



HIGHWAYS, TRANSPORT AND WASTE OVERVIEW AND SCRUTINY COMMITTEE - 22 JANUARY 2026

MEDIUM TERM FINANCIAL STRATEGY 2026/27 – 2029/30

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 2026/27 to 2029/30 Medium Term Financial Strategy (MTFS) as it relates to the Highways, Transport and Waste 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 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 the 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 Highways, Transport and Waste Services within the Council's Environment and Transport Department.
5. 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 26 January 2026. Following that, the Cabinet will consider the results of the scrutiny process on 3 February 2026 before recommending the

MTFS, including a budget and the Capital Programme for 2026/27, to the County Council on 18 February 2026.

Proposed Revenue Budget

6. Table 1 below summarises the proposed 2026/27 revenue budget and provisional budgets for the next three years thereafter for the Council's Highways, Transport and Waste Services. 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 | 115,883 | 119,308 | 122,453 | 130,655 |
| Budget transfers and adjustments | 3,995 | -170 | -8 | 114 |
| Add proposed growth (Appendix B – Growth and Savings 2026/27 – 2029/30) | 5,110 | 4,465 | 8,305 | 3,445 |
| Less proposed savings (Appendix B) | -5,680 | -1,150 | -95 | 0 |
| Proposed/Provisional budget | 119,308 | 122,453 | 130,655 | 134,213 |

7. 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.
8. The total proposed expenditure budget for the Highways, Transport and Waste Services in 2026/27 is £148.65m with contributions from grants, service user income, recharges to the Capital Programme and various other income totalling £29.35m. The proposed net budget for 2026/27 of £119.31m is distributed as shown in Table 2 below.

Table 2 - Net Budget 2026/27

| | £000 |
|---|-------------|
| Development & Growth | |
| Development & Growth | 1,590 |
| Highways & Transport Commissioning | 4,731 |
| Highways & Transport Network Management | 9,803 |
| Highways & Transport Operations | |
| Highways Operations Services | 17,949 |
| Assisted Transport Service | 44,189 |
| Highways & Transport Technical Support Services | 2,218 |
| Waste Management | |
| Management | 476 |
| Waste Management Commissioning | 1,294 |
| Waste Management Delivery | 33,532 |
| Departmental & Business Management | |

| | |
|---|----------------|
| Management & Administration | 2,592 |
| Departmental Costs (computing services, occupational health, postage, printing, subscriptions and stationery) | 934 |
| Total | 119,308 |

Budget Transfers and Adjustments

9. A number of budget transfers (totalling a net increase of £3.99m) were made during the 2025/26 financial year. These transfers include:
 - a) £3.45m for running cost/contract inflation for highways maintenance, street lighting and transport budgets from the central inflation contingency.
 - b) £0.90m for recovery of shortfall on operatives' recharge to capital.
 - c) £0.10m for ongoing contribution to non-delivery of proposed Recycling and Household Waste Sites (RHWS) Service provision savings following public consultation.
 - d) £0.05m from Extended Producer Responsibility (ERP) payment for staff delivery of ERP implementation.
 - e) £0.17m transfer to the Corporate Resources Department for provision of Human Resources and Health and Safety posts alongside contribution for Copilot licences, and savings on Granicus and blue badge service.
 - f) £0.13m transfer to Corporate Finance for the revenue funding of capital for food waste savings.
 - g) £0.21m transfer of Local Transport Grant (LTG) revenue funding to flood alleviation services.
10. 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.
11. 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 £0.03m for the Highways, Transport and Waste 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 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

