Leicestershire County Council

SCRUTINY COMMISSION – 28 JANUARY 2026

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

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. The purpose of this report is to:

    a) Provide information on the proposed 2026/27 to 2029/30 Medium Term Financial Strategy (MTFS) as it relates to Corporate and Central Items;

    b) Provide an update on changes to funding and other issues, arising since the publication of the draft MTFS in December 2025;

    c) Provide details of the Earmarked Reserves Policy and Balances, and Capital Strategy;

    d) Ask members of the Commission to consider any issues as part of the consultation process and make any recommendations to the Cabinet accordingly.

Timetable for Decisions (including Scrutiny)

2. On 16 December 2025 the Cabinet agreed the proposed MTFS, including the 2026/27 revenue budget and 2026/27 to 2029/30 capital programme, for consultation. The Overview and Scrutiny Committees and the Scrutiny Commission will consider the proposals during January 2026.

3. An update of the MTFS will be reported to the Cabinet on 3 February 2026, and then to the County Council on 18 February 2026 to approve the MTFS including the 2026/27 revenue budget and capital programme. This will enable the 2026/27 budget to be set before the statutory deadline of the end of February 2026.

Policy Framework and Previous Decisions

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

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

MTFS Summary – Cabinet 16 December 2025

5. The draft MTFS was approved by the Cabinet on 16 December 2025. A copy is attached as Appendix A.

6. The key revenue budget details were:

- Local Government Settlement to cover 2026/27, 2027/28, and 2028/29.
- Council Tax increase of 2.99% in 2026/27, and 2.99% for the following three years
- Growth of £131m required, primarily to meet the forecast increase in demand for social care
- Provision for pay and price inflation in 2026/27 and later years, £79m, driven by the National Living Wage (NLW) increases.
- Savings required of £199m - of which £45m are identified and £48m relate to Special Education Needs, leaving a shortfall of £106m to be found.

7. The key capital programme details were:

- The draft four-year capital programme totals £456m
- Capital funding available totals £372m
- Balance of £84m requiring prudential borrowing to be temporarily funded from the Council's internal cash balances.

Changes to the Revenue Budget 2026-30

8. A summary of the overall MTFS revenue position as reported to Cabinet on 16 December 2025 is shown in Appendix B.

9. The draft MTFS to the Cabinet in December was compiled prior to the announcement of the provisional local government settlement. Following receipt of the provisional settlement and other updates since December the following changes will be incorporated in the final version of the MTFS to the Cabinet in February.

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Shortfall at 16 December 2025	23.3	49.0	78.2	106.1
Provisional Settlement	-3.0	-3.0	-6.1	-6.1
Growth changes	-1.9	-1.9	-1.9	-1.9
Bank Interest / Financing of Capital	0.0	-1.0	-1.2	-1.3
Council Tax – updated tax base	0.1	0.1	0.1	0.1
Inflation contingency, other changes	-1.2	-3.1	-5.1	-7.1
Revised Shortfalls	**17.3**	**40.1**	**64.0**	**89.8**

10. There are estimated gains from the Provisional Settlement of £3.0m in 2026/27 and 2027/28 rising to £6.1m from 2029/30. Some of the changes on grants are complex and issues on ring-fencing are awaiting clarification from the Government.

11. Growth changes will be confirmed in the report to Cabinet on 3 February, including:

    - Reductions to the Children and Families Services growth for Social Care Placements by around £2m.
    - Growth of £0.1m in the Chief Executive's Department budget for subscriptions for rejoining the Local Government Association and the County Councils Network.

12. Forecasts of bank and other interest and the costs of financing capital are being updated and show net benefits of £1.0m in 2027/28 rising to £1.3m in 2029/30.

13. The District Councils have provided tax base figures for 2026/27 which are slightly lower than the estimate included at the time of the Cabinet Report in December 2025. There will be a reduction of £0.1m in the Council Tax precept.

14. Inflation contingency, other, net reduction of £1.2m in 2026/27 rising to £7.1m by 2029/30, mainly due to a reduction in running cost inflation estimates following lower CPI forecasts.

15. The above changes have not yet been reflected in the Appendix B to this report which is unamended from the version that was presented to Cabinet in December. The net effect of the changes above, and any others that may arise subsequently, will be proposed to the Cabinet in February.

