

**CABINET – 3 FEBRUARY 2026****PROVISIONAL MEDIUM TERM FINANCIAL STRATEGY**  
**2026/27 - 2029/30****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****PART A****Purpose of the Report**

1. The purpose of this report is to present the County Council's proposed 2026/27 to 2029/30 Medium Term Financial Strategy (MTFS) for approval, following consideration of the draft MTFS by the Cabinet in December 2025 and the Overview and Scrutiny bodies in January and receipt of the provisional Local Government Finance Settlement.

**Recommendations**

2. It is recommended that Cabinet
  - (i) Notes the comments of the Overview and Scrutiny Committees and the Scrutiny Commission (Appendix Q to this report);
  - (ii) Determines the Council Tax increase for 2026/27 and the resulting precept, to be recommended to County Council for approval;
  - (iii) Recommends the following to the County Council:
    - (a) That subject to the items below, approval be given to the Medium Term Financial Strategy (MTFS) which incorporates the recommended net revenue budget for 2026/27 totalling £613.4m as set out in Appendices A, B and E of this report and includes the growth and savings for that year as set out in Appendix C;
    - (b) That approval be given to the projected provisional revenue budgets for 2027/28, 2028/29 and 2029/30, set out in Appendix B to the report, including the growth and savings for those years as set out in Appendix C, allowing the undertaking of preliminary work, including business case development, engagement and equality and human rights impact assessments, as may be necessary to achieve the savings specified for those years including savings under development, set out in Appendix D;

- (c) That each Chief Officer, in consultation with the Director of Corporate Resources and following consultation with the relevant Cabinet Lead Member(s), undertake preparatory work as considered appropriate to develop proposals and associated investment required to reduce the financial gap in all four years of the MTFS, to enable the Cabinet, subject to scrutiny processes, to consider a new multi-year transformation programme;
- (d) That approval be given to the early achievement of savings that are included in the MTFS, as may be necessary, along with associated investment costs, subject to the Director of Corporate Resources agreeing to funding being available;
- (e) That the level of the General Fund and earmarked reserves as set out in Appendix K be noted and the planned use of those earmarked reserves as indicated in that appendix be approved;
- (f) That the risk assessment at paragraph 140 and the Director of Corporate Resources assurance statement at paragraph 155 be noted;
- (g) That the recommended Council Tax increase for 2026/27 and the resulting precept be approved;
- (h) That the Chief Executive be authorised to issue the necessary precepts to billing authorities in accordance with (g) above and the tax base notified by the District Councils, and to take any other action which may be necessary to give effect to the precepts;
- (i) That approval be given to the 2026/27 to 2029/30 capital programme, totalling £501m, as set out in Appendix F;
- (j) That the Director of Corporate Resources following consultation with the Cabinet Lead Member for Resources be authorised to approve new capital schemes and revenue spend to save schemes, including revenue costs associated with their delivery, shown as future developments in the capital programme, to be funded from funding available;
- (k) That the financial indicators required under the Prudential Code included in Appendix N, Annex 2 be noted and that the following limits be approved:

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Operational boundary for external debt				
i) Borrowing	194	200	225	255
ii) Other long term liabilities	1	1	1	1
<b>TOTAL</b>	<b>195</b>	<b>201</b>	<b>226</b>	<b>256</b>
Authorised limit for external debt				
i) Borrowing	204	210	235	265
ii) Other long term liabilities	1	1	1	1
<b>TOTAL</b>	<b>205</b>	<b>211</b>	<b>236</b>	<b>266</b>

- (l) That the Director of Corporate Resources be authorised to effect movement within the authorised limit for external debt between borrowing and other long-term liabilities;

- (m) That the following borrowing limits be approved for the period 2026/27 to 2029/30:

(i) Maturity of borrowing:-

	<u>Upper Limit</u>	<u>Lower Limit</u>
	%	%
Under 12 months	30	0
12 months and within 24 months	30	0
24 months and within 5 years	50	0
5 years and within 10 years	70	0
10 years and above	100	25

- (ii) An upper limit for principal sums invested for periods longer than 364 days is 25% of the portfolio.

- (n) That the Director of Corporate Resources be authorised to enter into such loans or undertake such arrangements as necessary to finance the capital programme, subject to the prudential limits in Appendix N;
- (o) That the Treasury Management Strategy Statement and the Annual Investment Strategy for 2026/27, as set out in Appendix N, be approved including:
- (i) The Treasury Management Policy Statement, Appendix N; Annex 4;
  - (ii) The Annual Statement of the Annual Minimum Revenue Provision as set out in Appendix N, Annex 1;
- (p) That the Capital Strategy (Appendix G), Investing in Leicestershire Programme Strategy (Appendix H), Risk Management Policy and Strategy (Appendix I), Earmarked Reserves Policy (Appendix J) and Insurance Policy (Appendix L) be approved;

- (q) That it be noted that the Leicester and Leicestershire Business Rate Pool has been revoked for 2026/27;
- (r) That the Director of Corporate Resources, following consultation with the Cabinet Lead Member for Resources, be authorised to amend the provisional MTFs in response to changes arising between the Cabinet and County Council meetings, noting that any changes will be reported to the County Council on 18 February 2026;
- (s) That the Leicestershire School Funding Formula is subject to capping and scaling and continues to reflect the National Funding Formula for 2026/27;
- (t) That delegated authority be given to the Director of Children and Family Services, following consultation with the Cabinet Lead Member for Children and Family Services, to agree the funding rates for early years providers for 2026/27.