15. The overall growth picture for the Highways, Transport and Waste Services is presented in Table 3 below.

16. For 2026/27 growth represents an increase of £5.11m (or 4.3%) compared to the original prior year budget. Special Educational Needs (SEN) transport is the main driver of growth, amounting to £4.98m in 2026/27 and rising to £13.28m by 2029/30. 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 | | | | | |
| Demand & cost increases | | | | | |
| Highways & Transport Services | | | | | |
| ** G16 | Special Educational Needs transport - increased client numbers/costs | 4,975 | 7,290 | 10,325 | 13,275 |
| ** G17 | Mainstream School Transport - increased client numbers/costs | 135 | 285 | 445 | 605 |
| ** G18 | Fleet Services vehicle maintenance costs | -45 | -70 | 0 | 70 |
| * G19 | Street Lighting maintenance costs | -125 | -125 | -125 | -125 |
| G20 | Loss of income on Passenger Fleet from removal of School Food Service | 65 | 90 | 90 | 90 |
| | | 5,005 | 7,470 | 10,735 | 13,915 |
| Waste Management Services | | | | | |
| ** G21 | DIY Waste - loss of income | 0 | 65 | 130 | 195 |
| ** G22 | Increased waste tonnages | 80 | 240 | 440 | 640 |
| * G23 | Emissions Trading Scheme (ETS) expansion to include energy from waste facilities | 0 | 1,500 | 6,000 | 6,000 |
| G24 | Deposit Return Scheme (DRS) | 0 | 275 | 550 | 550 |
| | | 80 | 2,080 | 7,120 | 7,385 |
| Departmental Wide | | | | | |
| * G25 | HGV Driver Market Premia | 25 | 25 | 25 | 25 |
| | TOTAL | 5,110 | 9,575 | 17,880 | 21,325 |
| 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

G16(**) SEN Transport – Increased client numbers/costs: £4.98m in 2026/27 rising to £13.28m by 2029/30

The cost of SEN transport continues to increase significantly. The number of pupils projected to need such transport in 2025/26 has risen beyond expectations at 21.73% and is forecasted to increase annually: 12.2% in 2026/27, 5.9% in 2027/28, 7.4% in 2028/29 and 6.2% in 2029/30. This aligns with the expected growth of pupils with Educational Health Care Plans (EHCP) that receive a funded package as forecasted by the Council's Children and Family Services Department, with approx. 45% of all pupils with an EHCP requiring transport.

The daily cost of transport is also 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.

A £0.99m forecast budget underspend in 2025/26 is due to the additional savings arising from the Assisted Transport Programme, partly offset by additional growth in users.

G17(**) Mainstream School transport: £0.14m in 2026/27 rising to £0.61m by 2029/30

Over the last four years the number of pupils requiring Mainstream Home to School transport has risen by 2.2%, with forward projections suggesting an increase of 2.3% per annum. Over the same period, the proportion of pupils receiving taxi transport has grown by 2.3% to accommodate both the increase and disparity of routes arising from pupils not attending their nearest school due to limited school placements.

G18(**) Fleet Service vehicle maintenance costs: savings of £0.05m in 2026/27 increasing to £0.07m in 2027/28 before breaking even in 2028/29 and incurring costs of £0.07m in 2029/30

The Fleet Service is responsible for the maintenance and service of all 343 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 are recharged accordingly. This growth is therefore submitted on behalf of the Environment and Transport Department and other departments.

Since September 2020, costs have risen by 106% or £554,000 as the Council's owned asset fleet has grown by 13% or 38 vehicles in response to service demands. Simultaneously, the age profile of vehicles has increased by 2.7 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 £3,318 (an increase of 68% or £1,348 per vehicle compared to 2020/21 figures). Naturally, the older the vehicle, the more maintenance costs are incurred and 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.

G19(*) Street Lighting maintenance costs: £0.13m from 2026/27 onwards

Removal of temporary growth provided as part of 2025-29 MTFS for one-off structural testing of an additional 1,025 street lighting columns in 2025/26 to comply with safety standards. Budget provision for 2026/27 onwards allows for the testing of approx. 3,678 street lighting columns as part of both planned and reactive maintenance.

G20 Loss of income on Passenger Fleet from the removal of School Food service: £0.07m in 2026/27 rising to £0.09m from 2027/28 onwards

In September 2025, the Cabinet decided that the Council should exit the School Food catering market at the end of the summer term 2026, as it was no longer a commercially viable business. As a result, passenger fleet drivers will no longer undertake mid-day school meal deliveries. This will result in a loss of income, partially offset by reduced costs. Schools have been informed that the service will be ceasing.

