Revenue budget	9.6%	2.2%

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 31st 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 £14m 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 £84m to the CFR. Together with reductions made by MRP, the CFR is forecast to be £258m by the end of the MTFS (31 March 2030). Assuming no new borrowing is undertaken in this period, actual debt will be £144m at that time, resulting in an under-borrowed position of £114m. 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 (liLP) which invests in assets to achieve both economic development and investment returns. A copy of the liLP strategy is attached to the MTFS report. The liLP 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.

CHILDREN & FAMILY SERVICES - CAPITAL PROGRAMME 2026-30

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

Future Developments - subject to further detail and approved business cases

Additional School Infrastructure arising from Housing Developments
 SEN Provision arising from new housing development
 Further Residential Opportunities

ADULTS & COMMUNITIES - CAPITAL PROGRAMME 2026-30

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

Future Developments - subject to further detail and approved business cases

Archives, Collections and Learning Centre

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2026-30

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

Future Developments - subject to further detail and approved business cases

New Melton RHWS
Compaction equipment
Green vehicle fleet
Windrow Composting Facility

CORPORATE RESOURCES - CAPITAL PROGRAMME 2026-30

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

Future Developments - subject to further detail and approved business cases

ICT Future Development:

End of life replacements and security improvements

Property Services

Minimum Energy Efficiency Standards (MEES)

Snibston ancient monument - (SAM)

End of life gas boiler replacement

Country Parks Future Developments:

Watermead café and car park changes

County Parks ANPR ticketless car parking expansion

Ashby Woulds Heritage Trail - resurfacing

Broombriggs Farm Cottage - refurbishment

Bosworth Battlefield New Adventure Play Facility

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2026-30

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

Future Developments - subject to further detail and approved business cases

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

CORPORATE - CAPITAL PROGRAMME 2026-30

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

Future Developments - subject to further detail and approved business cases

Sustainability / Invest to Save Schemes



SCRUTINY COMMISSION: 26 JANUARY 2026

MEDIUM TERM FINANCIAL STRATEGY 2026/27 – 2029/30
CHIEF EXECUTIVE'S DEPARTMENT

JOINT REPORT OF THE CHIEF EXECUTIVE AND THE DIRECTOR
OF CORPORATE RESOURCES

Purpose of Report

1. The purpose of this report is to:
 - a) provide information on the proposed 2026/27 to 2029/30 Medium Term Financial Strategy (MTFS) as it relates to the Chief Executive's Department; and
 - b) ask the Commission to consider any issues as part of the consultation process and make any recommendations to the Cabinet accordingly.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2025. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2026/27 to 2029/30 was considered by the Cabinet on 16 December 2025.

Background

3. The MTFS is set out in the report to Cabinet on 16 December 2025, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Chief Executive's Department.
4. The revised MTFS for 2026-30 projects a gap of £23m in the first year that (subject to changes from later information such as the Local Government Finance Settlement) will need to be balanced by the use of earmarked reserves. There is then a gap of £49m in year two rising to £106m in year four, based on a 2.99% Council Tax increase, although no decision has yet been made on the level of increase to be approved.
5. Reports such as this one have been presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process on 3 February 2026 before recommending an MTFS, including a

budget and capital programme for 2026/27, to the County Council on 18 February 2026.

Service Transformation

6. The functions delivered by the Chief Executive's Department play critical roles in supporting transformation and lawful decision-making in accordance with public sector legal and governance requirements. The Department takes the corporate lead on developing and delivering council wide strategies and plans as well as playing a key role in providing front line services and supporting other directorates to do so.
7. The work of the Chief Executive's Department includes: Legal Services, Democratic and Civic and Member Support, Strategy and Business Intelligence (including Resilience, and Planning and the Historic and Natural Environment) and Regulatory Services which includes Trading Standards, Registration and Coronial services. The Department coordinates and manages the councils and LRFs emergency planning, business continuity and resilience responsibilities. Responsibility for Communities will be transferred to the Public Health department from 1 April 2026.

Proposed Revenue Budget

8. Table 1 below summarises the proposed 2026/27 revenue budget and provisional budgets for the three years thereafter. The proposed 2026/27 revenue budget is shown in detail in Appendix A.

Table 1 – Revenue Budget 2026/27 to 2029/30

	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Original prior year budget	16,859	15,633	15,623	15,623
Budget transfers and adjustments	-861	0	0	0
Add proposed growth (Appendix B)	175	0	0	0
Less proposed savings (Appendix B)	-540	-10	0	0
Proposed/Provisional budget	15,633	15,623	15,623	15,623

9. Detailed service budgets have been compiled based on no pay or price inflation. A central contingency will be held which will be allocated to services as necessary.
10. The total proposed expenditure budget for 2026/27 is £21.3 million with contributions from grants, fees and charges and other income sources totalling £5.7 million. The proposed net budget for 2026/27 of £15.6 million is distributed as shown in Table 2 below:

Table 2 - Net Budget 2026/27

	£000	%
Democratic Services and Civic and Member Support	1,489	9.5
Legal Services	5,191	33.2
Strategy and Business Intelligence (including Planning, Historic and Natural Environment)	5,320	34.0
Emergency Management and Resilience	348	2.2
Regulatory Services	3,657	23.4
Departmental Items	-372	-2.4
Total	15,633	100.0

Budget Transfers and Adjustments

11. Budget transfers totalling a net decrease of £0.9 million were made. These transfers include:
 - £0.6m for pay inflation transferred from the central inflation contingency.
 - -£0.8m reduction in the employer's pension contribution rate from 2026/27, from 29.4% to 23.4%.
 - -£0.7m net transfer to Public Health for the Communities and Grants and Funding services.
12. Growth and savings have been categorised in the appendices under the following classification:
 - * item unchanged from previous MTFS
 - ** item included in the previous MTFS, but amendments have been made
 - No stars - new item
13. This star rating is included in the descriptions set out for growth and savings below.
14. Savings have also been highlighted as 'Eff' or 'SR' dependent on whether the saving is seen as an efficiency or service reduction or a mixture of both. 'Inc' denotes those savings that are funding related and/or generate more income.

Growth

15. Details of proposed growth are set out in Appendix B and provide for an additional £0.2m per annum by 2026/27. This is described in the following paragraph.

16. G1 Legal Services – Additional resources for Childcare Team; £175,000 in 2026/27 and ongoing

Growth required to meet the costs of additional resources for the Children's Social Care legal team. The growth is to meet the significant increase in demand for legal representation in care proceedings applications brought by the Council in the family Courts, which have risen from an average 120 cases a year to 138. The average length of a care proceedings case is 9 months. The childcare solicitors carry on average 12 care proceedings cases at any one time, with casework support from a full-time paralegal. Therefore, over a calendar year 18 additional cases amounts to a full court proceedings case load. The additional resources required will fund a 1.0 FTE solicitor (grade 11 to 13), a 1.0 FTE paralegal (grade 8 to 9) plus the costs of instructing Barristers, where necessary. The growth is supported by the Director of Children and Family Services as it is key to enabling the Council to meet its statutory child protection and safeguarding duties.

The increase since spring 2025 has been sustained over the course of the last 8 months and is forecast to continue. The head of service for fieldwork in Children and Family Services (CFS) has confirmed that the increase in new care proceedings since spring 2025 correlates with a statistical increase in the number of child protection referrals to the family safeguarding teams. Over this period, this increase has been substantially above available capacity; just for the month of November 2025 there were over 800 referrals above the identified capacity level of the service. It is believed that this increase in referrals is driven by macro socio/economic factors-the impact of cost of living on mental health, family relationships-leading to more domestic violence/abuse, neglect, and substance misuse. In addition, the case complexity score of cases has increased, mainly due to a rise in cases concerning risk of sexual harm as the Police focus more investigations on this area of criminal activity. As a result, there is growth for 4 additional safeguarding social workers within the MTFS for the C&FS department to meet demand. Inevitably, this extra demand on the service department will continue to feed through to extra demand pressures on the legal team.

