



**HIGHWAYS AND TRANSPORT OVERVIEW AND SCRUTINY
COMMITTEE - 16 JANUARY 2025**

MEDIUM TERM FINANCIAL STRATEGY 2025/26 – 2028/29

**JOINT REPORT OF THE DIRECTOR OF ENVIRONMENT AND
TRANSPORT AND THE DIRECTOR OF CORPORATE RESOURCES**

Purpose of the Report

1. The purpose of this report is to:
 - a) Provide information on the proposed 2025/26 to 2028/29 Medium Term Financial Strategy (MTFS) as it relates to the Highways and Transport Services of the Environment and Transport Department; and,
 - b) Ask the Committee to consider any relevant issues as part of the consultation process and make any recommendations to the Scrutiny Commission and the Cabinet accordingly.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2024. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2025/26 – 2028/29 was considered by the Cabinet on 17 December 2024.

Background

3. The draft MTFS was set out in the report to the Cabinet on 17 December 2024, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Highways and Transport Services within the Council's Environment and Transport Department.
4. Reports such as this are being presented to the relevant Overview and Scrutiny Committees. The views of this Committee will be reported to the Scrutiny Commission on 27 January 2025. The Cabinet will consider the results of the scrutiny process on 7 February 2025 before recommending the MTFS, including a budget and the Capital Programme for 2025/26, to the County Council on 19 February 2025.

Proposed Revenue Budget

5. Table 1 below summarises the proposed 2025/26 revenue budget and provisional budgets for the next three years thereafter for the Council's Highways and Transport Services. The proposed 2025/26 revenue budget is shown in detail in Appendix A.

Table 1 – Revenue Budget 2025/26 to 2028/29

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Original prior year budget	70,025	76,379	77,980	80,567
Budget transfers and adjustments	1,624	1,631	-18	-20
Add proposed growth (Appendix B – Growth and Savings 2025/26 – 2028/29)	5,970	2,225	2,625	3,065
Less proposed savings (Appendix B)	-1,240	-2,255	-20	0
Proposed/Provisional budget	76,379	77,980	80,567	83,612

6. Detailed service budgets have been compiled on the basis of no pay or price inflation. A central contingency will be held which will be allocated to services as necessary.
7. The total proposed expenditure budget for the Highways and Transport Services in 2025/26 is £134.35m with contributions from grants, service user income, recharges to the Capital Programme and various other income totalling £57.97m. The proposed net budget for 2025/26 of £76.38m is distributed as shown in Table 2 below.

Table 2 - Net Budget 2025/26

	£000
Development & Growth	
Development & Growth	1,507
H&T Commissioning	4,695
H&T Network Management	9,768
Highways & Transport Operations	
Highways Operations Services	15,843
Assisted Transport Service	42,366
H&T Technical Support Services	2,200
Total	76,379

Budget Transfers and Adjustments

8. A number of budget transfers (totalling a net increase of £1.87m) were made during the 2024/25 financial year. These transfers include:

- a) £1.86m for running cost/contract inflation for highways maintenance, street lighting and transport budgets from the central inflation contingency.
 - b) £1.14m transfer for de-inflation on street lighting energy rates to central inflation contingency.
 - c) £0.04m transfer for Blue Badge savings to the Corporate Resources Department.
 - d) £1.19m transfer to replace the Extended Rights for Home-to-School Travel grant for mainstream school transport following the recent announcement that from 2025/26 this will no longer be a specific grant and as such will form part of the Revenue Support Grant.
9. Budget transfers to cover the additional costs associated with the 2024/25 pay award, increase in the employers' National Insurance (NI) contribution rate (from 13.8% to 15%), and NI threshold reduction (from £9,100 to £5,000), are still to be finalised but will be reflected in the final MTFS to be reported to the Cabinet.
10. Adjustments were made across the Environment and Transport Department to manage the budget within the overall funding envelope. This has resulted in an overall decrease of £0.24m for the Highways and Transport Services.
11. 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.
12. This star rating is included in the descriptions set out for growth and savings below.
13. Savings have also been classified as 'Eff' or 'SR' dependent on whether the saving is seen as efficiency, service reduction, or a mixture of both. 'Inc' denotes those savings that are funding related and/or generate more income.