G21(**) DIY Waste – Loss of income: £0.07m in 2027/28 rising to £0.13m in 2028/29 and £0.20m in 2029/30

Following the cap (introduced in January 2024) on the Council's ability to charge for most non-household waste at RHWS, the Council has witnessed a steadier rise in DIY waste tonnage received than previously expected with only a 36% rise compared to pre-charging levels. Expectation remains that tonnages will rise over time to pre-charging levels as awareness of the free allowance spreads, but this will be at a much slower pace than previously assumed (as reflected in the revised profile, which assumes an annual rise of 57% from 2027/28).

G22(**) Increased Waste Tonnage: £0.08m in 2026/27 rising to £0.24m in 2027/28, £0.44m in 2028/29 and £0.64m in 2029/30

Increased waste costs arising following changes in district collection arrangements for dry recyclable material (DRM) from 2026/27, which will lead to approx. 7,000 tonnes of additional DRM being added to existing contract arrangements, together with residual waste arising from general population growth across the County. Household growth over the last five years has averaged 1.25%. Whilst residual waste tonnages have returned to the pre-Covid-19 pandemic levels, and are rising annually, DRM tonnages are currently remaining static and could potentially reduce with the introduction of Extended Producer Responsibility for Packaging (pEPR) and the roll-out of food waste separation. Any additional growth arising is therefore expected to be contained within existing budgets until 2028/29 pending full implementation of the Government waste initiatives, rising by 1% thereafter.

G23(*) Emissions Trading Scheme expansion to include Energy from Waste facilities: £1.50m in 2027/28 rising to £6.00m in 2028/29 onwards

The UK Emissions Trading Scheme (ETS) is expanding to include energy from waste (EfW) and waste incineration from January 2028. The ETS is a cap-and-trade system which caps the total level of greenhouse gases that can be emitted and allowed to be traded by sectors covered by the scheme, creating a carbon market with a carbon price to incentivise decarbonisation. The cap will decrease over time, in line with the Government's net zero ambitions (net zero by 2050). Given the planned ban on biodegradable waste to landfill / increasing landfill tax costs, the Council has no option other than to pay for any additional costs associated with the gate fee for the additional tonnages that will pass through. Costs are based on the assumption that each tonne of residual waste sent to EfW will emit a tonne of carbon, of which 50% will be from non-biogenic (fossil) sources. It has also been assumed that 150,000 tonnes of residual waste will be sent to EfW and that the ETS allowance price will be £80.

G24 Deposit Return Scheme: £0.28m in 2027/28 rising to £0.55m in 2028/29 onwards

From 1 October 2027, customers will pay a refundable deposit for certain single-use drink containers under the new Deposit Return Scheme (DRS). This will encourage households to return their single use drinks containers to redeem a deposit and not place it in their recycling waste. As a result, DRM tonnages currently received for disposal will reduce, eroding the net income achievable.

G25(*) HGV Driver Market Premium: £0.03m in 2026/27 onwards

Staff recruitment and retention remain difficult, as hourly rates alone continue to be uncompetitive. Market Premia and retention payments to specialist HGV drivers and waste operatives on an ongoing basis remain critical for business resilience. These arrangements have now been extended to specific Assistant Engineers and Senior Technicians within the Drainage and Flood Alleviation Team following advice from the Council's Human Resources service on the grounds of comparability. Market Premium represents a proportion of salary cost, and as such is subject to annual increases linked to the pay award. These annual increases are managed separately through the inflation bid process.

Savings

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

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

| References | | | 2026/27 £000 | 2027/28 £000 | 2028/29 £000 | 2029/30 £000 | |
|--|-----|---------|---|-----------------|-----------------|-----------------|--------|
| SAVINGS | | | | | | | |
| Highways & Transport Services | | | | | | | |
| ** | ET1 | Eff | Assisted Transport Programme | -4,010 | -4,845 | -4,845 | -4,845 |
| ** | ET2 | Inc | Network Management incl. temporary traffic regulation orders (TTRO) | -200 | -200 | -200 | -200 |
| ** | ET3 | Inc | Fees and Charges Uplift | -35 | -35 | -35 | -35 |
| * | ET4 | Eff | Traffic Signals energy savings arising LED implementation | -20 | -20 | -20 | -20 |
| | ET5 | Eff | Contract Procurement efficiencies | -800 | -800 | -800 | -800 |
| | | | | -5,065 | -5,900 | -5,900 | -5,900 |
| Waste Management Services | | | | | | | |
| ** | ET6 | Inc | Trade Waste income | -100 | -100 | -100 | -100 |
| ** | ET7 | Eff/Inc | Food Waste implementation | -260 | -575 | -670 | -670 |
| ** | ET8 | Inc | Fees and Charges Uplift | -5 | -5 | -5 | -5 |
| | ET9 | Inc | Recycling Materials Increased Income | -250 | -250 | -250 | -250 |
| | | | | -615 | -930 | -1,025 | -1,025 |
| TOTAL | | | -5,680 | -6,830 | -6,925 | -6,925 | |