17. Growth for Local Government Association and County Council Network Membership; £85,000 in 2026/27 and ongoing

Post the 16 December 2025 draft proposals presented to Cabinet, additional growth for the Department is requested to resume membership of the Local Government Association (LGA) and County Council Network (CCN). This will be included in the proposals to the Cabinet in February 2026.

Savings

18. Details of proposed savings are set out in Appendix B and total £0.5m by 2027/28. These are detailed in the following paragraphs.

19. *CE1: Eff Trading Standards Review; £10,000 in 2026/27 rising to £20,000 in 2027/28

The Trading Standards service review, undertaken with support from the Transformation Unit, identified a number of additional income opportunities and efficiencies.

20. **CE2: Inc Additional Registrars Fees and Income; £135,000 in 2026/27

There is projected buoyant demand for wedding ceremonies and those fees not controlled by statute will be increased by 5% per annum for the next 3 years.

21. CE3: Eff/SR Staff Vacancy; £100,000 in 2026/27

The saving will reduce the overall staffing budget within the department and will be achieved through increasing the managed turnover factor.

22. CE4: Eff Review of Communities Management; £95,000 in 2026/27

The saving will reduce the senior management staffing budget within the Management & Admin service area through the deletion of the Head of Communities, Policy and Resilience post. The management responsibility for the Communities, Growth Service and Strategic Planning teams has transferred out of the department, and the remaining teams are being managed by the Assistant Chief Executive.

23. CE5: Eff Travel Reduction; £10,000 in 2026/27

The saving will reduce the overall travel budget and was identified and agreed through the underspends review.

24. CE6: SR Hospitality Function Reductions; £10,000 in 2026/27

Reduction of Civic events.

25. CE7: Eff Democratic Services Staff Review; £55,000 in 2026/27

This saving reduces the budget by 1.0 FTE Grade 10 vacancy following a review of staffing.

26. CE8: Eff Departmental Efficiencies; £125,000 in 2026/27

The Department will continue to review Savings Under Development (SUDs), to accelerate delivery earlier in the MTFS 26-30 period to achieve the savings target, and to explore the identification of new SUDs.

Savings Under Development

27. To help bridge the Council's gap several initiatives are being investigated within the County Council to generate further savings. This work was already underway as part of the Council's strategy to address the MTFS gap and does

not include any of the findings from the Efficiency Review, which is discussed in more detail later in the report. Outlines of the proposals were included as Appendix D, Savings under Development (SUD) to the 16 December Cabinet report. 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.

28. SUD 1: Additional Planning, Historic and Natural Environment Fee Income

There is an expected increase in nationally set fees, and an option to implement locally set fees if there is evidence/justification the new fees are not appropriate. The impact of this will be increased income. Consultation on this is expected during 2026 for implementation in 2027, although these dates are subject to change.

29. SUD 2: Chief Executive Staffing Review

The Transformation Unit is undertaking a rolling review of each service within the department to identify opportunities for efficiencies. The reviews require significant time from service areas and support services so timing and prioritisation will be essential. Potential savings will be identified at the completion of each service review. The reviews of Trading Standards and Democratic and Civic and Member Support have been completed. The reviews of Registration Services and Legal services (Schools Admissions) are in progress and will be followed by Planning, Historic and Natural Environment, Business Intelligence, Resilience, Policy and Legal Services.

30. SUD 3: Legal Services In-House Advocate Role

Legal Services plan to recruit a Locum Barrister on a fixed term basis in the childcare advocate team to reduce the external costs of cases requiring a Barrister.

Future Financial Sustainability

31. Despite delivery of extensive savings already, a significant financial gap remains within the Council's MTFS, emphasising the need to accelerate and expand the Council's ambitions and explore new, innovative options. A step-change in approach is required.
32. The Efficiency Review was initiated by the new Administration in response to a then-projected £90m budget gap by 2028/29, alongside mounting pressures on capital funding and special educational needs budgets. To address these financial challenges, the Council commissioned a comprehensive, evidence-led review of all services and spending, aiming to identify ways to accelerate existing initiatives and identify new opportunities. The review will identify opportunities to redesign services, optimise resources, and embed a performance-driven culture across the organisation.
33. 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.
34. The review is being undertaken by Newton Impact and commenced in early November, with detailed recommendations due early 2026 to inform future financial planning and Cabinet decisions
 35. The first stage of work was focused on any immediate opportunity to accelerate existing MTFS savings. The first of these, included in the draft MTFS position, is reablement in Adult Social Care. The initial saving included in the MTFS is £1m, building on an existing saving in this area of £1.9m.
 36. The further initiatives that will be developed over the next few months are expected to be a combination of i) ideas that had not progressed due to resource availability, ii) existing initiatives that can be expanded due to greater insight, iii) new initiatives to the Council.
 37. The review is still in its early stages and is progressing as expected. If further initiatives can be developed to a satisfactory level of confidence they will be included in the MTFS report to the Cabinet in February.
 38. The County Council is taking decisive action to close the budget gap and build a financially resilient organisation. The Efficiency Review will result in a revised Transformation Programme underpinned by strong governance and innovation to accelerate delivery and embed new ways of working. With significant uncertainty and change linked to Local Government Reorganisation, the coming year will be critical in driving high-impact change, engaging stakeholders, and preparing the organisation for future challenges.
 39. There will need to be a renewed focus on these programmes during the next few months to ensure that savings are identified and delivered to support the 2026/27 budget gap. Given the scale of the financial challenge, focus will be needed to prioritise resources on the change initiatives that will have the greatest impact, and work is already underway to do this.
 40. Place Based Efficiency Review - Placed based services are those delivered on the ground by multiple departments, such as highways, transport, waste, libraries, trading standards and other regulatory services. There is an opportunity to deliver place based services differently, taking a local approach to service delivery, improving efficiency and taking advantage of digital and technology investment. Better integration and service reviews has the potential to release financial benefits.

External Influences

41. Following the publication of the White Paper on Devolution, the Government sent an invitation to all two-tier councils and neighbouring unitary councils in February 2025 to submit proposals for new unitary structures. A final proposal was subsequently submitted by the Authority on 28th November 2025. Whatever the outcome of the submission in due course, there will be significant demand on the department's service areas (notably Democratic services, Legal services and BI) to shape the implementation plan.
42. All the services delivered by Legal, Trading Standards, Coroners and Registrars are demand led. The expected growth in the local population, coupled with the increase in the average age of residents, will increase the demand on certain services.
43. Trading Standards in Leicestershire are under increasing pressure as their statutory duty remit expands and the number of vulnerable consumers continues to grow, significantly restricting the service's capacity to investigate all priority cases. The two main challenges calling on more resources relate to doorstep crime and illicit tobacco and vape sales.
44. Doorstep crime, which frequently targets vulnerable individuals, typically stems from urgent referrals that require immediate site attendance, comprehensive evidence gathering from multiple sources, and close collaboration with safeguarding teams and financial institutions. Officers are also heavily involved in providing ongoing support to victims and working closely with a range of partner agencies. The complexity of these cases, which often demand multi-agency input and result in protracted legal proceedings, places substantial strain on already stretched resources.
45. The prevalence of illicit tobacco and vape sales across Leicestershire continues to escalate, overwhelming the service despite our best endeavours to investigate and prosecute this persistent and organised criminal activity. These investigations are time consuming and resource intensive, diverting staff from planned, proactive work and stretching limited budgets even further.
46. To safeguard the Leicestershire economy and maintain public confidence, it is essential to enhance investigatory capacity by recruiting at least three additional Trading Standards Investigators at an estimated cost of £185,000 per annum. For 2026/27 any additional costs will be managed by the Department, but the situation will need to be reviewed as part of the MTFS 2027-31 review.
47. Whilst all sections in the Department will be affected by the general economic position, there is the potential that this will impact the Planning, Historic and Natural Environment most significantly if the downturn in development continues. Details of the new local plan-making system were published by the Government on 27th November 2025. The new system has implications for the Council's statutory role as the Minerals and Waste Authority and the requirement to prepare a new Minerals and Waste Local Plan, with preparatory work needing to commence in 2026 to ensure Government deadlines are met. The regulations underpinning the new plan making system are due to be published shortly.