Growth

14. The overall growth picture for the Highways and Transport Services is presented in Table 3 below.
15. For 2025/26 growth represents an increase of £5.97m (or 8.3%) compared to the original prior year budget. Special Educational Needs (SEN) transport and Highways Maintenance are the main drivers of growth, rising to £13.89m by 2028/29. More detail is provided in the following section.

Table 3 - Overall Growth 2025/26-2028/29

References		2025/26	2026/27	2027/28	2028/29	
		£000	£000	£000	£000	
	GROWTH					
	Demand & cost increases					
**	G14	Special Educational Needs transport - increased client numbers/costs	3,125	4,980	7,125	9,565
**	G15	Highways Maintenance	1,170	1,595	1,825	2,200
	G16	Statutory change in Mainstream Home to School transport policy	120	120	120	120
	G17	Mainstream School Transport	660	830	1,010	1,190
	G18	School Crossing Patrol - loss of income from Leicester, Leicestershire & Rutland Road Safety Partnership (LLRRSP)	190	190	190	190
	G19	Fleet Services vehicle maintenance costs	290	190	260	330
	G20	Street Lighting maintenance costs	340	215	215	215
**	G26	HGV Driver Market Premia (H&T element only)	75	75	75	75
		TOTAL	5,970	8,195	10,820	13,885
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						

Demand and Cost Increases

G14() SEN Transport – Increased client numbers/costs: £3.13m in 2025/26 rising to £9.57m by 2028/29**

The cost of SEN transport continues to increase significantly and in line with national trends. The increase in the number of pupils needing transport in 2024/25 has risen beyond expectations at 9.57% and is forecasted to increase annually: 7.3% in 2025/26, 5.9% in 2026/27, 6.3% in 2027/28 and 6.6% in 2028/29. This aligns with the expected growth of pupils with Educational Health Care Plans (EHCP) as forecasted by the Council's Children and Family Services Department. In addition, the daily cost of transport is rising at a rate of 2% annually due to the need to provide transport for those with more complex needs as identified by risk assessments. Growth figures are based on projected increases in service user numbers and complexity of needs only.

The £0.9m forecast budget overspend in 2024/25 is due to a shortfall in funding for historical growth including a 9.57% increase in user demand in-year compared to the initial budget forecast of 8.64%, with a potential to continue to grow by the end of the financial year.

G15() Highways Maintenance: £1.17m in 2025/26 rising to £2.20m by 2028/29**

Removal of time limit on growth (which was subject to announcement of Network North funding) to deliver minimum and high priority environmental maintenance works, safety inspections and asset cleaning to keep the network safe. Additional growth is also required to address costs arising from demand-led reactive maintenance to repair highway defects and replace life expired assets (e.g., non-illuminated signs, bollards, kerbs, blocks, slabs etc.) in the

highway along with emptying gullies, cutting grass and edging back footways and clearing Council vegetation to enable safe use of the highway and to ensure visibility of mandatory road signs.

This amount of growth, while identified as necessary, is unlikely to meet the full demand for reactive repairs required over the coming year. This is due to the increasing deterioration we are seeing across the network arising from our inability to carry out sufficient preventative treatments over several years due to funding constraints. This deterioration inevitably means more reactive defects arising. In addition to this, the changing climate, for instance the increasing incidents of flooding we are experiencing, gives rise to both more carriageway defects and the need for more reactive drainage repairs. Overall, the highway network condition is deteriorating across the County and this is unlikely to reverse without significantly more capital investment over many years.

This growth item is still being reviewed alongside the Highways Maintenance capital growth bid (set out below) and is therefore subject to change.

G16 Statutory change in Mainstream Home to School transport policy: £0.12m from 2025/26 onwards

Alignment of the Council's Mainstream Home to School transport policy with the Department for Education latest statutory guidance has resulted in 86 extra students becoming eligible for transport in 2024/25 academic year.

G17 Mainstream School transport: £0.66m in 2025/26 rising to £1.19m by 2028/29

Over the last three years the number of pupils requiring Mainstream Home to School transport has risen by 6.7%, with forward projections suggesting an increase of 2.4% per annum. Over the same period the proportion of pupils receiving taxi transport has grown by 2.4% to accommodate both the increase and disparity of routes arising from pupils not attending their nearest school due to limited school placements.