References used in the tables

* items unchanged from previous Medium Term Financial Strategy

** items included in the previous Medium Term Financial Strategy

no stars = new item

Eff - Efficiency saving

EE - Efficiency saving
SR - Service reduction

SR - Service
Inc - Income

18. The Highways, Transport and Waste Services are expecting to deliver £5.68m savings in 2026/27, which are projected to rise to £6.83m in 2027/28 and £6.93m in 2028/29 subject to the delivery of a number of reviews and initiatives.

****ET1 (Eff) Assisted Transport Programme: £4.01m in 2026/27 rising to £4.85m by 2027/28**

Estimates have been 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 (Inc) Network Management including Temporary Traffic Regulation Order: saving of £0.20m from 2026/27 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.

****ET3 (Inc) Fees and Charges uplift: saving of £0.04m from 2026/27 onwards**

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

***ET4 (Eff) Traffic Signals energy savings arising from LED implementation: saving of £0.02m 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.

ET5 (Eff) Contract Procurement efficiencies: saving of £0.80m from 2026/27 onwards

Making public transport costs more efficient through procurement processes as new and renewed services rolled out across the County.

****ET6 (Inc) Trade Waste Income: saving £0.10m from 2026/27 onwards**

Increased income arising from rates charged for trade waste at Whetstone Transfer Station and the district trade collected waste disposed of through Leicestershire contracts.

****ET7 (Eff/Inc) Food Waste Implementation: saving £0.26m in 2026/27 rising to £0.58m in 2027/28 and £0.67m thereafter**

Mandatory food waste collections from all households are required to be introduced in April 2026 as part of the 'Simpler Recycling' reforms. Waste Disposal Authorities will not receive new burdens funding for the management of

food waste. The Government expects capital requirements (e.g. additional transfer capacity, containers, and vehicles, which are estimated to cost approximately £1.38m for the Council) and revenue costs (e.g. treatment, drivers, procurement, and contract management) to be funded from disposal savings arising from food waste treatment (anaerobic digestion), which costs less per tonne than residual waste disposal.

Capital investment and preparations for treatment is in progress and has been reflected in the 2026-30 MTFS as a budget transfer to the Corporate Resources Department for the Capital Programme with £0.13m in 2026/27 and a further £0.15m in 2027/28.

****ET8 (Inc) Fees and Charges uplift: saving of £0.01m from 2026/27 onwards.**

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

ET9 (Inc) Recycling Materials Increased income: saving of £0.25m from 2026/27 onwards.

Market prices for certain recycling materials have increased in the last couple of years, leading to increased income received through the Casepak contract.

19. 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

20. 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 (further information can be found at paragraphs 23-32 of this report).
21. Potential Savings Under Development (SUD), which are not yet currently developed enough to be able to quantify and build them into the MTFS, include:
 - a) **Post-16 SEN Transport:** Review of discretionary transport for post-16 SEN students, focusing on appeals, financial controls, and alternative options such as increasing Personal Transport Budget (PTB) values to encourage uptake and reduce overall costs.
 - b) **Fleet efficiencies and improvements:** Reduce reliance on hired vehicles and optimise fleet size using service data. This includes reviewing utilisation, maintenance costs and replacement cycles. The commercial appetite for using the workshop to generate income will also be explored.