(KEY DECISION)

### **Reasons for Recommendations**

- 3. To enable the County Council to meet its statutory requirements with respect to setting a balanced budget and Council Tax precept for 2026/27, to allow efficient financial administration during 2026/27 and to provide a basis for the planning of services over the next four years.
- 4. To enable early work to be undertaken on the development of new savings and transformation programme to address the serious financial position.
- 5. Applying capping and scaling to the Leicestershire School Funding Formula for 2026/27 will ensure the cost does not exceed the Schools Block Dedicated Schools Grant whilst continuing to fully reflect the National Funding Formula.
- 6. To enable rates to be set for early years providers for 2026/27. The delegation will enable the rates to be set for the providers within the government prescribed timeline.

### **Timetable for Decisions (including Scrutiny)**

- 7. 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 then considered the proposals at their meetings in January 2026 (the comments of these bodies will be circulated separately as Appendix Q).
- 8. The County Council meets on 18 February 2026 to consider 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**

9. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council on 19 February 2025.
10. The County Council's Strategic Plan (agreed by the Council on 18 May 2022) summarises the Council's vision for Leicestershire through five strategic outcomes and a single line vision statement. The outcomes represent long-term aspirations for Leicestershire which may not be achieved in full during the four-year course of the Strategic Plan. Therefore, the Plan also includes specific aims for the Council to achieve by 2026 in order to progress towards each outcome. It also sets out some of the key actions which the Council will deliver to achieve these aims. The five outcomes are:
  - Clean, green future
  - Great communities
  - Improving opportunities
  - Strong economy, transport and infrastructure
  - Keeping people safe and well
11. The MTFS, along with other plans and strategies such as the Transformation Programme, the Capital Strategy, the Treasury Management Strategy, the Corporate Asset Management Plan and the Risk Management Strategy, aligns with these aims and underpins the Strategic Plan's delivery.
12. The Cabinet at its meeting on 12 September 2025 noted the significant financial challenges faced by the Council and inter alia agreed the approach to updating the MTFS. In October 2025 the Cabinet gave approval to commission an external efficiency review to support the Council to continue to make progress in closing the gap in its finances.

## **Legal Implications**

13. The Director of Law and Governance has been consulted on this report.
14. The Council's Constitution provides that the budget setting is a function of the County Council which is required to consider the budget calculation in accordance with the provisions set out in Local Government Finance Act 1992. This requires that there be a calculation of the total of the expenditure the Council estimates it will incur in performing its functions and will charge to the revenue account for the year, such allowance as the Council estimates will be appropriate for contingencies and the financial reserves which the Council estimates will be appropriate for meeting future expenditure.
15. The Council is required to set a balanced budget each year following the processes set out in the Local Government Finance Act 1992. The Director of Corporate Resources as the Council's Section 151 Officer has a number of duties relating the Council's financial administration and resilience including to report on the robustness of the Council's budget estimates and the adequacy of its reserves. There is a further duty to issue a formal report if the S151 Officer

believes that the Council is unable to set or maintain a balanced budget. In addition, there is a requirement set out in the Local Government Act 2003 and relevant regulations<sup>1</sup> for the council when carrying out its duties to have regard to the Prudential Code for Capital Finance in Local Authorities.

16. Under Section 31A of the Local Government Finance Act 1992, the County Council, as a precepting authority (i.e. setting a Council Tax precept for the billing authority to bill and collect), must set a budget and precept by 1<sup>st</sup> March. In setting the budget, Members jointly and severally (collectively and individually) have a fiduciary duty to Council taxpayers. This means that they have a duty to facilitate, rather than obstruct, the setting of a lawful budget. Failure to set a lawful budget in time can lead to a loss of revenue, significant additional administrative costs and reputational damage. It may leave the Council at risk of a legal challenge from council taxpayers and/or intervention from the Secretary of State under section 15 of the Local Government Act 1999.
17. The Council is further charged with a duty to secure best value by making 'arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness'. This duty is supplemented by statutory guidance to which the Council must have regard.
18. The function of the County Council in setting its budget in due course will engage the public sector equality duty which is addressed in the Equality Impact Assessment (EIA) section below. An overarching and cumulative impact assessment will be available for the County Council when it considers the budget; it is important to note that the duty does not arise at a fixed point in time but is live and enduring and decision makers are required to have 'due regard' to the duty at each stage in the process although it is recognised that it is at the point in time when plans are developed to reconfigure or reduce services that the assessment is key.
19. The County Council, as a major precepting authority, is required to consult representatives of business rate payers and details of the budget consultation are set out below. There is no statutory requirement to undertake a public consultation on the MTFS but it is important to bear in mind that decisions which flow from the MTFS in relation to a change of provision or service may require adequate and proper lawful consultation before any decision is made as well as an equalities assessment to comply with the Public Sector Equality duty as referred to above. The preparatory work to be undertaken by Chief Officers as set out in the recommendations is key to contributing to lawful decision-making.
20. There is a requirement for the precept to be approved by the Council and notified to the billing authorities by no later than 1 March 2026.
21. Section 106 of the Local Government Finance Act 1992 applies; this means that a member who has not paid an amount due in respect of Council Tax for at least two months after it has become payable is subject to various restrictions if they attend a meeting at which matters relating to the calculation of the precept are