G18 School Crossing Patrol – loss of income from Leicester, Leicestershire and Rutland Road Safety Partnership (LLRRSP): £0.19m from 2025/26 onwards

Historically, the LLRRSP contributed £190,000 towards the cost of School Crossing Patrols. This funding was withdrawn in 2018/19, with the funding gap financed initially through the Council's Public Health grant substitutions and in the latter years departmental underspend, which is no-longer sustainable.

G19 Fleet Services vehicle maintenance costs: £0.29m in 2025/26 reducing to £0.19m in 2026/27 before rising to £0.26m in 2027/28 and £0.33m in 2028/29

The Fleet Service is responsible for the maintenance and service of all 371 Council owned vehicles, ranging from hook loaders, lorries and tankers to vans, cars, and minibuses. Vehicles are procured on behalf of all departments, and maintenance costs recharged accordingly. This growth is therefore submitted on behalf of other departments.

Since September 2020, costs have risen by 113% or £625,000 as the Council's owned asset fleet has grown by 22% or 66 vehicles in response to service demands. Simultaneously, the age profile of vehicles has increased by 2.71 years from 5.4 to 8.1 years due to procurement delays resulting from the war in Ukraine and the Council's own funding availability.

Maintenance cost per vehicle per year now amounts to £3,171 (an increase of 61% or £1,201 per vehicle compared to 2020/21 figures). Naturally, the older the vehicle, the more maintenance costs are incurred as more expensive parts are required. Consideration has been given to how maintenance costs change as vehicles are re-procured in line with the vehicle replacement plan, with the growth requested representing the net effect. Vehicle numbers are assumed to remain static.

G20 Street Lighting maintenance costs: £0.34m in 2025/26 reducing to £0.22m from 2026/27 onwards

Planned structural testing of approximately 9,800 street lighting columns is scheduled to be undertaken during 2025/26 (in accordance with certification expiry dates), which represents an increase of 3,125 tests and a one-off additional cost of £125,000 compared to 2024/25. In addition, street lighting reactive maintenance jobs have increased by 257% since 2022/23 due to aged assets arising from reduced capital investment, with approximately 2,400 jobs now expected per annum.

G26() HGV Driver Market Premium: £0.08m from 2025/26 onwards**

Increased funding to cover costs associated with awarding Market Premia and retention payments to specialist drainage and flood alleviation posts, specialist HGV drivers, seasonal treatment operatives and critical highways roles on a permanent basis.

Savings

16. The overall savings picture for the Highways and Transport Services is presented in Table 4 below.

Table 4 – Overall Savings 2025/26-2028/29

References				2025/26	2026/27	2027/28	2028/29
				£000	£000	£000	£000
SAVINGS							
**	ET1	Eff	Assisted Transport Programme	-550	-1,985	-2,005	-2,005
**	ET2	SR	Review application of subsidised bus policy, post Covid	0	-400	-400	-400
**	ET3	Inc/SR	Review approach to Park and Ride	0	-400	-400	-400
**	ET4	Eff/SR	Street Lighting - review energy reduction options, including reduced operation times	-110	-110	-110	-110
**	ET5	Inc	Network Management incl. temporary traffic regulation orders (TTRO)	-400	-400	-400	-400
**	ET6	Inc	Fees and Charges Uplift	-80	-80	-80	-80
	ET7	Inc	Review of fees & charges across targeted services	-60	-60	-60	-60
	ET8	Eff	Traffic Signals energy savings arising LED implementation	-25	-45	-45	-45
	ET9	Eff	Fleet Service Insurance	-15	-15	-15	-15
			TOTAL	-1,240	-3,495	-3,515	-3,515
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							

17. The Highways and Transport Services are expecting to deliver £1.24m savings in 2025/26, which are projected to rise to £3.50m in 2026/27 and £3.52m in 2027/28 subject to the delivery of a number of reviews and initiatives.

****ET1 (Eff) Assisted Transport Programme: £0.55m in 2025/26 rising to £2.01m by 2027/28**

Estimates are uplifted to reflect latest business case financial modelling. Savings are expected to be delivered through a number of measures, including route optimisation; improved demand management; more efficient procurement; and initiatives to expand the taxi market and optimise in-house fleet services.