- c) Network Management Improvement Project (NMIP): Streamline roadworks permitting processes to achieve operational excellence, improve compliance and strengthen financial control. This is a prerequisite for considering the national Lane Rental Scheme.
- d) Commercialisation of Highways Services: Assessing potential to generate new/increased income for the Authority from highways assets, including street lighting columns and bus shelters. This will require legal agreements and market testing to confirm appetite, as well as being dependent on external parties.
- e) Lane Rental Scheme: Once NMIP is complete, the Council will explore the ability to charge utility companies and developers for occupying roads during works. This would incentivise quicker completion and generate income.
- f) RHWS income and service efficiency: Improve efficiency at RHWS and explore further income generating options, e.g. re-use shops, and maximising contract performance.
- g) Forestry Service: Review and consolidate under Environment and Transport Department (currently, the service sits within two Council departments) to reduce costs, improve safety and deliver a consistent, accountable service.
- h) On-street parking charges: Explore introducing paid parking in high demand areas, e.g. town centres where parking is currently free but time limited. Requires feasibility work, updated surveys and public consultation.
- i) School Crossing Patrols: Develop an alternative funding model to include seeking partial contribution from third parties for providing the service.

22. 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 current ideas and is expected to be shaped significantly as the Efficiency Review progresses.

Future Financial Sustainability and Efficiency Review

- 23. Despite delivery of extensive savings already, a significant 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.
- 24. The Efficiency Review was initiated by the Council's new Administration in response to a then-projected £90m budget gap by 2028/29, alongside mounting pressures on capital funding and SEN 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.

25. Key elements of the review include:

- a) Reviewing all Council activities for cost reduction, service redesign, and income generation (excluding commercial ventures).
- b) Assessing existing MTFS projects and savings ideas to prioritise or redesign them, to identify where savings targets could be stretched or accelerated.
- c) Strengthening governance, data management and resource mobilisation within the current Transformation Strategy.
- d) Reviewing the County Council's approach to delivering change to ensure it is well placed to support implementation and future Council change initiatives.

26. The review is being undertaken by Newton Impact and commenced in early November 2025, with detailed recommendations due in early 2026 to inform future financial planning and the Cabinet's decisions.

27. 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.

28. 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.

29. 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.

30. For Highways, Transport and Waste Services, the opportunities being developed include:

- a) Potential for reducing costs through independent travel training for SEN transport.
- b) Potential to maximise income through Fees and Charges – looking at where the Council charges less than neighbouring authorities, and where they may be opportunities to introduce new charges.
- c) 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.
- d) Place-based service efficiency reviews – place-based services are those delivered on the ground by multiple Council teams such as highways,

transport, waste, libraries, trading standards and other regulatory services within various departments. 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 have the potential to release financial benefits.

31. 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 the Local Government Reorganisation, the coming year will be critical in driving high-impact change, engaging stakeholders, and preparing the organisation for future challenges.
32. 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.

Other Factors Influencing MTFS Delivery

33. The Government's recent announcement of multi-year settlements for the MTFS period provides a welcome degree of certainty, enabling more effective strategic planning and reliable service delivery. Post-Covid-19 pandemic interventions, such as the Bus Grant (formally the Bus Service Improvement Plan), have driven substantial improvements in local transport provision and fostered stronger partnerships with bus operators. However, previously the lack of guaranteed ongoing funding placed the future of these services in jeopardy. With this improved funding clarity, ambitions can now be aligned with available resources, ensuring greater stability and continuity for transport services.
34. Similarly, the LTG together with increased Highways Maintenance Block funding provides a £43m uplift in capital investment over the next four years. While Leicestershire has traditionally been renowned for having well maintained roads, a lack of proactive investment over the last decade due to insufficient funding has led to a rapid deterioration of the road network, creating a maintenance backlog which will not be recovered in the short- to medium-term. Unfortunately, this boost in capital investment is not matched by a corresponding increase in revenue funding required to carry out the works, resulting in a greater reliance on the use of capital substitution (the replacement of capital funds that has restrictions on the type of spend it can be used on with revenue funds that has no restrictions on usage) to enable delivery of activities such as reactive highways maintenance and winter maintenance that cannot be capitalised because such works do not lengthen substantially the life of an asset or increase its market value.
35. Capital substitution is becoming increasingly problematic, with fewer capital schemes being funded from revenue across the County Council. Furthermore,