16. Balancing the budget is a continued challenge. With continual growth in service demand recent MTFS's have tended to show two-years of balanced budgets followed by two years of growing deficits. This approach balances the need for sufficient time to identify initiatives that will close the gap without cutting back services excessively. The draft MTFS still has a gap next year £23.3m (which would reduce to £17.3m based on the latest figures from the table above) with the following three years also all in deficit.

17. The updated £40m gap in the second year will not be cleared by the time the MTFS is approved in February 2026. Reserves are only a short-term solution and the Council will need to ensure it has adequate savings and growth mitigation plans in place from 2027/28 to avoid the need to rely on reserves again to balance the budget. A heightened focus on the County Council's finances continues to be required whilst this situation remains.

18. Considering the scale of the challenge faced by the Council, existing financial control measures are being kept in place to ensure a tight focus on eliminating non-essential spend. The controls will be kept under review and consideration

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

Future Financial Sustainability

19. Despite delivery of extensive savings already, a significant financial gap remains within the Council's MTFS, emphasising the need to accelerate and expand the Council's ambitions and explore new, innovative options. A step-change in approach is required.

20. The Efficiency Review was initiated by the new Administration in response to a then-projected £90m budget gap by 2028/29, alongside mounting pressures on capital funding and special educational needs budgets. To address these financial challenges, the Council commissioned a comprehensive, evidence-led review of all services and spending, aiming to identify ways to accelerate existing initiatives and identify new opportunities. The review will identify opportunities to redesign services, optimise resources, and embed a performance-driven culture across the organisation.

21. Key elements of the review include:

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

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

23. The first stage of work was focused on any immediate opportunity to accelerate existing MTFS savings. The first of these, included in the draft MTFS position, is reablement in Adult Social Care. The initial saving included in the MTFS is £1m, building on an existing saving in this area of £1.9m.

24. The further initiatives that will be developed over the next few months are expected to be a combination of i) ideas that had not progressed due to resource availability, ii) existing initiatives that can be expanded due to greater insight, iii) new initiatives to the Council.

25. The review is still in its early stages and is progressing as expected. If further initiatives can be developed to a satisfactory level of confidence they will be included in the MTFS report to the Cabinet in February.

26. The County Council is taking decisive action to close the budget gap and build a financially resilient organisation. The Efficiency Review will result in a revised Transformation Programme underpinned by strong governance and innovation to accelerate delivery and embed new ways of working. With significant uncertainty and change linked to Local Government Reorganisation, the coming year will be critical in driving high-impact change, engaging stakeholders, and preparing the organisation for future challenges.

27. There will need to be a renewed focus on these programmes during the next few months to ensure that savings are identified and delivered to support the 2026/27 budget gap. Given the scale of the financial challenge, focus will be needed to prioritise resources on the change initiatives that will have the greatest impact, and work is already underway to do this.

Corporate and Central Items

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

Dedicated Schools Grant (DSG) - Central Dept Recharges

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

MTFS Risks Contingency

30. The proposed MTFS includes a contingency of £8m each year for other specific key risks that could affect the financial position on an ongoing basis. Examples include:

- The non-achievement of savings.
- Uncertainty of partner funding, for example the provision of services through the Better Care Fund.
- Pressure on demand-led budgets particularly in social care.
- Maintaining the level of investment required to deliver savings.
- New service pressures that arise.
- Risks around commercial services.
- Other one-off pressures.

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

Contingency for Inflation / Living Wage

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

Financing of Capital

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

Bank and Other Interest

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

Central Expenditure

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

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

Corporate Growth and Savings

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

Adequacy of Earmarked Reserves and Robustness of Estimates

37. The Local Government Act 2003 requires the Director of Corporate Resources to report on the adequacy of reserves, and the robustness of the estimates included in the budget.

38. The financial environment continues to be challenging with a number of known major risks over the next few years. These include:

- High inflation persisting for longer than expected.

