Agenda Item 8

Leicestershire County Council

SCRUTINY COMMISSION – 27 JANUARY 2025

PROVISIONAL MEDIUM TERM FINANCIAL STRATEGY 2025/26 - 2028/29

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 2025/26 to 2028/29 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 2024;

   c) Provide details of the Earmarked Reserves Policy 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 17 December 2024 the Cabinet agreed the proposed MTFS, including the 2025/26 revenue budget and 2025/26 to 2028/29 capital programme, for consultation. The Overview and Scrutiny Committees and the Scrutiny Commission will consider the proposals during January 2025.

3. An update of the MTFS will be reported to the Cabinet on 7 February 2025, and then to the County Council on 19 February 2025 to approve the MTFS including the 2025/26 revenue budget and capital programme. This will enable the 2025/26 budget to be set before the statutory deadline of the end of February 2025.

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 21 February 2024. 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 17 December 2024

5. The draft MTFS was approved by the Cabinet on 17 December 2024. A copy is attached as Appendix A.

6. The key revenue budget details were:

- Local Government Settlement anticipated to only cover 2025/26
- Council Tax increase of 2.99% plus 2% Adult Social Care Precept in 2025/26, and 2.99% for the following three years
- Growth of £109m required, primarily to meet the forecast increase in demand for social care
- Provision for pay and price inflation in 2025/26 and later years, £88m, driven by the National Living Wage (NLW) and National Insurance increases.
- Savings required of £181m - of which £33m are identified and £52m relate to Special Education Needs, leaving a shortfall of £96m to be found.

7. The key capital programme details were:

- The draft four-year capital programme totals £380m
- Capital funding available totals £296m
- Balance of £84m requiring prudential borrowing to be temporarily funded from the Council's internal cash balances.

Changes to the Revenue Budget 2025-29

8. A summary of the overall MTFS revenue position as reported to Cabinet on 17 December 2024 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 the following changes will be incorporated in the final version of the MTFS to the Cabinet in February.

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Shortfall at 17 December 2024	6.2	42.1	66.4	95.6
Social Care Grants	-2.8	-2.8	-2.8	-2.8
National Insurance increases from April 2025	4.4	4.4	4.4	4.4
NI estimated compensation from Government	-2.9	-2.9	-2.9	-2.9
Council Tax – updated tax base	-0.1	-0.1	-0.1	-0.1
Revised Shortfalls	**4.8**	**40.7**	**65.0**	**94.2**

10. Social Care Grants (-£2.8m) increased allocation in the provisional settlement, which includes £51.0m compared with £48.2m anticipated in the draft MTFS. The national total is £200m higher than previously published.

11. National Insurance. Increased costs arising from changes to NI from April 2025 on the Council's payroll amount to £4.4m. The Government has stated that it has set aside £515m nationally to provide compensation to local authorities, of which it is estimated that the Council might receive around £2.9m.

12. The District Councils have provided tax base figures for 2025/26 which are slightly higher than the estimate included at the time of the Cabinet Report in December 2024. There will be an increase of £0.1m in the Council Tax precept.

13. 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.

14. 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 only forecasts a balanced budget next year, after assuming the use of £6.2m (which would reduce to £4.8m based on the latest figures from the table above) of earmarked reserves to meet the current projected gap, but the following three years are all in deficit.

15. The £41m gap in the second year will not be cleared by the time the MTFS is approved in February 2025. 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 2026/27 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.

16. 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.

17. Inevitably, further savings beyond those identified in this report will be needed, and where possible, included in the final MTFS. As a minimum the Council will need to agree a strategy for how and where further savings will be identified.

Corporate and Central Items

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

Dedicated Schools Grant (DSG) - Central Dept Recharges

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

MTFS Risks Contingency

20. 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.

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

Contingency for Inflation / Living Wage

22. A total of £42m has been included in the draft MTFS for 2025/26, rising to £63m in 2026/27, £85m in 2027/28, and £108m in 2028/29. This contingency will be allocated to services as necessary. Further details are provided in the draft MTFS report, from paragraph 108, attached as Appendix A.

Financing of Capital

23. Capital financing costs are budgeted at £16.6m in 2025/26 and are expected to rise to £16.9m in 2026/27, £17.8m in 2027/28 and £19.3m in 2028/29, as a result of the increasing financing requirement for the capital programme.

Bank and Other Interest

24. Interest income relating to Treasury Management investments is budgeted at £13.0m in 2025/26 and is estimated to reduce to £9.5m in 2026/27, £7.5m in 2027/28 and £6.5m in 2028/29, 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

25. The 2025/26 budget includes £2.9m for Central Expenditure consisting of:

- Pensions (£1.4m) - funding for added years, agreed before and as part of Local Government Reorganisation in 1997;
- Members' Expenses and support (£1.4m);
- 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 (-£0.7m) – including income from Eastern Shire Purchasing Organisation (ESPO) and external audit fee costs.