the DfT's proposals to merge the various integrated transport and bus grants into a single local transport consolidated grant, with spend assessed against an approved Local Transport Delivery Plan and Section 151 Officer confirmation that spend is aligned to specific revenue/capital grant allocations will constrain the ability to manage any capital substitution. Ultimately, this could result in the scaling back on highways works to comply with the funding conditions, to ensure affordability within respective capital/revenue funding allocations, and/or increase the use of more expensive agency resource that can be charged direct to capital. This approach would not emulate the most effective use of public funds and could delay works due to an inability to secure the relevant skill set from the agency market. Following the recent DfT rating of highway maintenance by authority and the data required on maintenance capital spend, further consideration is now being given to the option of removing the requirement for a capital substitution. Such amendment will be reflected in the Cabinet report to be presented in February 2026.

36. 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 projects alongside front-line service delivery and the perpetual need to identify future savings opportunities. The tight financial environment continues to mandate increased bureaucracy in the form of stronger financial controls and enhanced governance arrangements, which in turn adds to work pressures.
37. While work to drive service efficiencies will continue across the Department, service reductions are 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.
38. 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.
39. Historically, housing and population growth were the main contributors to rising waste tonnages that the Council, as a Waste Disposal Authority, had a statutory responsibility to dispose. However, policy change combined with changes in waste composition have decoupled this tie. The draft MTFS assumes no overall waste growth in the first two years, i.e. waste per household drops each year to offset any growth for increased number of residents/households. Recent trends have shown an increase in overall kerbside collected residual waste but with a decrease in the amount of kerbside collected recycling and composting. The rate per household collected is still

dropping but this rate is being outpaced by the growth in new houses and population. The measures in the Collection and Packaging Reforms should help limit waste growth in the first half of the MTFS but after implementation it is expected that growth in residual waste is to resume. This will be kept under review as the impact of the reforms becomes clearer over time.

40. Delivery of the Leicestershire Resources and Waste Strategy, combined with campaigns to stimulate positive behaviour change (focusing on reuse, recycling and composting) and supporting successful implementation of expected reforms, will continue to help to minimise growth in waste tonnages and reduce costs by diverting waste from the more expensive methods of disposal.
41. The Government has embarked on a landscape scale change to waste legislation, not least the roll out of Countywide food waste collections and consistent collections of recyclables as the Government implements the Collection and Packaging Reforms. Some previously identified risks, e.g. removal of the Council's ability to charge for all DIY waste from January 2024, are still expected to materialise and have been included as a growth requirement. Nevertheless, further legislative changes are anticipated for which the net effect of the cost implications remains unknown. For instance, EfW facilities are expected to be brought into scope of the ETS in 2028. This is estimated to equate to an additional cost pressure of £6m per annum for the Council with no new funding expected to be made available for the majority of this new burden.
42. An pEPR payment to the Council of £5.88m has been confirmed for 2026/27 to cover costs associated with the management of packaging waste, which net of assumed cost has resulted in a continued £5.83m benefit for the Council. Future payments will be subject to further review and adjustment as the Collection and Packaging Reforms are rolled out and performance effectiveness metrics and evaluation approach is implemented.
43. Recruitment and retention of staff, particularly across Waste Management Services, continues to impact on ability to deliver business as usual activity alongside service change projects. There is an increasing reliance on agency staff in operational areas and an ageing workforce. Across the Waste Management Delivery Service alone, only 77% of posts are filled with Council staff, with an additional 20% of roles filled with agency staff. More than 26% of the staff on a Council contract have less than two years' service. Without the necessary staff resources, the savings outlined in this report cannot be realised. Factors affecting recruitment and retention include below inflation pay rises/higher levels of pay in the private sector, ever increasing levels of stress, cost of living pressures, lack of funding for permanent roles (temporary roles are less attractive) and a competitive market for both operational and skilled/subject matter expert roles. Therefore, the recruitment and retention incentive measures continue to be required.
44. The impacts of a changing climate further compound 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 road 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 the Lead Local Flood Authority to carry out investigations into the causes of such flooding, and proactively work with communities to help them recover from flooding and build resilience for any future flood events.