48. Increases in Legal Services fee income are limited to the rules that apply to an in-house local authority legal department to the effect that charges imposed are to recover costs and not make a profit. In-house Legal Services departments within local authorities are also prevented by statute from engaging in traded work on behalf of all but a limited number of public sector clients. Moreover, the bulk of Legal Services' existing capacity is dedicated towards serving the needs of Council Departments leaving limited residual capacity for traded work. The service continues to promote its expertise and availability through the 'buy-back' scheme it operates to provide legal advice and support to Leicestershire academy trusts and schools.

Capital Programme

49. The Chief Executive's Department capital programme totals £0.2m in 2026/27. The detail is provided at Appendix C and in the following paragraph.

50. **Legal Case Management System**

There had been concerns in relation to the functionality of the legal case management software, due to an inability to provide sufficient detail to support a data driven approach to improving work/case load planning, make efficiencies and streamline processes.

Background Papers

Cabinet 16 December 2025 - Medium Term Financial Strategy 2026/27 to 2029/30
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7882&Ver=4>

Circulation under Local Issues Alert Procedure

None.

Officers to Contact

Jane Moore, Chief Executive
 Tel: 0116 305 6000
 E-mail: jane.moore@leics.gov.uk

Fiona McMillan, acting Director of Law and Governance
 Tel: 0116 305 2024
 E-mail: fiona/mcmillan@leics.gov.uk

Zafar Saleem, Assistant Chief Executive
 Tel: 0116 306 7019
 E-mail: zafar.saleem@leics.gov.uk

Declan Keegan, Director of Corporate Resources, Corporate Resources Department
 Tel: 0116 305 7668
 E-mail: declan.keegan@leics.gov.uk

List of Appendices

Appendix A – Revenue Budget 2026/27

Appendix B – Growth & Savings 2026/27– 2029/30

Appendix C – Capital Programme 2026/27– 2029/30

Equality implications

51. Public authorities are required by law 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.
52. Many aspects of the County Council's MTFs may affect service users who have a protected characteristic under equalities legislation. 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 assessments will be revised as the proposals are developed to ensure decision makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic.
53. Proposals in relation to savings arising out of a reduction in posts will be subject to the County Council Organisational Change policy which requires an Equality Impact Assessment to be undertaken as part of the action plan.

Human Rights Implications

54. There are no human rights implications arising from the recommendations in this report.

CHIEF EXECUTIVE'S DEPARTMENT

REVENUE BUDGET 2026/27

Budget 2025/26 £		*	Employees £	Running Expenses £	Internal Income £	Gross Budget	External Income £	Net Total £
DEMOCRATIC SERVICES, ADMIN & CIVIC AFFAIRS								
1,462,051	Democratic Services and Administration	D	1,440,894	75,427	0	1,516,321	-198,000	1,318,321
69,000	Subscriptions	D	0	71,000	-2,000	69,000	0	69,000
113,326	Civic Affairs	D	35,932	71,810	0	107,742	-6,000	101,742
1,644,377	TOTAL		1,476,826	218,237	-2,000	1,693,063	-204,000	1,489,063
5,187,441	LEGAL SERVICES	D	4,598,594	1,800,841	-673,650	5,725,785	-534,780	5,191,005
STRATEGY AND BUSINESS INTELLIGENCE								
2,001,231	Business Intelligence	D	3,139,330	810,896	-757,951	3,192,275	-1,301,239	1,891,036
318,912	Policy and Communities	B	259,368	34,572	0	293,940	0	293,940
1,147,256	Growth Service	B	872,853	237,764	0	1,110,617	0	1,110,617
890,798	PHNE	B	1,912,679	266,587	-56,584	2,122,682	-1,314,231	808,451
1,347,711	Management and Administration	B	732,705	526,850	-43,119	1,216,436	0	1,216,436
5,705,908	TOTAL		6,916,935	1,876,669	-857,654	7,935,950	-2,615,470	5,320,480
378,281	EMERGENCY MANAGEMENT AND RESILIENCE	S	800,985	100,243	-144,320	756,908	-408,718	348,190
REGULATORY SERVICES								
2,288,593	Trading Standards	B	2,635,095	172,734	-240,493	2,567,336	-394,883	2,172,453
1,643,754	Coroners	S	554,906	1,154,536	0	1,709,442	-90,000	1,619,442
58,158	Registrars	S	1,284,955	48,300	0	1,333,255	-1,468,490	-135,235
3,990,505	TOTAL		4,474,956	1,375,570	-240,493	5,610,033	-1,953,373	3,656,660
-137,173	DEPARTMENTAL ITEMS	D	11,880	-384,053	0	-372,173	0	-372,173
16,769,339	TOTAL CHIEF EXECUTIVES		18,280,176	4,987,507	-1,918,117	21,349,566	-5,716,341	15,633,225

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

This page is intentionally left blank

APPENDIX B

References

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

GROWTH

Legal Services - Childcare team

Total

175	175	175	175
175	175	175	175

SAVINGS

*	CE1	Eff	Trading Standards Review	-10	-20	-20	-20
**	CE2	Inc	Additional Registrars fees and income	-135	-135	-135	-135
	CE3	Eff/SR	Staff vacancy	-100	-100	-100	-100
	CE4	Eff	Review of Communities Management	-95	-95	-95	-95
	CE5	Eff	Travel reduction	-10	-10	-10	-10
	CE6	SR	Hospitality reduction	-10	-10	-10	-10
	CE7	Eff	Democratic Services - Staff Review	-55	-55	-55	-55
	CE8	Eff	Departmental Efficiencies	-125	-125	-125	-125
			Total	-540	-550	-550	-550

* 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

This page is intentionally left blank

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2026/27 to 2029/30 - Draft

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

Future Developments - subject to further detail and approved business cases

Legal - Commons and Village Green Register
Trading Standards Vehicles Replacement

This page is intentionally left blank



SCRUTINY COMMISSION - 26 JANUARY 2026

MEDIUM TERM FINANCIAL STRATEGY 2026/27–2029/30
CORPORATE RESOURCES DEPARTMENT

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of Report

1. The purpose of this report is to:
 - a) Provide information on the proposed 2026/27 to 2029/30 Medium Term Financial Strategy (MTFS) as it relates to the Corporate Resources Department; and,
 - b) Ask members of the Scrutiny Commission to consider any relevant issues as part of the consultation process and make any recommendations to the Cabinet accordingly.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2025. This has been the subject of a comprehensive review and revision considering the current economic circumstances. The draft MTFS for 2026/27–2029/30 was considered by the Cabinet on 16 December 2025.

Background

3. The draft MTFS was set out in the report to Cabinet on 16 December 2025, a copy of which has been circulated to all members of the County Council. The report highlights a projected gap of £23m in the first year that (subject to changes from later information such as the Local Government Finance Settlement) will need to be balanced by the use of earmarked reserves. There is then a gap of £49m in year two rising to £106m in year four.
4. This report highlights the implications for the Corporate Resources Department.
5. Reports such as this one is being presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process on 3 February 2026 before recommending a MTFS, including a budget and capital programme for 2026/27 to the County Council on the 18 February 2026.

Service Overview and Financial Control Measures

6. Corporate Resources (CR) provides front line, traded and support services to enable the organisation to be efficient and effective through the Customer, Digital and Information Technology, People, Finance, Ways of Working and Commercial agendas.
7. Demand for CR services remain high as the organisation continues to adapt to new ways of working in response to unprecedented levels of change cause by economic pressures, driving the need for significant financial savings, as well as staff recruitment challenges and other market pressures.
8. Given the increasingly challenging financial outlook, in addition to the plans set out in the MTFS, there is a continued need to ensure that financial controls are tightly operated, and additional measures introduced to restrict expenditure.
9. Reviews continue to be undertaken within areas to identify where spend can be reduced and stopped. Also enhanced approvals around areas such as recruitment and procurement will continue to be implemented requiring sign off by departmental directors and/or approved by corporate oversight boards.
10. These controls are kept under continual review and consideration will be given to stepping them up or down as required, subject to the Council's financial position and expected reliance on reserves.