- Non-achievement of savings and income targets. The requirement for savings and additional income totals £183m over the next four years of which £90m is unidentified. Successful delivery of savings is not wholly in the control of the County Council.
- Unforeseen service pressures resulting in an overspend, particularly demand-led children's and adult social care.
- SEN spend in excess of grant. A cumulative deficit of in excess of £400m is forecast by the end of 2029/30. Expenditure each year is expected to be between £72m and £102m more than high needs block funding, despite £48m of savings being targeted.
- The National Living Wage is estimated for three of the four years of the MTFS and pay awards are unknown for any year.
- The strength of the economy dictates the funding of the public sector, both directly through council tax and business rate income and indirectly through the influence on Government funding decisions.
- The increasing reliance on income generated from services in other parts of the public sector (such as schools and NHS). Given the tight financial environment it will be challenging to maintain or keep increasing income.
- Uncertainty of the timing and financial impact of a number of significant government initiatives:
  - Review of SEND reforms
  - Adult Social Care charging reforms
  - Children's Social Care reforms

39. Although it is understood from 2028/29 the Government will absorb SEND costs, it has not specified how this will be achieved and how it will be funded. This may mean that local authorities would not build up further DSG deficits from 2028/29. However, based on current policy, local authorities would then be required to recognise the historic DSG deficits, which are expected to reach £14 billion nationally, on their balance sheets. This would be very likely to result in many local authorities issuing Section 114 Notices – effectively declaring that they are unable to set a balanced budget. The fiscal impact of this would depend on how central government and individual local authorities respond. The Government has not set out how it will address this issue other than to state that its policy position is to work with local authorities to manage their SEND deficits and that it will set out more detail in the final Local Government Finance Settlement in early 2026, supported by any subsequent updates contained in the Schools White Paper due to published in the new year.

40. No budget can ever be completely free from risk. Necessarily, assumptions are made which means that the budget will always have an amount of uncertainty.

41. There are a number of ways that risks will be mitigated and reduced. These are summarised below and explained in more detail in the following paragraphs:

    - General Fund
    - MTFS contingencies
    - Earmarked reserves
    - Effective risk management arrangements.

General Fund

42. The General Fund balance is available for unforeseen risks that require short term funding. The forecast balance at the end of 2025/26 is £26m which represents 4.1% of the net budget (excluding schools' delegated budgets). It is planned to increase the General Fund to £30m by the end of 2029/30 to reflect increasing uncertainty and risks over the medium term, and to avoid a reduction in the percentage of the net budget covered. Examples of risks include:

- Legal challenges that result in a change in savings approach.
- Legislative changes that come with a financial penalty, for example General Data Protection Regulations (GDPR).
- Service provision issues that require investment, for example the capital investment to support the High Needs Block Development Plan.
- Variability in income, particularly from asset investments.

43. To put the level of resources into context: with the exclusion of schools, the County Council spends nearly £75m a month.

44. The proposed MTFS also includes a contingency of £8m in each year for other specific key risks that could affect the financial position on an ongoing basis. Further details are provided earlier in the report.

Earmarked Reserves

45. The estimated balance for revenue earmarked reserves as at 31 March 2026 is £177m. This is set out in detail in Appendix D to this report. These figures are provisional and may be updated in the report to Cabinet on 3 February. The final level of earmarked reserves will be subject to the current year budget outturn.

46. Earmarked reserves and balances are held for specific purposes in line with the Council's Earmarked Reserves Policy attached as Appendix E. This is subject to review and may be updated in the report to Cabinet. The main earmarked reserves and balances projected at 31 March 2026 are:

(a) Capital Financing (£89m). Holds MTFS revenue contributions for the capital programme or one-off projects.
(b) Budget Equalisation (£120m). This reserve is held to manage variations in funding across financial years including MTFS funding gaps. It also includes the increasing pressures on the High Needs element of the DSG which was in deficit by £64m as at 31 March 2025 and is forecast to increase to in excess of £400m by the end of 2029/30. The temporary statutory override on the DSG is currently to the end of March 2028.
(c) Insurance (£17m). Held to meet the cost of future claims not covered by insurance policies.
(d) Transformation (£8m). Used to invest in transformation projects to achieve efficiency savings and also to fund severance costs.
(e) Earmarked reserves are held for specific departmental infrastructure, asset renewal , other initiatives and partnership funds (£36m).

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

47. The overall forecast position on earmarked reserves shows earmarked reserves potentially being overdrawn by £51m as at 31 March 2028, and higher in later years, due to the increasing forecast DSG deficit. The statutory override, requiring the DSG deficit to be held outside of reserves (in an adjustment account on the balance sheet) currently expires on 31 March 2028. As mentioned above, details are expected from the DfE in early 2026 with regards to how Council's will be supported to manage DSG deficits. This position is kept under continual review.