****ET2 (SR) Review application of subsidised bus policy, post-Covid-19 pandemic: saving of £0.40m from 2026/27 onwards**

There is a reduction in the level of subsidised bus services. Options under consideration range from restricting subsidised services to those that provide 'lifeline services', with or without a review of community transport provision and Demand Responsive Transport. Conditions attached to previous Bus Service Improvement Plan (BSIP) grant funding mandated base budgets to remain static causing a slip in savings delivery to 2025/26. The recent announcement of further Bus grant funding for 2025/26, prolongs this requirement for another year. In a change to the draft MTFS, savings have now been reprofiled to take effect in 2026/27 when the latest grant conditions are due to end.

****ET3 (SR) Review approach to Park and Ride: saving of £0.40m from 2026/27 onwards**

This is a reduced subsidy through a review of the frequency of direct bus services from Park and Ride sites at Enderby, Birstall and Meynell's Gorse to Leicester City Centre. Options under consideration range from ceasing service provision entirely to reducing the number of Park and Ride sites with price fare initiatives, including removing concessions and introducing bus priority schemes. Conditions attached to the previous BSIP grant funding mandated base budgets to remain static causing a slip in savings delivery to 2025/26, allowing for an extension to the existing contract whilst Leicester City Council complete the longer-term retender. The recent announcement of a further Bus grant funding for 2025/26, prolongs this requirement for another year. In a change to the draft MTFs, savings have now been reprofiled to take effect in 2026/27 when the latest grant conditions are due to end.

****ET4 (Eff/SR) Street Lighting – review energy reduction options, including reduced operation times: saving of £0.11m from 2025/26 onwards**

The service is currently piloting a reduction in lighting levels from 50% intensity to 30% intensity from 20:00 hours (previously 22:00 hours). This has delivered greater financial savings than originally anticipated. Ongoing savings delivery is subject to approval for the pilot to become business as usual.

****ET5 (Inc) Network Management including Temporary Traffic Regulation Order: saving of £0.40m from 2025/26 onwards**

Additional savings arising from income generation following the review of structure and processes within the Network Management Team to ensure consistent application of current Network Management legislation.

****ET6 (Inc) Fees and Charges uplift: saving of £0.08m from 2025/26 onwards**

Income arising from the uplift in fees and charges for discretionary services in accordance with the Corporate Fees and Charges policy.

ET7 (Inc) Review of fees and charges across targeted services: saving of £0.06m from 2025/26 onwards

A deep dive into drop kerb applications fees, which included detailed cost analysis and benchmarking with other local authorities, has resulted in an uplift in charges payable to ensure these are reflective of the full costs incurred by the Council. Further savings potential is expected through ongoing targeted service reviews.

ET8 (Eff) Traffic Signals energy savings arising from LED implementation: saving of £0.03m in 2025/26 rising to £0.05m from 2026/27 onwards

Energy savings arising from the upgrade of signals from Halogen to LED. Retrofit of LED is expected to reduce energy use by 70% on 6% of remaining

halogen sites (32%) that can be retrofitted with LED lamps as part of the Department for Transport (DfT) Traffic Signals Maintenance funding allocation.

ET9 (Eff) Fleet Service insurance: saving of £0.02m from 2025/26 onwards

The insurance team within the Corporate Resources Department has reprocured the insurance contract for the Council. This has results in an anticipated net saving in vehicle insurance.

Savings Under Development

18. There are a number of potential savings under development (SUD) which are not yet currently developed enough to be able to quantify and build into the MTFS.
- a) Commercialisation of the Highways Services: Encompassing several areas of focus that have the potential to generate new/increased income for the Authority including but not limited to Asset Sponsorship and Sign Shop income.
 - b) Fleet Efficiencies and Improvements: Amalgamation of previous smaller SUD involving the management and maintenance of the Council's fleet. This initiative aims to reduce costs by optimising fleet utilisation and maintenance. Real-time service led data will be used to analyse fleet efficiency, identify reasons for vehicle hire, and reduce dependency on the master vendor contract with Enterprise. This initiative seeks to achieve cost savings by lowering hire vehicle spending, rationalising the fleet, and cutting maintenance costs where possible.
 - c) Fees and Charges: Programme of deep dives into branch areas that charge for external work to review charging structures and increase revenue. The Environment and Transport Department provides a number of services where it is possible to charge for the cost of these services. Examples include skip and scaffolding licences; and implementing dropped kerbs, H-Bar markings and Disabled Bays; and cleaning drains and gullies. This project seeks to ensure fees and charges are reflective of actual effort and costs to deliver the service, ensuring they are regularly reviewed and are in line with policy. Deep dives into fees and charges will align with corporate policy, working with service teams to ensure full cost recovery, benchmarking, and consideration of unique service characteristics to recommend appropriate increases. Any uplifted discretionary fees will be added to the annual inflation-adjusted fee list. A prioritisation list of the most financially beneficial fees will be considered in February 2025 identifying a minimum target of six deep dives annually, with aspirations to exceed this subject to resource availability.
 - d) School Crossing Patrol: Alternative funding model to include seeking partial contribution from third parties for providing the service.