Proposed Revenue Budget

11. Table 1 below summarises the proposed 2026/27 revenue budget and provisional budgets for the next three years. The proposed 2026/27 revenue budget is shown in detail in Appendix A.

Table 1 – Revenue Budget 2026/27 to 2029/30

	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Original prior year budget	39,039	37,815	37,245	37,233
Budget transfers and adjustments	776	70	73	0
Add proposed growth (Appendix B – Growth and Savings 2026/27 – 2029/30)	1,005	0	0	0
Less proposed savings (Appendix B)	-3,005	-640	-85	-120
Proposed/Provisional budget	37,815	37,245	37,233	37,113

12. Detailed service budgets have been compiled based on no pay or price inflation. A central contingency will be held which will be allocated to services as necessary.
13. The total proposed expenditure budget for the Corporate Resources department in 2026/27 is £66.69m with contributions from grants, service user income and various other income totalling £28.88m. The proposed net budget for 2026/27 of £37.82m is distributed as shown in Table 2 below.

Table 2 - Net Budget 2026/27

	£000
Finance, Transformation & Commissioning	10,145
East Midlands Shared Services (LCC Share)	3,487
IT, Communications & Digital, Customer Services	15,144
People & Property Services	18,774
Commercial Services	689
Investing in Leicestershire Programme	-8,639
Corporate Resources	£39,600
Central Items	-£1,785
TOTAL	£37,815

Budget Transfers and Adjustments

14. Several budget transfers, totalling a net increase of £1.29m, were made during the 2025/26 financial year. These transfers include:
 - a) £0.46m for inflationary price increases relating primarily to property, maintenance costs and ICT.
 - b) £0.39m for the transfer of the Family Hub centres from Children and Families Services to Property Services.
 - c) £0.50m from service departments for the provision of Human Resource and Finance support that was previously recharged, alongside cost recovery for requested Co-pilot licenses.
 - d) £0.05m transfer to Central Items for the Capital Financing cost associated with Oaks Industrial Properties.
15. Budget transfers to cover the additional costs associated with the 2025/26 pay award and reduction in the employers' pension contribution rate from 2026/27 (from 29.4% to 23.4%) have been reflected in this MTFS report.

16. Growth and savings have been categorised in the appendices under the following classification:
 - * item unchanged from previous MTFS;
 - ** item included in the previous MTFS, but amendments have been made;
 - No stars - new item.
17. This star rating is included in the descriptions set out for growth and savings below.
18. Savings have also been highlighted as “Eff” or “SR” dependent on whether the saving is seen as an efficiency or a service reduction or a mixture of both. “Inc” denotes those savings that are funding related and/or generate more income.

Growth

19. The overall growth picture for the Corporate Resources department is presented in Table 3 below. For 2026/27 growth represents an increase of £1.01m (or 2.6%) compared to the original prior year budget. More detail is provided in the following section.

Table 3 - Overall Growth 2026/27-2029/30

References				2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
			GROWTH				
			<u>Demand & cost increases</u>				
**	G27	ICT Cyber Security		330	330	330	330
	G28	Commercial Services		675	675	675	675
			TOTAL	1,005	1,005	1,005	1,005
<u>References used in the tables</u>							
* items unchanged from previous Medium Term Financial Strategy							
** items included in the previous Medium Term Financial Strategy which have been amended							
no stars = new item							

Demand and Cost Increases

G27 (**) ICT Cyber Security: £0.33m from 2026/27 onwards

Full-year effect of resource requirements to support the strengthening of the Council's ICT cyber security infrastructure as approved as part of 2025-29 MTFs plus £0.13m additional growth from a change in licensing arrangements.

G28 Commercial Services: £0.68m from 2026/27 onwards

Commercial Services have faced significant cost pressures over the last few years while at the same time its customers, schools in particular, have faced their own pressing funding challenges. The Cabinet's decision in July 2025, to transfer the operation of the School Food Service to alternative providers removes the significant risks, that was manifesting as overspends to budget. However, the aspirational contribution budget of £0.30m needs to be removed. In addition, the stretched income target of £0.06m (net) across commercial services will not be met. An overspend on Beaumanor Hall trading (£0.19m in 2025/26) is expected to rise, although stakeholder engagement has commenced following the recognition by the Cabinet that the service faces an increased income pressure. The School Finance team has reduced in size significantly, driven by academy conversions and consolidations. It is no longer realistic to operate as a commercial service, and is being restructured to operate as a shared service aimed at supporting maintained schools to avoid financial difficulties/budget deficits, this resulted in a budget gap of £0.06m. Potential exists for savings arising from the restructuring of the LTS Infrastructure Team (timing and amount subject to public consultation) following the downsizing of commercial services.

A separate growth bid has been submitted by E&T for the net loss of income associated with transporting school meals between production kitchens and dining centres, following the decision to transfer school food operations.

Whilst the majority of staff will TUPE to new providers it is expected that in addition to the on-going growth requirement, there will be one-off costs in 2026/27 related to exit costs of redundancy as well as other costs linked to terminating operations.

Savings

The overall proposed savings totals £3.00m for 2026/27 rising to £3.85m by 2029/30. The savings are summarised in the table below and Appendix B with more detail in the next section.

Table 4 – Overall Savings 2026/27-2029/30

References				2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
SAVINGS							
Corporate Resources Department							
**	CR1	Eff/Inc	Use of office space	-175	-595	-595	-595
**	CR2	Eff	Customer Programme (cross cutting)	-85	-195	-280	-400
*	CR3	Eff	Transformation Unit efficiencies	0	-70	-70	-70
**	CR4	Eff	Energy Efficiency Initiatives	-50	-80	-80	-80
**	CR5	Eff	ICT efficiencies	-925	-925	-925	-925
**	CR6	Eff	Property Service efficiencies	-180	-180	-180	-180
*	CR7	Eff	Transfer of temporary Departmental/Administrative savings to permanent lines	300	300	300	300
	CR8	Inc	Tax Opportunities - review of opportunities for payroll tax savings	-50	-50	-50	-50
	CR9	Eff	Rationalisation of Multi-Functional Devices (Photocopiers)	0	-10	-10	-10
	CR10	Eff	Communications team efficiency (Social Media Strategy and Delivery)	-55	-55	-55	-55
				-1,220	-1,860	-1,945	-2,065
Central Items							
	CR11	Eff	Minimum Revenue Provision Review - assessment of alternative prudent approaches	-1,600	-1,600	-1,600	-1,600
	CR12	Inc	ESPO Increased Dividend Yield	-185	-185	-185	-185
				-1,785	-1,785	-1,785	-1,785
TOTAL				-3,005	-3,645	-3,730	-3,850
References used in the tables							
* items unchanged from previous Medium Term Financial Strategy							
** items included in the previous Medium Term Financial Strategy which have been amended							
no stars = new item							
Eff - Efficiency saving							
SR - Service reduction							
Inc - Income							

****CR1 (Eff/Inc) Use of office space: £175k in 2026/27 rising to £595k from 2027/28 onwards**

The Ways of Working programme was a multi-disciplinary collaboration across IT, Property, Transformation, HR/Organisational Development and Communications. Focus has been placed on driving efficiencies through mobile and flexible ways of working to minimise property rental costs and service charges by existing rented premises and rationalising office accommodation to allow increased income through lettings.

To date savings of £1.27m have already been delivered, with a further £0.57m expected by 2030 generated through rental income for the County Hall campus. Other benefits, which may derive efficiencies savings resulting in cost reductions, that are currently unquantifiable, include:

- Increased productivity
- Reduction in carbon
- Reduced operating costs
- Improved recruitment and retention

The savings profile incorporates a 1-year delay in savings delivery pending an assessment of office space requirements under the revised working arrangements. Any reduction in lettable office space will result in a reduction in the saving opportunity.