Other Funding Sources

45. For 2026/27, 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 – £3.12m income from developers relating to fees for staff time, mostly around design checks for these agreements.
- b) Capital fee income - £6.41m 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) - £9.02m.
- d) Driver education workshops - £3.36m 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) Civil parking enforcement income - £1.29m derived from penalty charge notices (PCNs) for on-street parking, income from the district councils to cover the cost of processing for off-street PCNs on their behalf and parking permit income.
- f) Vehicle workshop internal recharge - £2.54m, vehicle use that is recharged back to the Capital Programme where appropriate.
- g) Other specific grants - £1.01m (including £0.58m LTG confirmed, £0.04m Enhanced Partnership officer funding carried forward, £0.08m National Bus Strategy carried forward and £0.31m Bikeability grant estimated).
- h) Bus Grant (including the Bus Service Improvement Plan and Bus Service Operators Grant) - £9.18m to deliver bus service improvements. This

includes confirmed grant funding of £4.78m for 2026/27 in addition to £4.40m estimated carried forward from 2025/26.

- i) Leicester, Leicestershire and Rutland Road Safety Partnership (LRRSP) - £0.31m returns and a drawdown from reserve to fund safety schemes.
- j) Pan Regional Transport Model - £2.07m funding provided for the transport model development work.
- k) Income from sale of recyclable materials - £1.78m.

Capital Programme

46. The draft Capital Programme is summarised in Table 5 below and the detailed programme is set out in Appendix C. The Capital Programme is funded by a combination of the LTG, discretionary funding and other external and internal sources. The Capital Programme has been updated to reflect funding announcements including £11.12m Bus Grant allocation, which was not included in the report presented to the Cabinet on 16 December 2025. The combined impact of the announcements on funding amounts to a £19.02m uplift in the Capital Programme.

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

| | 2026/27 £000 | 2027/28 £000 | 2028/29 £000 | 2029/30 £000 | Total £000 |
|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Major Schemes | 11,452 | 4,965 | 6,103 | 3,866 | 26,386 |
| Minor/Other Schemes | 21,118 | 9,475 | 10,191 | 7,207 | 47,991 |
| Transport Asset Management | 33,110 | 40,682 | 43,241 | 49,091 | 166,124 |
| Waste Management | 1,289 | 1,241 | 437 | 290 | 3,257 |
| Total | 66,969 | 56,363 | 59,972 | 60,454 | 243,758 |

47. The Programme includes £26.39m to deliver major infrastructure schemes consisting of:

- a) Zouch Bridge: £3.75m towards the cost of bridge replacement (total scheme gross costs £19.60m);
- b) Advanced design programmes: £12.17m;
- c) Market Harborough improvements: £2.51m (total scheme gross cost £4.36m);
- d) Leicestershire Cycling and Walking Improvements Plan delivery: £3.82m;
- e) The Parade Oadby Cyclops Junction: £1.00m;
- f) Local Electric Vehicle Infrastructure (LEVI) Full roll out: £3.14m.

48. A breakdown of the funding streams that support the Highways, Transport and Waste Services Capital Programme is provided in Table 6 below.

Table 6 – Highways, Transport and Waste Capital Funding

| | 2026/27 £000 | 2027/28 £000 | 2028/29 £000 | 2029/30 £000 | Total |
|---|-----------------|-----------------|-----------------|-----------------|----------------|
| Grants – LTG | 15,174 | 17,435 | 19,387 | 21,414 | 73,410 |
| Grants – Highways Maintenance Block Baseline funding | 21,425 | 23,679 | 26,345 | 31,457 | 102,906 |
| Grants – Highways Maintenance Block Incentive funding | 7,830 | 10,089 | 10,152 | 10,343 | 38,414 |
| Grants – Active Travel England | 890 | 890 | 891 | 890 | 3,561 |
| Grants - Bus Grant | 2,698 | 2,752 | 2,806 | 2,859 | 11,115 |
| Grants – DfT Levi Full | 299 | 599 | 2,237 | 0 | 3,135 |
| Section 106 Contributions | 3,069 | 439 | 0 | 0 | 3,508 |
| Revenue and Earmarked Funds | 100 | 100 | 100 | 100 | 400 |
| Capital Substitution | -3,956 | -4,265 | -6,836 | -8,512 | -23,569 |
| Receipt of Forward Funding | 382 | 2,039 | 2,321 | 627 | 5,369 |
| Corporate Funding (capital receipts and revenue) | 19,058 | 2,606 | 2,569 | 1,276 | 25,509 |
| Total Highways, Transport & Waste Services | 66,969 | 56,363 | 59,972 | 60,454 | 243,758 |