Corporate Growth and Savings

26. G30 - Corporate Growth contingency, £1.6m in 2025/26, rising to £16m in 2027/28. 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

27. 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.

28. 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 £181m over the next four years of which £96m 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 £120m is anticipated by the end of 2028/29. Expenditure each year is expected to be between £11m and £16m more than high needs block funding, despite £52m 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 Business Rate retention, including a “reset” of the baselines
  - Fair Funding review
  - Review of SEND reforms
  - Adult Social Care charging reforms
  - Children’s Social Care reforms

29. 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.

30. 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

31. The General Fund balance is available for unforeseen risks that require short term funding. The forecast balance at the end of 2024/25 is £21m which represents 3.4% of the net budget (excluding schools’ delegated budgets). It is planned to increase the General Fund to £25m by the end of 2028/29 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.

32. To put the level of resources into context: with the exclusion of schools, the County Council spends nearly £70m a month.

33. 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

34. The estimated balance for revenue earmarked reserves (excluding schools and partnerships) as at 31 March 2025 is £120m and for capital funding purposes £103m. 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 7 February. The final level of earmarked reserves will be subject to the current year budget outturn.

35. 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 2025 are:

(a) Capital Financing (£103m). Holds MTFS revenue contributions for the capital programme or one-off projects.
(b) Budget Equalisation (£95m). 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 £41m as at 31 March 2024 and is forecast to increase to £120m by the end of 2028/29. The temporary statutory override on the DSG is currently to the end of March 2026.
(c) Insurance (£16m). Held to meet the cost of future claims not covered by insurance policies.
(d) Transformation (£5m). 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 and other initiatives (£21m).
(f) Pooled Property investments (-£17m) – invested against the balance of earmarked reserves held.

36. 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.

37. The CIPFA financial resilience index for local authorities provides a useful set of indicators of the financial risks facing local authorities. The index can be broadly grouped into three categories:

- Levels of reserves, with higher values considered good.
- Hard to reduce expenditure, for example social care, with lower levels good.
- Certainty of income, with higher levels good.

38. The latest available index is for balances as at 31 March 2023 and broadly shows positive results. One indicator is rated as high risk with the others showing as medium or low risk. The main indicators are:

- Growth above business rates baseline – high risk. A provision of £10m has been included in the MTFS for a future business rates reset.
- Reserves sustainability measure – low risk. Ratio of current level of reserves and the average change over each of the last three years.
- Interest Payable / Net Revenue Expenditure – medium risk. Interest payable on external debt, due to the high debt interest rates relative to current available rates.
- Unallocated reserves – medium to high risk. The proposed MTFS includes plans to increase the level of the General Fund.
- Change in earmarked reserves – medium risk.

39. Although the position shows that overall risks are increasing, particularly in relation to the level of reserves, the County Council is still reporting a better position than most County Councils. The increased risk factor in relation to reserves emphasises the importance of identifying and delivering further savings as a priority to avoid the further use of reserves beyond 2025/26.

40. Grant Thornton, the County Council's external auditor, reviews the level of earmarked funds held by the County Council as part of its value for money review of the current MTFS. The latest available report, from 2023/24, reported no issues.

School Balances

41. 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 2024 was £5m. The balance at 31 March 2025 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

42. 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 24 January 2025.

Robustness of Estimates

43. 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 Finance Business Partner 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.

44. 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.

45. 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

46. 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 funds and balances of the County Council, assurance can be given that the estimates are considered to be robust and the earmarked reserves adequate.

Capital Programme 2025-29

47. 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 (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, section106 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.

48. The draft capital programme totals £380m over the four years to 2028/29, shown in detail in Appendix G. The programme is funded by a combination of government grants, capital receipts, external contributions, revenue balances and earmarked funds.

49. The draft programme and funding are shown below.

Draft Capital Programme 2025-29

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Children and Family Services	40.9	21.9	16.9	3.5	83.1
Adults and Communities	5.9	5.5	5.5	4.9	21.7
Environment and Transport	68.8	39.9	22.1	25.6	156.4
Chief Executive's	0.1	0.1	0.0	0.0	0.2
Corporate Resources	2.8	1.8	3.4	1.7	9.7
Corporate Programme	11.6	25.9	28.2	42.9	108.5
Total	**129.9**	**95.1**	**76.1**	**78.6**	**379.6**

Capital Resources

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Grants	46.1	28.9	28.9	28.9	132.7
Capital Receipts from sales	13.5	11.4	1.0	3.8	29.7
Revenue/ Reserve Contributions	45.1	39.7	0.7	0.1	85.7
External Contributions	25.3	15.0	5.6	2.3	48.2
Total	**129.9**	**95.1**	**36.2**	**35.1**	**296.2**
Funding Required	**0.0**	**0.0**	**39.9**	**43.5**	**83.4**

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 £40m is included in the draft capital programme, shown within the Corporate programme.