**CR2 (Eff) Customer Programme (Cross-Cutting): £85k in 2026/27 rising to £195k in 2027/28 and £280k in 2028/29, to achieve £400k by 2029/30

A programme, across the County Council, delivering improvements that allow people to communicate with our services quicker and easier, through modern and accessible ways. The programme will develop of a future target operating model for how the Council interacts with its external customers, creating clarity around the role of the Customer Service Centre and efficiencies available to departments such as more cost-effective solutions including moving from phone calls to signposting to information contained on the Council's website.

This has increased by £90k compared to the current MTFS.

*CR3 (Eff) Transformation Unit Efficiencies - £70k in 2027/28

Following a review of the Transformation Unit's (TU) operations and structures, the service plan provides for efficiencies through improved ways of working – primarily focused on reducing management costs and improving the connections to departmental decision making. Future savings will be achieved through continuous improvement activity.

**CR4 (Eff) Energy Efficiency Initiatives: £50k in 2026/27 rising to £80k by 2027/28

The Council currently spends around £1.5m per annum on utilities cost (electricity, natural gas, and water) for its buildings and property estate (over 95 buildings with key sites including County Hall, Beaumanor Hall, and Mountsorrel and Croft Highways Depots). Implementation of energy generation and efficiency improvement works across Council estates including reducing grid provided energy demand, progressing building efficiency, and pursuing a cost-effective supply strategy will drive down on-going energy purchase costs and exposure to potential future energy price rises.

**CR5 (Eff) ICT Efficiencies: £925k in 2026/27 onwards

Following a review undertaken with consultants Gartner, several changes are underway that are expected to result in efficiencies including:

- Reskilling and reorganising teams to support the new Digital, Data, Technology approach.
- Removal and refocusing of Technology and its Architecture to reduce complexity, licensing requirements and allow a focusing of skill sets and service cover.
- A review of support and consultancy contracts with a view to optimising the costs and value achieved.

This saving has increased by £500k compared to the current MTFS

**CR6 (Eff) Property Service efficiencies £180k from 2026/27

This is the final phase of a wider programme of savings delivery through reduced maintenance costs across the Councils estate, including the County Hall site, and service redesign such as merging the reception and car park security activities and a review of the post and print activities. This incorporates the reduction in maintenance

costs following the disposal of the Roman Way premises. Potential cost reductions from outsourcing cafes situated in the Council's country parks were also included. This saving has increased by £145k compared to the current MTFS

*CR7 (Eff) Transfer of temporary Departmental/Administrative savings to permanent lines: £300k from 2026/27

Removal of one-off savings arising from tighter financial controls, that are now incorporated in other savings lines on a permanent basis. Financial controls remain in place across the Council, together with existing robust management decision making processes and an annual review of spending patterns across the department to realise one-off and on-going savings opportunities over the MTFS period.

CR8 (Inc) Tax Opportunities – review of opportunities for payroll tax savings: £50k from 2026/27

Implementation of Salary Sacrifice Additional Voluntary Contribution (SSAVC) scheme. Through the salary sacrifice an employee will be entitled to make additional contributions to enhance their pension benefits, which in turn will generate savings to the Council through reduced employer National Insurance contributions and apprenticeship levy. The Chancellor's Autumn Budget 2025 announced a significant change to pension salary sacrifice schemes, introducing a £2k annual cap on the amount of contribution exempt from National Insurance Contributions. This rule will take effect from April 2029 and could impact on future savings opportunities.

CR9 (Eff) Rationalisation of Multi-Functional Devices (Photocopiers): £10k from 2027/28

The Multi-Functional Device (MFD) contract is due to end in October 2026. This provides the opportunity to reduce the existing number of MFD's from 243 to 208 thereby reducing the associated lease costs to realise a small saving.

CR10 (Eff) Communications team efficiency (Social Media Strategy and Delivery): £55k from 2026/27

Responsibilities for social media engagement, including creation of a social media strategy, driving engagement on the management of key media channels and training officers on devolved media channels has now been embedded into business as usual activities, facilitating the removal of the dedicated Social Media Strategy and Delivery post within the Communications team.

20. In addition to the above departmental savings there are two corporate savings that are proposed as part of the 2026-30 MTFS, as detailed below:

CR11 (Eff) Minimum Revenue Provision Review – assessment of alternative prudent approaches: £1.6m from 2026/27

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.

Following a reassessment of the Council's MRP policy changes have been made to more accurately reflect the time value of money whilst remaining prudent - a consistent charge to the Council's General Fund for assets over their useful lives, based on the Bank of England's Monetary Policy Committee's inflation target rate of 2% per annum will now be implemented. The revised approach reduces the MRP charge in the early years.

The revised approach does not alter the total amount of MRP to be paid; it simply ensures the repayment is spread over a timeframe that more closely matches the period during which the assets provide benefit to the Council.

CR12 (Inc) ESPO Increased Dividend Yield: £185k from 2026/27

Increase in the dividend payment received from the Council's share in Eastern Shires Purchasing Organisations (ESPO).

21. Considering the ongoing and increasing scale of the challenge faced by the County Council to balance the MTFS, existing financial control measures are continuing to be reinforced to ensure a tight focus on eliminating non-essential spend.

Savings Under Development

22. To help bridge the gap several initiatives are being investigated to generate further savings. This work was already underway as part of the Council's strategy to address the MTFS gap and does not include any of the findings from the Efficiency Review.
23. Potential savings under development (SUD), which are not yet currently developed enough to be able to quantify and build into the MTFS, include:
 - a) 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.
 - b) 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.
 - c) 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.

- d) 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.
- e) liLP - Income from investment decisions - further opportunities being explored: Further opportunities being explored within the Invest in Leicestershire Programme to optimise returns through strategic asset management and diversification.
- f) 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.
- g) Strategic and Operational Property services and structure review: Comprehensive review of property services to identify structural efficiencies, improve asset utilisation and reduce costs through streamlining processes.
- h) 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.
- i) Management of teams: Targeted interventions for teams with high turnover, agency reliance, or absence rates to improve workforce stability and reduce associated costs.

24. In addition, several substantial cross-cutting change corporate-led programmes will act as key enablers to support the County Councils overall activities across all departments in the most cost-effective and efficient manner. Examples include:

- a) Prevention review: Review of prevention activity to ensure focus on most effective interventions.
- b) Sustainable Support Services Programme: Ensuring the right tools are available alongside cost effective and efficient support services.
- c) Third Party Spend Review (TPSR): Aspiring to ensure all such spend is necessary and represent the best possible value for the authority. Approach is being piloted in Corporate Resources and 3 cross cutting workstreams have been identified.

25. 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.

Future Financial Sustainability and Efficiency Review

26. Despite delivery of extensive savings already, a significant financial gap remains for the Council, emphasising the need to accelerate and expand the Council's ambitions and explore new, innovative options. A step-change in approach is required.
27. The Efficiency Review was initiated by the new Administration in response to a then - projected £90m budget gap by 2028/29, alongside mounting pressures on capital funding and special educational needs budgets. To address these financial challenges, the Council commissioned a comprehensive, evidence-led review of all services and spending, aiming to identify ways to accelerate existing initiatives and identify new opportunities. The review will identify opportunities to redesign services, optimise resources, and embed a performance-driven culture across the organisation.
28. 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
29. The review is being undertaken by Newton Impact and commenced in early November, with detailed recommendations due early 2026 to inform future financial planning and Cabinet decisions.
30. The first stage of work was focused on any immediate opportunity to accelerate existing MTFS savings. The first of these, included in the draft MTFS position, is reablement in Adult Social Care. The initial saving included in the MTFS is £1m, building on an existing saving in this area of £1.9m.
31. The further initiatives that will be developed over the next few months are expected to be a combination of i) ideas that had not progressed due to resource availability, ii) existing initiatives that can be expanded due to greater insight, iii) new initiatives to the Council.
32. The review is still in its early stages and is progressing as expected. If further initiatives can be developed to a satisfactory level of confidence they will be included in the MTFS report to the Cabinet in February 2026.