49. The grant allocations include:

- a) LTG - funding has been confirmed for the next four years and amounts to £73.94m in total, of which £73.41m relates to Highways and Transport Services. 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 - The combined Highways Maintenance Block funding has been confirmed for the next four years and amounts to £144.72m in total, of which £141.32m relates to Highways and Transport Services and represents an increase of £1.00m in 2026/27 compared to the current year's overall allocation. A proportion of this total funding (£39.34m or 27.2%), has been designated as incentive funding and will be subject to the Council as the Local Highways Authority (LHA) demonstrating that it

has complied with best practice in highways maintenance. At least 25% of the incentive funding will be dependent on the LHA publishing transparency reports.

For 2026/27, 50% of the incentive funding will be subject to the LHA's performance. Further details on the performance-based measures are expected to be confirmed in due course. Further performance-based metrics are likely to be considered as part of future incentive fund allocations.

It should be noted that compared to the current financial year, the incentive fund element has increased as a proportion of the total funding allocation by 20.2% (from 6.6% to 26.8%). For the purpose of the 2026-30 MTFS Capital Programme, 100% incentive funding has been assumed.

50. While the DfT funding allocation for highway maintenance in 2026/27 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.
51. Other capital grants included are:
 - a) Active Travel England – £3.56m funding confirmed in total over four years to facilitate a Cycling and Walking Improvement programme.
 - b) Bus Grant - £11.12m funding confirmed in total over four years to make improvements for local bus services and infrastructure. Note this is an addition to the December 2025 Cabinet report as details were released following the report's circulation.
 - c) DfT LEVI Full - £3.13m balance remaining from LEVI full roll out funding.
52. To provide flexibility in the use of funding across the modes of transport outlined in local transport plans, the DfT is providing multi-year funding allocations and will simplify local transport funding for Local Transport Authorities into two pots: an Integrated Transport Fund (ITF); and a Bus Service Fund (BSF), through the consolidation of following formula-based grants:
 - a) Highways Maintenance (capital),
 - b) Active Travel (capital and revenue),
 - c) LEVI (revenue),
 - d) LTG (capital and revenue),
 - e) Local Authority Bus Grant (capital and revenue).
53. Conditions of the grant will restrict ITF usage to the delivery of local transport outcomes (as prioritised by the DfT), and the BSF will be restricted to supporting outcomes for bus passengers/services in accordance with expectations outlined in the model sections of the County Council's transport

delivery plans. Progress against plans will be reported with the risk of sanctions being imposed including claw-back of funding, or reductions to future funding allocations, for non-achievement. This could remove the Council's current ability to substitute capital funding for revenue to delivery works and will restrict the Council's ability to carry forward funding into future financial years where delivery against plan has slipped.

54. Funds which will be used to deliver specific schemes/outputs (namely Major Road Network, Levelling Up Fund and Structures Fund) will remain separate, as will the transport element of the funding paid via the Local Government Finance Settlement.
55. The County Council is still awaiting details as to how the new £1bn Structures fund, which has been created to "enhance and repair" bridges, retaining walls and other structures as part of a new 10-year Infrastructure Strategy, will be allocated to authorities.
56. There is continued risk stemming from labour shortages slowing progress and whilst this can be addressed through outsourcing, it is more costly. As implied above, 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.
57. Often this can be compounded by other pressures, such as adverse weather conditions that 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

58. Capital projects that are not yet 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, they will be assessed against the balance of available resources and incorporated in the Capital Programme as appropriate. These include:
 - a) New Melton RHWS,
 - b) Compaction equipment,
 - c) Green vehicle fleet,
 - d) Windrow Composting facility.

Background Papers

Report to the 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>
(item 5)

Circulation under Local Issues Alert Procedure

None.

Equality Implications

59. 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.

60. 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.

61. 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.

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

63. 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

64. 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

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