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

Service Improvements	£172m
Invest to Save	£78m
Investment for Growth	£69m
Future Developments/ Risk Contingency	£61m
Total	**£380m**

Funding and Affordability

Forward Funding

51. The 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 recent years £20m has been forward funded in the capital programme. Of this total, £5.5m has already been repaid and £7.5m is estimated to be repaid between 2024/25 and 2028/29, The balance of £7m is estimated to be repaid after 2029.

52. 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

53. Grant funding for the capital programme totals £133m across the 2025-29 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 many of the main government grants are not yet known and have been estimated.

Capital Receipts

54. The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £30m across the four years to 2028/29.

55. 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. The estimate also includes the planned sale of some investments in Pooled Property Funds, an estimate of £7.5m has been included.

Revenue / Earmarked Funds/ Contributions

56. To supplement the capital resources available and avoid the need for borrowing, £86m of revenue/ reserves funding is being used to fund the programme.

57. 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

58. A total of £48m is included in the funding of the capital programme 2025-29. This relates mainly to section 106 developer contributions, including an estimated £4.7m in section 106 receipts relating to forward funded capital schemes over the next four years.

Funding from Internal Balances

59. Overall a total of £83m 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 £7m of this funding will be repaid through the associated developer contributions forward funded.

60. 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%.

61. The overall cost of using internal balances to fund £83m 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.

62. Following recent opportunities to repay existing debt early the estimated amount of external debt as at March 2025 is now £175m. As described above 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.

Capital Programme Summary by Department

63. Details for each department are included in the MTFS report attached as Appendix A, paragraph 205.

<u>Changes to the Capital Programme 2025-29</u>

64. Since the draft capital programme to the Cabinet in December the following government capital grant allocations for 2025/26 have been announced. The changes will be incorporated into the final version of the MTFS to the Cabinet in February.

Government Grant	Draft MTFS 2025-29 estimate	*Revised 2025-29 estimate
Disabled Facilities Grant	£19.4m	£22.0m
Highways Maintenance	£71.0m	£115.2m
Bus Service Improvement Grant (BSIP)	£0m	£3.1m
Zero Emission Buses (Zebra)	£0m	£8.8m

* 2026/27 to 28/29 estimated to continue at the same 2025/26 levels.

65. Disabled facilities grant – annual increase of £0.7m, four year total £2.6m. Funding received is passported to District Councils to fund major housing adaptations in the County.

66. Highways maintenance – annual increase of £11m, four year total £44m. The annual amount includes £1.9m allocated as an incentive element. This means the Council will need to comply with the incentive requirements in order to secure this funding. Incentive requirements are yet to be confirmed by the DfT.

67. Bus Service Improvement Grant - £3.1m DfT funding (2025/26 only) to make improvements for local bus services and infrastructure.

68. Zero Emission Bus Regional Area 2 project - £8.8m DfT funding (2025/26) to provide greener bus travel.

69. 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 2025.

Investing in Leicestershire Programme

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

71. A total of £47m has been included in the draft 2025-29 capital programme. This will bring the total held to £260m (based on historic cost). Annual income returns are currently around £8m and are forecast to increase to £10m by the end of the MTFS period (and higher in later years), contributing ongoing net income for the Council.

East Midlands Freeport

72. The County Council is acting as the 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.

73. 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 started to be paid back from the Freeport's retained business rates income stream, current balance £0.9m remaining, and it is expected to be fully repaid, with interest, within the 2025/26 financial year.

Budget Consultation

74. The Cabinet at its meeting on 17 December 2024 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 19 January 2025.

The responses are currently being analysed. A report on the outcome will be included within the MTFS report to the Cabinet on 7 February 2025.

Results of Scrutiny Process

75. 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 7 February 2025.

Equality and Human Rights Implications

76. 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.

77. 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.

78. A high-level Equalities and Human Rights Impact assessment of the MTFS 2024-28 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.

79. This assessment will be revised and updated for the new MTFS 2025-29 and included in the proposed MTFS to the Cabinet in February 2025. 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.

80. Overall, the previous assessment found that the Council's budget changes will have the potential to 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 2019 and March 2023 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, people with a sexual orientation other than heterosexual 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.

81. 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.

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

83. 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. 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.

Crime and Disorder Implications

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

Environmental Implications

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

Partnership Working and Associated Issues

86. 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

87. 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 17 December 2024 – Provisional Medium Term Financial Strategy 2025/26 – 2028/29
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7512&Ver=4

Report to the County Council 21 February 2024: Medium Term Financial Strategy 2024-28
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=7305&Ver=4

County Council Strategic Plan
https://www.leicestershire.gov.uk/about-the-council/council-plans/the-strategic-plan

Appendices

Appendix A: Draft MTFS 2025-29 Cabinet Report – 17 December 2024
Appendix B: Four Year Revenue Budget 2025/26 to 2028/29
Appendix C: Corporate and Central Items Revenue Budget 2025/26
Appendix D: Earmarked Reserves Balances
Appendix E: Earmarked Reserves Policy
Appendix F: Capital Strategy
Appendix G: Draft Capital Programme 2025/26 to 2028/29

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