33. For Corporate Resources, the opportunities being developed include:
- the potential to maximise income through Fees and Charges – looking at where the Council charges less than neighbouring authorities, and where there may be opportunities to introduce new charges,
 - review of the Council's property assets and estate to ensure it matches service needs, is operating as efficiently as possible and at a reasonable comparative cost and a commercial approach is taken in relation to property investments.
 - reviewing procurement and contract management approaches – building on the existing Third Party Spend Review to rationalise the number of suppliers and reduce fragmentation of spend, adopt a category management approach to increase value for money and improve compliance through focused contract management
 - building on the published Customer Experience Strategy developing further opportunities to improve the efficiency of our customer contact processes enabling more streamlined access to the County Council's services and the supporting services,
 - continuing to review and develop opportunities that drive efficiencies through the use of modern automation and AI technologies.
34. The County Council is taking decisive action to close the budget gap and build a financially resilient organisation. The Efficiency Review will result in a revised Transformation Programme underpinned by strong governance and innovation to accelerate delivery and embed new ways of working. With significant uncertainty and change linked to Local Government Reorganisation, the coming year will be critical in driving high-impact change, engaging stakeholders, and preparing the organisation for future challenges.
35. There will need to be a renewed focus on these programmes during the next few months to ensure that savings are identified and delivered to support the 2026/27 budget gap. Given the scale of the financial challenge, focus will be needed to prioritise resources on the change initiatives that will have the greatest impact, and work is already underway to do this.

Capital Programme

36. The draft Capital Programme totals £7.14m over the next four years, including £1.96m in 2026/27. A summary of the proposals is provided in Table 5 with the detailed programme set out in Appendix C.

Table 5 – Summary Draft Capital Programme 2026/27 to 2029/30

	2026/27	2027/28	2028/29	2029/30	Total
	£000	£000	£000	£000	£000
ICT	1,454	1,910	1,242	1,803	6,409
Property Services	510	95	75	55	735
TOTAL	1,964	2,005	1,317	1,858	7,144

37. Detail of investment by service is provided below:

38. ICT - £1.45m in 2026/27 amounting to £6.41m over the MTFS period

Investment in technology and digital capability throughout the organisation is a priority to increase efficient and modern ways of working in addition to maintaining security and robust systems and infrastructure. This investment includes replacement, capacity growth and upgrade to the Council's security and resilience (£2.28m), replacing obsolete end user devices plus associated support tools (£3.18m) and network capabilities (£0.95m) across the corporate estate.

39. Property major maintenance and improvement - £0.51m in 2026/27 amounting to £0.74m over the MTFS period

Programme of investment includes:

- Five essential end of life boiler replacements at Libraries and Community Centres across Leicestershire (£0.50m)
- Installation of Uninterruptible Power Supply (UPS) to Cabling Wiring Closets (CWCs) around County Hall. Fitting a UPS will provide resilience to the IT infrastructure in the event of a power failure (£0.07m)
- Essential resurfacing, signage and road marking works to the Bosworth Battlefield car park following assessments from Visit England and AccessAble (£0.07m).
- £0.1m funding for energy efficiency initiatives is planned in 2026/27.

Capital Programme - Future Developments

40. Capital projects that have not yet been fully developed, or plans agreed, have been treated as 'Future Developments' under the department's programme in Appendix C. It is intended that as these schemes are developed during the year and where there is a financial justification, or an investment required to maintain delivery of the service, they are included in the capital programme. These include:

- ICT Investment: End of life replacement and security improvements.

- Strategic property: Further repair works on Snibston Ancient Monument; end of life gas boiler replacement and continued development of energy asset upgrades to corporate buildings to reduce running costs and deliver Minimum Energy Efficiency Standards (MEES).
- Country Parks: A number of initiatives are being scoped to generate additional income from country parks including: development of café; expansion of ANPR ticketless car parking at various country parks; and refurbishment of Broombriggs Farm cottage for short hold tenancy/holiday rental.
- Beaumanor Hall: Potential investment dependent upon the future option progressed.

Background Papers

Report to the Cabinet 16th December 2025 – Medium Term Financial Strategy 2026/27 to 2029/30 <https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7882&Ver=4> (item 5)

Circulation under local issues alert procedure

None.

Equality Implications

41. Under the Equality Act 2010 local authorities are required to have due regard to the need to:
 - a) Eliminate unlawful discrimination, harassment and victimisation,
 - b) Advance equality of opportunity between people who share protected characteristics and those who do not; and,
 - c) Foster good relations between people who share protected characteristics and those who do not.
42. Given the nature of services provided, many aspects of the County Council's MTFS will affect service users who have a protected characteristic under equalities legislation. 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 decision-makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic.
43. 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.

44. If, as a result of undertaking an assessment, potential negative impacts are identified, these will be subject to further assessment.
45. 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

46. Where there are potential Human Rights implications arising from the changes proposed, these will be subject to further assessment including consultation with the Council's Legal Services.

Appendices

Appendix A – Revenue Budget 2026/27

Appendix B – Growth and Savings 2026/27 – 2029/30

Appendix C – Capital Programme 2026/27 – 2029/30

Officers to Contact

Declan Keegan, Director of Corporate Resources,

Tel: (0116) 305 7668

E-mail: Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director, Finance & Commissioning,