48. The level of earmarked reserves and balances is monitored regularly throughout the year. Where funds have been identified that are no longer required transfers have been made. Assessments are undertaken during the summer, in February as part of the MTFS and at year end.

School Balances

49. Balances are also held by schools. They are held for two main reasons: firstly, as a contingency against financial risks and secondly, to meet planned commitments in future years. The balance at 31 March 2025 was £0.7m. The balance at 31 March 2026 has not been estimated but is expected to have reduced as a result of spending pressure. It is also affected by the number of schools converting to Academies.

Risk Management

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

Robustness of Estimates

51. The Director of Corporate Resources provides detailed guidance notes for departments to follow when producing their budgets. As well as setting out certain assumptions such as inflation, these notes set a framework for the effective review and compilation of budget estimates. As a result, all estimates have been reviewed by appropriate staff in departments. In addition, each department's Strategic Finance Manager has identified the main risk areas in their budget and these have been evaluated by the Director of Corporate Resources. The main risks are described earlier in the report.

52. All savings included in the MTFS have had an initial deliverability assessment so that a realistic financial plan can be presented. Saving initiatives that are at an early stage of development, or require further work to confirm deliverability, have not been included in the MTFS, but are reported for information as savings under development.

53. The Cabinet and the Scrutiny Commission receive regular revenue and capital monitoring reports, budget and outturn reports. In addition, further financial governance reports, including those from the External Auditor are considered by the Corporate Governance Committee. This comprehensive reporting framework enables members to satisfy themselves about both the financial management and standing of the County Council.

Conclusion

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

55. The overall financial position remains challenging and the focus needs to be on both delivering savings and managing demand, which the Efficiency Review will support. Delivery of the revised Transformation Programme which will arise from the review will need to be a key priority.

Capital Programme 2026-30

56. The overall approach to developing the capital programme is set out in the capital strategy (Appendix F) and is based on the following key principles:

- To invest in priority areas of growth including roads, infrastructure, economic growth and to support delivery of essential services.
- No discretionary Capital schemes will be added to the programme unless fully funded by external sources.
- Capital schemes will only be added to the programme once a Business Case has been completed.
- To invest in projects that generate a positive revenue return (spend to save), Minimum return on investment for new schemes: 7% return (circa10 year payback) .
- Passport Government capital grants received for key priorities for highways and education to those departments.
- No new forward funding of section 106 contributions.
- Maximise external sources of income including capital receipts, section 106 housing developer contributions and bids to external funding agencies.
- No investment in capital schemes primarily for financial return where borrowing is required anywhere within the capital programme (in line with the Prudential Code).

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

57. The draft programme and funding are shown below.

Draft Capital Programme 2026-30

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

Capital Resources

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

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

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

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

Funding and Affordability

Forward Funding

60. The County Council has previously forward funded investment in infrastructure projects to enable new schools and roads to be built and unlock growth in

Leicestershire before funding, mainly from section 106 developer contributions, is received. This allowed a more co-ordinated approach to infrastructure development. In previous years £20m has been forward funded in the capital programme. Of this total, £9.5m has already been repaid and £5.5m is estimated to be repaid between 2025/26 and 2029/30. The balance of £5m is estimated to be repaid after 2030. When the expected developer contributions are received, they will be earmarked to the capital programme, to reduce the dependency on internal cash balances in the future.

Capital Grants

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

Capital Receipts

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

63. The estimate includes potential land sales that are subject to planning permission. In these cases the value of the site is significantly increased when planning permission is approved. However, this also comes with a significant amount of uncertainty and potential for delays.

Revenue / Earmarked Funds/ Contributions

64. To supplement the capital resources available and avoid the need for borrowing, £55m of revenue/ reserves funding is being used to fund the programme.

65. The capital financing reserve temporarily holds revenue contributions to fund the capital programme until they are required. Other capital funding sources that contain restrictions are maximised before using the capital financing reserve.

External Contributions and Earmarked Capital Funds

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

Funding from Internal Balances

67. Overall a total of £84m additional funding is required to fund the proposed 4-year capital programme and enable investment in schools and highway infrastructure to be made. Over the next 10 to 15 years £5m of this funding will be repaid through the associated developer contributions forward funded.