- e) Network Management and Lane Rental: Network management services oversees the permitting of road works across the county. Work is currently underway to ensure that the service is fully efficient and once completed, the national lane rental scheme will be considered. Network Management improvements will be via:
- Operational excellence through consistency in processes and practices.
 - Maximising compliance amongst permit holders.
 - Developing an efficient target operating model.
 - Implementing improved financial management and control measures.

19. Considering the ongoing and increasing scale of the challenge faced by the Council to balance the MTFS, existing financial control measures are continuing to be reinforced to ensure a tight focus on eliminating non-essential spend. Inevitably, further savings beyond those identified in this report will be needed, and where possible, included in the final MTFS.

Other Factors Influencing MTFS Delivery

20. Ability to identify savings opportunities across the Highways and Transport Services continues to be significantly challenging. Resources remain stretched in the pursuit of the current MTFS savings delivery alongside front-line service delivery and the perpetual need to identify future savings opportunities. The tight financial environment has brought with it increased bureaucracy in the form of stronger financial controls and enhanced governance arrangements, which in turn has added to work pressures.
21. Caveats to grant funding preventing budget reductions stop significant areas of discretionary spend across the Highways and Transport Services being within scope of consideration for further savings, again making it more difficult for the Department to meet its savings targets. A prime example of this is the Bus grant, which mandates existing budget baselines need to be maintained and not reduced between years. Implementing Government ambitions within local funding envelopes is particularly problematic with a single year funding allocation, escalating demand pressures across the Council contributed by above average population increase, and limited means of generating additional income, especially during a cost-of-living crisis.
22. Without sufficient capital investment into Highways Maintenance, it is impossible to sustain an adequate Countywide network. This results in a greater need for reactive repairs, and even with current levels of funding including allocated growth, it is unlikely to be enough since it has been estimated that it will cost the Council an extra £90m over the next four years to hold to the current rate of deterioration. Leicestershire has traditionally been renowned for having well maintained roads; however, the lack of proactive investment means the road network will continue to deteriorate and at a faster pace than previously has been seen. The promise of an extra £131.9m in the form of Network North funding provided greater confidence around service planning and delivery over an 11-year period. Now, in the absence of this,

reliance will be on multi-year funding settlements, the first of which is expected to be announced in June 2025.

23. Service reductions to existing services is likely to be the only way that significant savings to meet further targets can be met by the Department. With most services being front facing and affecting all County residents, it is often difficult to secure support for reductions across these service areas.
24. At the same time the Government's growth agenda (1.5m new houses over the current Parliament) means more need for the Highways and Transport Services including:
 - a) More maintenance to respond to the increased use and ongoing deterioration of the network.
 - b) More frequent roadworks for utility companies and developers.
 - c) Mounting demand for SEN transport, mainstream school transport and public transport.
 - d) Increasing need for road safety and traffic management measures.
25. The lack of funding for transport investment also means it is becoming increasingly difficult to play a part in the Government's growth agenda, particularly through supporting Local Plan development and delivery. Demonstrating viability in terms of being able to fund the transport infrastructure necessary for new development is proving more challenging and risks either development not coming forward or alternatively being delivered without the infrastructure local communities need.
26. Climate change further compounds the need for greater investment in the Highways and Transport Services. Warmer and wetter winters, hotter and drier summers and more frequent and intense weather extremes all cause damage to assets and worsen the existing network condition. This brings a greater need to invest in measures to deal with increased levels of highway flooding and address drainage systems as well as heat damage. Flooding also places pressures on the Council as Lead Local Flood Authority to carry out investigations into the causes of such flooding.