Tel: (0116) 305 7066

E-mail: Simone.Hines@leics.gov.uk

Susan Baum, Strategic Financial Manager

Tel: (0116) 305 6931

E-mail: Susan.Baum@leics.gov.uk

This page is intentionally left blank

APPENDIX A

CORPORATE RESOURCES

REVENUE BUDGET 2026/27

Net Budget 2025/26 £		*	Employees £	Running Expenses £	Internal Income £	Gross Budget £	External Income £	Net Total £
AD Finance, Transformation and Commissioning								
2,095,268	Audit and Insurance	S	1,759,767	2,695,773	-1,139,929	3,315,611	-1,262,135	2,053,476
5,005,895	Strategic Finance and Pensions	S	7,556,124	305,311	-2,885,334	4,976,101	-234,089	4,742,012
-418,538	Corporate Resources Schemes	D	16,977	303,844	-317,745	3,076	0	3,076
1,449,334	Commissioning Support	B	1,451,918	56,011	-105,000	1,402,929	-5,000	1,397,929
2,037,700	Transformation	D	4,359,342	29,100	-2,439,873	1,948,569	0	1,948,569
10,169,659	TOTAL		15,144,128	3,390,039	-6,887,881	11,646,286	-1,501,224	10,145,062
3,622,304	East Midlands Shared Services	B	5,487,924	2,068,732	-255,182	7,301,474	-3,814,569	3,486,905
AD IT, Communications & Digital, Customer Services								
13,674,287	Information Technology	B	8,190,624	5,345,451	-799,576	12,736,499	0	12,736,499
1,441,451	Communications & Digital Services	D	1,568,453	238,663	-480,317	1,326,799	-9,601	1,317,198
1,226,725	Customer Service	D	1,207,837	32,250	-150,000	1,090,087	0	1,090,087
16,342,464	TOTAL		10,966,914	5,616,364	-1,429,893	15,153,385	-9,601	15,143,784
Commercialism								
LTS Catering								
168,357	Leisure & Hospitality	D	590,077	655,131	-21,141	1,224,067	-1,057,404	166,663
-297,817	Education Catering	D	1,882,000	1,202,000	-1,056,000	2,028,000	-2,028,000	0
30,936	Beaumanor	D	1,280,752	691,850	-44,017	1,928,585	-1,694,950	233,635
206,027	Country Parks	D	643,912	540,700	0	1,184,612	-1,012,231	172,381
107,503			4,396,741	3,089,681	-1,121,158	6,365,264	-5,792,585	572,679
LTS Professional & Other Services								
-46,101	Bursar Service	D	325,045	16,955	-342,000	0	0	0
-46,890	LEAMIS	D	504,210	99,425	-290,000	313,635	-435,000	-121,365
-92,992			829,255	116,380	-632,000	313,635	-435,000	-121,365
94,503	LTS Infrastructure	D	164,953	78,989	-6,000	237,942	0	237,942
109,014	TOTAL		5,390,949	3,285,050	-1,759,158	6,916,841	-6,227,585	689,256
AD Corporate Services & Property								
Operational Property								
5,013,032	Building Running Costs	B	254,427	5,966,335	-122,000	6,098,762	-1,310,342	4,788,420
3,243,592	Building Maintenance	B	0	4,572,208	-1,398,616	3,173,592	0	3,173,592
2,202,132	Operational Property	B	2,235,545	197,147	-247,000	2,185,692	-68,000	2,117,692
98,951	Traveller Services	B	276,376	65,167	-15,000	326,543	-245,756	80,787
737,683	Forestry Services	B	604,687	381,200	-100,036	885,851	-192,000	693,851
11,295,389			3,371,034	11,182,057	-1,882,652	12,670,439	-1,816,098	10,854,341
Corporate Services								
1,196,474	Business Support Services	B	1,192,057	159,858	-172,921	1,178,994	-17,440	1,161,554
739,323	Management	B	753,482	11,166	-41,756	722,892	0	722,892
3,013,203	Human Resources	B	2,769,570	131,330	-50,000	2,850,900	-6,504	2,844,396
1,432,409	Learning & Development	B	1,617,205	84,068	-140,436	1,560,836	-169,810	1,391,027
-426,747	LTS Property Services	B	2,609,134	1,376,412	-3,994,423	-8,877	-464,500	-473,377
2,720,578	Strategic Property	D	2,115,108	1,391,159	-699,107	2,807,160	-373,428	2,433,732
-102,852	HR Services	D	1,164,821	118,405	-284,531	998,695	-1,159,050	-160,355
8,572,388			12,221,377	3,272,398	-5,383,174	10,110,601	-2,190,732	7,919,869
19,867,777	TOTAL		15,592,412	14,454,455	-7,265,826	22,781,040	-4,006,830	18,774,210
Investing in Leicestershire Programme								
-877,490	Rural	D	0	594,010	0	594,010	-1,399,000	-804,990
-1,162,045	Industrial	D	0	1,215,800	-250,000	965,800	-2,869,200	-1,903,400
-4,535,558	Office	D	0	767,150	0	767,150	-5,000,200	-4,233,050
-2,064,124	Other	D	0	2,167,000	0	2,167,000	-3,864,777	-1,697,777
-8,639,217	TOTAL		0	4,743,960	-250,000	4,493,960	-13,133,177	-8,639,217
0	Central Items	B	0	-1,600,000	0	-1,600,000	-185,000	-1,785,000
41,472,000	TOTAL CORPORATE RESOURCES		52,582,327	31,958,600	-17,847,940	66,692,986	-28,877,986	37,815,000

This page is intentionally left blank

APPENDIX B**CORPORATE RESOURCES GROWTH & SAVINGS**

References		2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
		<u>GROWTH</u>			
		<u>Demand & cost increases</u>			
**	G27	ICT Cyber Security	330	330	330
	G28	Commercial Services	675	675	675
TOTAL		1,005	1,005	1,005	1,005
		<u>SAVINGS</u>			
		<u>Corporate Resources Department</u>			
**	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 lines	300	300	300
	CR8	Inc Tax Opportunities - review of opportunities for payroll tax savings	-50	-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
		-1,220	-1,860	-1,945	-2,065
		<u>Central Items</u>			
	CR11	Eff Minimum Revenue Provision Review - assessment of alternative prudent approaches	-1,600	-1,600	-1,600
	CR12	Inc ESPO Increased Dividend Yield	-185	-185	-185
TOTAL		-3,005	-3,645	-3,730	-3,850

References used in the tables

* items unchanged from previous Medium Term Financial Strategy

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

no stars = new item

Eff - Efficiency saving

SR - Service reduction

Inc - Income

This page is intentionally left blank

APPENDIX C

CORPORATE RESOURCES - CAPITAL PROGRAMME 2026-30

Estimated Completion Date	Gross Cost of Project £000		2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
		<u>ICT</u>					
Mar-28	903	Cisco Network Equipment	0	600	0	0	600
Mar-28	240	Replacement of IT Service Management toolset and User Portal (Marval)	0	240	0	0	240
Mar-29	1,700	Hyper-Converged Infrastructure (HCI) Refresh/re-license	150	300	331	0	781
Mar-29	100	Remote Access Refresh	0	0	76	0	76
Mar-30	1,949	Backup System Replacement	0	0	0	1,000	1,000
Mar-30	300	Wireless Access points	0	0	0	199	199
Mar-27	70	Wireless Controllers	70	0	0	0	70
Mar-30	2,943	Workplace Strategy - EUD Refresh (PC, laptop)	734	770	835	604	2,943
Mar-27	200	Loadbalancers	200	0	0	0	200
Mar-27	300	Perimeter Firewalls	300	0	0	0	300
			1,454	1,910	1,242	1,803	6,409
		<u>Property Services</u>					
Mar-30	495	Boiler Replacement Programme	270	95	75	55	495
Mar-27	65	County Hall installation of UPS to CWC's	65	0	0	0	65
Mar-27	75	Bosworth Battlefield car park	75	0	0	0	75
Mar-27	100	Energy initiatives	100	0	0	0	100
			510	95	75	55	735
		TOTAL	1,964	2,005	1,317	1,858	7,144

Future Developments - subject to further detail and approved business cases

ICT Future Development:

End of life replacements and security improvements

Property Services

Minimum Energy Efficiency Standards (MEES)

Snibston ancient monument - (SAM)

End of life gas boiler replacement

Country Parks Future Developments:

Watermead café and car park changes

County Parks ANPR ticketless car parking expansion

Broombriggs Farm Cottage - refurbishment

Beaumanor Hall

This page is intentionally left blank

**OVERVIEW AND SCRUTINY COMMITTEE – 28TH JANUARY 2026****DRAFT REVISED INVESTING IN LEICESTERSHIRE PROGRAMME
PORTFOLIO MANAGEMENT STRATEGY 2026 TO 2030****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****PART A****Purpose of the Report**

1. The purpose of this report is to seek the Commission's views on the draft revised Investing in Leicestershire Programme Portfolio Management Strategy for 2026 to 2030 (attached as Appendix A to this report) which sets out the proposed approach to future asset management and investment.

Policy Framework and Previous Decisions

2. The creation of the Corporate Asset Investment Fund (CAIF) was included in the Medium-Term Financial Strategy 2014/15-2017/18 (MTFS), which was approved by the County Council in February 2014. The Fund was reviewed in 2022 and now forms the Investing in Leicestershire Programme (IILP).
3. In May 2014 the Cabinet established the Corporate Asset Investment Fund Advisory Board., which became the Investing in Leicestershire Programme Board in 2023. The Board considers the ongoing strategic management, development and performance of the portfolio and the merits of any investment opportunities presented by the Director of Corporate Resources.
4. The current IILP Portfolio Management Strategy was approved by the full Council in February 2025 and is reviewed annually as part of the MTFS 2025-29.
5. The Strategic Plan 2022-26, approved by County Council on 18th May 2022 sets out five key strategic outcomes- Clean and Green, Great Communities, Improved Opportunities, Strong Economy, Transport and Infrastructure, Safe and Well. The IILP Strategy will seek to make a positive contribution to the delivery of these objectives through measures including improving the energy efficiency of buildings, maximising opportunities to decarbonise the estate, facilitating the delivery of affordable and quality homes and building a strong economy, generating economic growth.

Background

6. The Council has owned and managed investment properties in the form of the existing Industrial and County Farms estate for many years. These properties

are held for the purposes of supporting the delivery of various economic development objectives and to generate revenue and capital returns to the Council.

