



ENVIRONMENT, FLOODING AND CLIMATE CHANGE OVERVIEW AND SCRUTINY COMMITTEE - 26 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 Environment, Flooding and Climate Change 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 Environment, Flooding and Climate Change 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. 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 Environment, Flooding and Climate Change 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	1,290	1,620	1,635	1,644
Budget transfers and adjustments	330	15	8	-114
Add proposed growth (Error! Reference source not found.)	0	0	0	0
Less proposed savings (Appendix B)	0	0	0	0
Proposed/Provisional budget	1,620	1,635	1,644	1,530

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 Environment, Flooding and Climate Change Services in 2026/27 is £1.76m with contributions from grants, service user income totalling £0.14m. The proposed net budget for 2026/27 of £1.62m is distributed as shown in Table 2 below.

Table 2 - Net Budget 2026/27

	£000
Highways & Transport	
Flood Alleviation	904
Environment & Climate Resilience	
Staffing and administration required to develop and deliver environmental policy and strategy; and climate resilience.	657
Initiatives including funding for Ashby Canal general maintenance, Tree Warden events, Charnwood Forest contributions, and wildlife verge scheme.	59
Total	1,620

Budget Transfers and Adjustments

9. A number of budget transfers (totalling a net increase of £0.31m) were made during the 2025/26 financial year. These transfers include:
 - a) £0.10m for ongoing contribution to flood alleviation works.
 - b) £0.21m transfer of the Local Transport Grant (LTG) revenue funding from highways to flood alleviation works.
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 increase of £0.03m for the Environment, Flooding and Climate Change Services.
12. No savings opportunities or growth requirements have been proposed for Environment, Flooding and Climate Change Services over the 2026-30 MTFS period.

Savings Under Development

13. Current Savings Under Development (SUDs) for Environment, Flooding and Climate Change Services are at a very early stage and therefore cannot yet be quantified or detailed. Work is focused on agreeing mandates and exploring potential opportunities rather than progressing to business case development.
14. Once business cases have been completed and appropriate consultation and assessment processes undertaken, savings will be confirmed and included in a future MTFS. It is expected that any developments will be shaped significantly as the Efficiency Review progresses.

Future Financial Sustainability

15. 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.
16. 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 special educational needs budgets. To address these financial challenges, the Council commissioned a comprehensive, evidence-led review of all services and spending, aiming to identify ways to accelerate existing initiatives and identify new opportunities. The review will identify opportunities to redesign services, optimise resources, and embed a performance-driven culture across the organisation.

17. 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 Council's Transformation Strategy.
 - d) Reviewing the Council's approach to delivering change to ensure it is well placed to support implementation and future Council change initiatives.
18. The review is being undertaken by Newton Impact and commenced in early November 2025, with detailed recommendations due early 2026 to inform future financial planning and Cabinet decisions.
19. 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.
20. 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.
21. 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.
22. For Environment, Flooding and Climate Change Services, the opportunities being developed include 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.
23. 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.

24. 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

25. 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. The LTG together with increased Highways Maintenance Block funding provides an uplift in capital invest over the next four years, which will help support the cost of planned flood mitigation. 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 that cannot be capitalised because such works do not lengthen substantially the life of an asset or increase its market value.

26. Capital substitution is becoming increasingly problematic, with fewer capital schemes being funded from revenue across the County Council. Furthermore, the Department for Transport's proposals to merge the various transport and bus grants into a single local transport consolidated grant, with spend assessed against an approved Local Transport Delivery Plan and Section 151 [senior finance] 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 including flood alleviation, to comply with the funding conditions and ensure affordability within respective capital/revenue funding allocations. 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.

27. The impacts of a changing climate further compound the need for greater investment in Environment, Flooding and Climate Change 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 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.

28. In acknowledgement of the devastating effects flooding has had across the County, and the high priority placed on flood alleviation, the Cabinet took the decision to reprioritise £2m from the earmarked reserve for carbon reduction

work to flooding mitigation initiatives and to adapting services towards mitigating the impacts of severe weather events. This one-off temporary funding has been included in the revenue budget for the period 2026/27 to 2028/29. Future financial implication will need to be reassessed following completion of such related works.

29. The 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.

Other Funding Sources

30. 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) Capital fee income - £0.16m 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.
- b) Other specific grants - £0.14m estimated for the Local Nature Recovery Strategy.

Capital Programme

31. The draft Capital Programme is outlined in Table 3 below and is funded by a combination of the LTG, Highways Maintenance Block funding, Environment Agency grant and reserves.

Table 3 – Summary Draft Capital Programme 2026/27 to 2029/30

	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
Property Flood Risk Alleviation	1,176	352	0	0	1,528
Flood Alleviation	600	925	925	870	3,320
Ashby Canal	37	37	37	37	148
Total	1,813	1,314	962	907	4,996

32. An Environment Agency grant totalling £1.45m will fund most of the Property Flood Risk Alleviation capital works with the balance being funded by the Council.
33. The Flood Alleviation Capital Programme forms part of the Highways and Transport Asset Management Programme and equates to £3.93m or 1.8% of the combined Highways Maintenance Block and LTG allocation for the four-

year period. An element of this (£0.61m) has been top sliced as a capital substitution to fund the revenue cost associated with service delivery.

- a) The Highways Maintenance Block funding has been confirmed for the next four years and amounts to £144.72m in total, of which £3.40m relates to Environment, Flooding and Climate Change Services. 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.
- b) 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.
- c) 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.

Capital Programme – Future Developments

34. 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 included in the Capital Programme as appropriate. While these schemes come under the direct remit of the Highways, Transport and Waste functions, they will contribute towards the Council's environmental outcomes. 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

35. 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.
36. 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.
37. 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.
38. If, as a result of undertaking an assessment, potential negative impacts are identified, these will be subject to further assessment.
39. 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

40. 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 – Capital Programme 2026/27 – 2029/30

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