Other Funding Sources

27. For 2025/26, a number of additional funding sources are expected and allowed for within the budget outlined in Appendix A. These funding sources include external grants and other contributions from external agencies towards the cost of schemes delivered by the Department. The key ones include:
 - a) Sections 38, 184 and 278 agreements – £2.97m income from developers relating to fees for staff time, mostly around design checks for these agreements.
 - b) Capital fee income - £6.61m for staff time charged in delivering the Capital Programme. Should elements of the Capital Programme not be delivered as planned, this could have an impact on the amount of staff time recovered. However, the use of agency and temporary staff resource

does give some scope for varying staff levels in order to minimise the risk of this resulting in overspending in staffing cost centres.

- c) Fees and charges/external works charges to other bodies (works for other authorities, enforcement of road space booking, permit scheme and network management and fleet services) - £6.79m.
- d) Driver education workshop - £2.90m of fee income collected for the Leicester, Leicestershire and Rutland Road Safety Partnership from drivers taking speed awareness and similar courses. This income is returned to the partnership net of the cost of operating the courses.
- e) Joint arrangement income - £0.29m from Leicester City Council primarily to cover the costs of the City Council's share of the Park and Ride scheme that is jointly operated with the County Council.
- f) Civil parking enforcement income - £1.31m which covers penalty charge notices (PCNs) for on-street parking, income from the district councils to cover the cost of processing off-street PCNs on their behalf and parking permit income.
- g) Vehicle workshop internal recharge - £2.03m, to ensure vehicle use is recharged back to the Capital Programme where appropriate.
- h) Other specific grants (including Enhanced Partnership Officer funding, Bikeability grant and Rural Mobility Fund) - £0.77m.
- i) Bus Grant (including BSIP and Bus Service Operators Grant) - £6.93m to deliver bus service improvements.
- j) LLRRSP - £0.17m returns and a drawdown from reserve to fund safety schemes.
- k) Leicester and Leicestershire integrated transport model - £2.55m funding provided for the transport model development work.

Capital Programme

28. The draft Capital Programme is summarised in Table 5 and the detailed programme is set out in Appendix C. The Capital Programme is funded by a combination of the Local Transport Plan (LTP) grant, discretionary funding and other external and internal sources.

Table 5 – Summary Draft Capital Programme 2025/26 to 2028/29

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
Major Schemes	41,691	10,188	2,039	3,350	57,268
Minor/Other Schemes	20,713	11,744	3,807	4,980	41,244
Transport Asset Management	25,002	25,013	23,382	25,013	98,410
Total	87,406	46,945	29,228	33,343	196,922

29. The programme includes £57.27m to deliver major infrastructure schemes consisting of:
- a) Melton Mowbray Distributor Road (MMDR) for North and East sections: £27.41m (total scheme costs £127.16m);

- b) Zouch Bridge: £11.93m towards the cost of bridge replacement (total scheme costs £19.6m);
 c) Advanced design programmes: £9.47m.

Table 6 – Highways and Transportation Capital Funding

	2025/26	2026/27	2027/28	2028/29	Total
	£000	£000	£000	£000	£000
Grant - LTP - Integrated transport element	2,750	2,750	2,750	2,750	11,000
Grant – LTP - Local Highways Maintenance	26,874	26,874	26,874	26,874	107,496
Grant – LTP - Total Incentive funding	1,915	1,915	1,915	1,915	7,660
Grants – Active Travel England	767	0	0	0	767
Grants – A511 Major Road Network funding	122	0	0	0	122
Grants - Bus Grant	3,145	0	0	0	3,145
Grants - Zero Emission Bus regional area 2	8,766	0	0	0	8,766
Section 106 Contributions	4,086	579	64	0	4,729
Revenue and Earmarked Funds	100	100	100	100	400
Capital Substitution	-3,855	-3,040	-2,650	-3,917	-13,462
Environment agency Grant	847	0	0	0	847
District Council Contribution	150	0	0	0	150
Receipt of Forward Funding	0	382	39	2,321	2,742
Corporate Funding (capital receipts and revenue)	41,739	17,385	136	3,300	62,560
Total Highways & Transportation	87,406	46,945	29,228	33,343	196,922

30. The capital programme and associated funding currently reflects a shortfall of £9.30m against the Department's capital submission for 2025/26. This includes £2.00m repayment of Network North funding, which was accelerated at risk to the department on the government's promise of significant future years funding plus the anticipated current year Capital overspend of £2.74m. Where received, confirmation of funding allocations has been applied. In the absence of such confirmation estimates have been included based on previous years

allocations. Any subsequent increase in grant allocation will be used to offset the shortfall. The estimated grant allocations include:

- a) Integrated Transport Schemes - funding of £2.75m has been assumed for each year from 2025/26 to 2028/29 (£11.00m overall) – still awaiting confirmation from the DfT of this allocation. This funding will be used as match funding for grant bids into external funding streams. This resource will also be used to fund advanced design and feasibility studies to ensure outline business cases are available to support any such bids.
 - b) Maintenance - funding of £28.79m has been confirmed for 2025/26 and is assumed for each of the following years. For 2025/26 this includes £7.66m confirmed uplift of which £1.915m is allocated as an incentive element (£115.16m overall). This means the Authority will need to comply with the incentive requirements in order to secure this funding. Incentive requirements are yet to be confirmed by the DfT.
31. While the DfT funding allocation for highway maintenance in 2025/26 is welcome, the overall outlook for the condition of the County's road network is not positive. Many years of insufficient investment in preventative treatments and renewals due to funding constraints, has led to a situation of overall deterioration. This has been compounded by the impact of more and heavier traffic as well as increasing numbers of roadworks from utility companies and developers, all of which reduce the lifespan of the road.
32. Similarly, the impact of a changing climate is also taking a toll on the County's highway network resulting in the need for more intervention and repair works. The Network North maintenance allocations by the previous Government over an 11-year period would have helped this situation; however, that Network North allocation appears to no longer be available. The Council therefore awaits the Spending Review due around June 2025 to confirm multi-year settlements to understand if it will be able to slow the rate of highway network deterioration currently being experienced.
33. Other capital grants included are:
- a) Active Travel England – £0.77m to facilitate a Cycling and Walking improvement programme.
 - b) A511 Major Road Network – £0.12m continued funding to facilitate the Full Business Case to secure further Major Road Network funding.
 - c) Environment Agency Grant - £0.85m funding studies and improvement programmes works to assist in protecting in residents of the County.
 - d) Bus Grant - £3.145m funding to make improvements for local bus services and infrastructure.
 - e) Zero Emission Bus regional area 2 - £8.766m funding to provide greener bus travel.
34. Funding for improvement schemes is limited to that which can be secured from the various Government funding streams available for infrastructure. Some provision (around £9.47m over the MTFs) exists for advanced design/match

funding. However, increased levels of capital funding are being channelled through bidding processes. This has an impact in two ways. Significant amounts of staff time are required in submitting bids (including options modelling, developing business cases, liaising with the Government and Midlands Connect) which may be wasted if bids are unsuccessful. The costs of compiling and submitting a bid are significant and may not result in funding being awarded. The Government has indicated it intends to move away from competitive funding streams. However, how capital funding for improvements will be allocated to authorities has still to be clarified.

35. There is continued risk stemming from labour shortages slowing progress and whilst this can be addressed through outsourcing, it is more costly. The Government funding often dictates delivery within a prescribed timeframe. This can be difficult to achieve, causing knock-on pressures across other schemes in sourcing resources for scheme design, programme planning and delivery as resources cannot always be secured externally.
36. Often this can be compounded by other pressures. Adverse weather conditions can play a part, especially for certain maintenance activities (such as surface dressing and flood alleviation works). Also, for some of the larger schemes, legal issues may need resolving around for example, compulsory purchase orders.

Capital Programme – Future Developments

37. Where capital projects are not yet fully developed, or plans agreed, these have been included as 'Future Developments' under the Department's programme in Appendix C. 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. These include:
 - a) Additional bid development/match funding;
 - b) Green vehicle fleet;
 - c) Highways Depot Maintenance programme;
 - d) A511 Forward Funding.

Background Papers

Report to the Cabinet 17 December 2024 – Medium Term Financial Strategy 2025/26 to 2028/29

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7512&Ver=4>
(item 4)

Circulation under Local Issues Alert Procedure

None.

Equality Implications

38. 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.
39. Given the nature of services provided, 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.
40. 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.
41. If, as a result of undertaking an assessment, potential negative impacts are identified, these will be subject to further assessment.
42. Any 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

43. 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 2025/26
 Appendix B – Growth and Savings 2025/26 – 2028/29
 Appendix C – Capital Programme 2025/26 – 2028/29

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