7. The creation of the CAIF (now IILP) and associated Board in 2014 was aimed at increasing the Council's property portfolio and ensuring investment in a more diverse range of properties, to continue to support economic development and generally increasing the quality and sustainability of the land owned by the Council and the income this generated.
8. The first formal Investment Strategy was adopted in 2017. Since that time, it has been reviewed annually; latterly as the IILP Strategy and developed to ensure that in addition to maximising financial benefits the portfolio contributes to achieving the County Council's wider strategic goals, being aligned with the Strategic Plans of 2018 and 2022 thereby broadening the purpose of the Programme.
9. The last major strategic review took place in 2023 when, in addition to aligning this with the Strategic Plan, the Strategy was amended to ensure compliance with the CIPFA Prudential Code and HM Treasury guidance introduced in 2022. This required that the portfolio be focused on the delivery of outcomes that addressed areas of economic and social market failure in addition to delivering the financial benefits necessary to support service provision.

The Strategy for 2026-30

10. The key priorities of the Strategy 2026-30 are to further ensure its alignment with the Council's Strategic Plan 2022 – 26 and maintain compliance with Government guidance in relation to future investments.
11. To maintain access to any potential prudential borrowing over the period of the MTFS it is necessary to ensure that any new investments are compliant with the Prudential Code and HM Treasury guidance. The key requirement is that an authority must not borrow if they are also investing primarily for financial return.
12. As such investments may only be made where they are 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. This includes service delivery, housing, and regeneration of areas, that addresses areas of economic or social market failure and should only be made within the Council's area of economic influence. Investments should not be made primarily for yield.
13. The Prudential Code does not require authorities to sell existing, primarily for return investment assets, that were acquired (or committed to) prior to November 2020. However, where a Council has an expected need to borrow (internally or externally), as does the County Council for the wider capital programme, the Code requires an annual review of options to exit investments held primarily for return. The reviews should evaluate the benefit of holding such assets with taking out new borrowing and any risk reduction benefits. This will be formally

undertaken annually from 2026/27. The portfolio naturally contains liquidity from financial investments which have limited life and therefore return capital invested on a regular basis. The Prudential Code allows continued investment in such assets to maximise their value, including repair, renewal and updating of the properties. All new IILP investments will be assessed to ensure compliance with the Prudential Code and HM Treasury guidance.

14. As part of the prudent management of the Council's finances investments will need to continue to be well managed and deliver a financial return commensurate with the level of risk. This is applicable even where the primary purpose is delivery of wider County Council policy objectives.
15. Accordingly, having regard to the above the proposed aims of the IILP Strategy 2026 – 30 continue to ensure investments funded or held in the Programme:
 - Support the objectives of the Council's MTFS, Corporate Asset Management Plan, Strategic Plan, 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.
 - Manage the Portfolio sustainably having regard to the emerging Climate Resilience Delivery Plan outcomes.
 - Channels 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 maximising the benefit from its financial assets in a

risk aware way (not including standard treasury management activity).

16. A copy of the full revised draft IILP Strategy is appended to this report.
17. The Strategy continues to seek to minimise risk principally by ensuring robust governance arrangements are in place and that investment decisions are only made in light of appropriate financial, commercial and legal advice and in line with relevant statutory guidance and best practice. However, property investment and development will always have an element of risk much of which is outside the control of the Council as it relates to the strength of the wider economy.
18. The Strategy sets out procedures to ensure risks associated with investments are monitored, assessed and mitigated and the Board will continue to play a vital role in this respect.
19. External reviews of the portfolio's performance and strategy are undertaken at three yearly intervals. The most recent review was undertaken by Hymans Robertson in January 2024 which made recommendations as to future investments going forward to ensure financial resilience by maintaining a balanced diverse portfolio of assets.
20. Based on the make-up of the portfolio at the time of the review the current portfolio mix of direct property and diversifiers was considered 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.
21. Given the volume of new investments to be made, it was anticipated, and remains the case, that the direct portfolio will see only modest growth. It was therefore 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.
22. Given the financial pressures facing the Council, 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. The Council's Efficiency Review is also likely to include a review of the assets held under the liLP portfolio.
23. Members will continue to receive regular MTFS monitoring reports which will include information on the operation of the IILP, as well as an annual report on investment activity undertaken during each financial year which will provide an update on ongoing projects.

Resource Implications

24. The Council continues to operate in an extremely challenging financial environment. The draft MTFS 2026-30 (the subject of a separate report on the agenda for this meeting) sets out the future challenges and the need for further savings of £199m to be made by 2029/30, of which £106m is unidentified. In light of inflation and other emerging pressures the funding gap has the potential to grow.
25. The draft MTFS 2026-30 identifies net funding of £43m to grow the IILP to its target level of £260m. Based on the IILPs current expected income returns the total funding would generate a c£10m net income per annum to the County Council.
26. The delivery of the property related aspects of the strategy is dependent upon retaining experienced and skilled staff as well as recruiting to vacant posts within the service. The recruitment process is underway, but the market is very competitive, and the Council may need to re-consider its strategy and approach if the resource is not in place to deliver it.

Conclusion

27. The Investing in Leicestershire Programme Portfolio Management Strategy is aimed at maintaining a long term and relatively stable source of income from existing investments to offset the funding gap in the MTFS, with future management and investment during the period 2026 – 2030 being focused on delivering the Council's wider strategic objectives and addressing areas of economic and social market failure.

Equality Implications

28. There are no equality implications directly arising from this report.

Human Rights Implications

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

Environmental Implications

30. Where possible, the environmental impact of the Fund's developments will be as low as possible and be low carbon and energy efficient.
31. Where possible, and where there is no adverse financial impact, when disposing of land for development, the sale terms will require the purchaser to develop in a sustainable and low carbon way.

Circulation under the Local Issues Alert Procedure

None.

Background Papers

Report to Council, 18 May 2022 – Leicestershire County Council's Strategic Plan 2022 – 2026 -

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=6482&Ver=4>

Officers to Contact

Declan Keegan, Director of Corporate Resources
Corporate Resources Department
Tel: 0116 305 7668
Email: declan.keegan@leics.gov.uk

Karen Frearson, Head of Strategic Property Services
Corporate Resources Department
Tel: 0116 305 2704
Email: Karen.Frearson@leics.gov.uk

Appendix

Draft revised Investing in Leicestershire Programme Portfolio Management Strategy
2026 - 2030

Investing in Leicestershire Programme

STRATEGY

2026-2030

TABLE OF CONTENTS

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

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 (IiLP).
- 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).¹

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 direct 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 to 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:

Sector	Portfolio % 31/03/25	Hyman's Recommendation	Target Range % Portfolio
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%
Total	100%		

- 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, Hyman's 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 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 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)			
		Minor	Moderate	Major	Critical
		1	2	3	4
Probability	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

Quantative Performance Indicators		Estimate 2025/26	Estimate 2029/30
Debt to net service expenditure (NSE) ratio	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
Commercial income to NSE ratio	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%
Investment cover ratio	The total net income from property investments, compared to the interest expense.	n/a	n/a
Loan to value ratio	The amount of debt compared to the total asset value.	n/a	n/a
Target income returns	Net revenue income return. (net income / historic cost)	4.49%	3.46%
Benchmarking of returns	Level of predicted market returns used as benchmark for the portfolio, includes 2.5% estimated capital growth	6.99%	5.96%
Gross and net income	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
Operating costs	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
Vacancy levels and Tenant exposures for non-financial investments (direct commercial property)	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%	5.0%
		(40,700 sq. ft.)	(45,000 sq. ft.)
Amount of tenanted farmland disposed of vs acquired	Monitoring the size of the County Farm Estate.	5 acres sold vs	100 acres sold vs
		0 acres acquired (7,354 acres held)	100 acres acquired (7,359 acres held)
Number of tenant farmers	Monitoring how many farmers have taken leases on County Farms Properties with reference to new entrants to the farming sector.	4 new letting	4 new letting
		1 new entrant	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 activities 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