68. Due to the strength of the County Council’s balance sheet, it is possible to use internal balances (cash balances) to fund the capital programme on a temporary

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

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

70. The County Council's external debt as at March 2026 is estimated to be £146m. This is not assumed to increase during the MTFS period. The relative interest rates and cash balances will be kept under review to ensure that this is the right approach.

Capital Programme Summary by Department

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

<u>Changes to the Capital Programme 2026-30</u>

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

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

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

73. Local Authority Bus Grant, combined grant from the Department for Transport (DfT) that merges previous funding streams; including Bus Service Improvement Plans (BSIP) and the Local Authority Bus Service Operators' Grant (LA BSOG) - for greater flexibility in supporting and enhancing bus services and infrastructure.

74. Consolidated Active Travel Fund - DfT funding to support local transport authorities to develop and build infrastructure for walking and cycling.

75. Highways maintenance – increased estimates for the incentive element of the grant allocations following a review of the guidance.

76. Capital financing reserve – additional contributions to reduce the overall capital shortfall from £84m to £75m.

77. Work is also currently underway to review the expenditure profiles on all schemes to ensure the programme reflects the latest known position. The updated profiles will be reported in the MTFS report to the Cabinet in February 2026.

Investing in Leicestershire Programme

78. The Council directly owns and manages properties, including Industrial, Office and County Farms as part of the Investing in Leicestershire Programme (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. The Council's strategy for its rural estate is the subject of a separate report on the agenda for this Cabinet meeting.

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

East Midlands Freeport

80. The County Council is acting as Accountable Body in relation to the establishment and ongoing activity of the East Midlands Freeport (EMF). The Freeport has been in operation since March 2023.

81. The County Council has provided up front funding to support business case development and wider set up costs. This is in the form of a commercial loan capped at £4m. Capacity funding has also been received from MHCLG. A total of £2.9m of the loan has been drawn down. The loan has now been fully repaid during 2025/26 from the Freeport's retained business rates income stream.

Budget Consultation

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

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

Results of Scrutiny Process

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

Equality and Human Rights Implications

84. Under the Under the Equality Act 2010 local authorities are required to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between people who share protected characteristics and those who do not; and
- Foster good relations between people who share protected characteristics and those who do not.

85. Given the nature of the services provided, many aspects of the Council's MTFS will affect service users who have a protected characteristic. An assessment of the impact of the proposals on the protected groups must be undertaken at a formative stage prior to any final decisions being made. Such assessments will be undertaken in light of the potential impact of proposals and the timing of any proposed changes. Those detailed assessments will be revised as the proposals are developed to ensure that decision-makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic as well as information to enable proper consideration of the mitigation of the impact of any changes on those with a protected characteristic.

86. A high-level Equalities Impact Assessment of the MTFS 2025-29 was completed last year to:

- Enable decision makers to make decisions on an informed basis which is a necessary component of procedural fairness;
- Inform decision makers of the potential for equality impacts from the budget changes;
- Consider the cumulative equality impacts from all changes across all Departments;
- Provide some background context of the local evidence of cumulative impacts over time from public sector budget cuts.

87. This assessment will be revised and updated for the new MTFS 2026-90 and included in the proposed MTFS to the Cabinet in February 2026. Many of the proposals in the MTFS were agreed as part of the decision to adopt the previous

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

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

89. There are several areas of the budget where there are opportunities for positive benefits for people with protected characteristics both from the additional investment the Council is making into specialist services and to changes to existing services which offer improved outcomes for users whilst also delivering financial savings.

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

91. Any savings arising out of a reduction in posts will be subject to the County Council's Organisational Change policy which requires an Equality Impact Assessment to be undertaken as part of the Action Plan.

Human Rights Implications

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

Crime and Disorder Implications

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

Environmental Implications

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

Partnership Working and Associated Issues

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

Risk Assessments

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

Background Papers

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

Report to the County Council 19 February 2025: Medium Term Financial Strategy 2025-29
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=7391&Ver=4

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

Appendices

Appendix A: Draft MTFS 2026-30 Cabinet Report – 16 December 2025
Appendix B: Four Year Revenue Budget 2026/27 to 2029/30
Appendix C: Corporate and Central Items Revenue Budget 2026/27
Appendix D: Earmarked Reserves Balances
Appendix E: Earmarked Reserves Policy
Appendix F: Capital Strategy
Appendix G: Draft Capital Programme 2026/27 to 2029/30

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