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<sup>1</sup> Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

considered. The effect of the restriction means that a member in this position must declare this fact and they cannot vote. It is an offence to vote or to fail to make this declaration.

### **Resource Implications**

22. The MTFS is the key financial plan for the County Council. The County Council's financial position has been challenging for a number of years due to over a decade of austerity combined with significant growth in spending pressures, particularly from social care and special education needs. This was exacerbated by the impact of the Covid-19 pandemic and significant increases in inflation, to levels not seen for many decades. Spending pressures from children's social care and special educational needs have increased even more significantly in 2025/26 and are projected to remain at high levels over the period of the new MTFS, leading to the most challenging budget position the Council has faced.
23. Early in 2025 the Government set out principles for funding reform. Key elements of the principles were that funding allocations would be made based upon the best possible analysis and reflect factors which drive demand. Following a consultation in the summer changes were then made in the draft local government finance settlement to divert funding to urban councils at the expense of rural ones, despite the updated funding needs assessment showing that county areas have seen the biggest increase in needs. This has led the County Councils Network to conclude  
  
*"This seriously undermines the principles of the review, with this arbitrary measure not consulted on. This raises questions whether this review has been evidence-led and transparent."*
24. Another controversial element of the reforms is the 100% Council Tax equalisations approach. The result is that when allocating funding Government assumes that Councils increase Council Tax by 5% each year regardless of the local position.
25. The draft Local Government Finance Settlement was announced on 17 December 2025. The final Settlement is expected in early February.
26. The current MTFS was the second year that the following year's budget had to be balanced by the use of earmarked reserves: £6m in 2024/25 followed by £5m in 2025/26, although the 2024/25 outturn position had improved to the extent that reserves did not need to be used. The current MTFS had a gap of £38m in year two rising to £91m in year four.
27. The position in 2025/26 has worsened. The latest forecast shows that the £5m use of reserves will still be required, and an additional net overspend of £1m is projected, which can be met from the MTFS risks contingency if no other mitigations are identified as the year progresses. There is a significant overspend on Children's Services (£10m) and the High Needs Block deficit has increased by 200% from £15m to £45m for the year. These are partly offset by underspends in other departments and on the inflation contingency and other central items. Although the projected 2025/26 net overspend can be contained,

the medium to longer term financial position of the Council still remains extremely difficult.

28. There are also a number of challenges in the Capital Programme, with a funding shortfall of £7m to provide additional school places, arising from a reduction in Department for Education (DfE) basic need grant, section 106 shortfalls and increased construction costs. By using the capital programme portfolio risk allocation and the capital financing reserve it has been possible to fund the increase without adding to the overall capital shortfall.
29. This revised MTFS for 2026-30 projects a revenue gap of £18m in the first year that (subject to changes from later information such as the final Local Government Finance Settlement) will need to be balanced by the use of earmarked reserves. There is then a gap of £36m in year two rising to £85m in year four, based on a 2.99% Council Tax increase, although no decision has yet been made on the level of increase to be approved. To have a realistic chance of closing the gap the County Council will need to quickly identify additional savings or source additional income that allow 2027/28 to be balanced without the use of reserves, which the Efficiency Review will support.
30. Alongside the £85m gap on the revenue budget, the Council is also forecasting a cumulative deficit on the High Needs grant in excess of £400m by 2029/30. The announcement in the Chancellor's budget that responsibility for funding SEND would transfer to government from 2028/29 is welcome, but there has been no information on how the historic deficit will be funded. For that reason, the MTFS assumes a continuation of the strategy to contribute 50% of the deficit to the Budget Equalisation reserve until further information becomes available.
31. To ensure that the MTFS is a credible financial plan, unavoidable cost pressures have been included as growth. By 2029/30 this represents an investment of £127m, primarily to meet the forecast increase in demand for social care. The MTFS also includes a net £55m provision for pay and price inflation in 2026/27 and later years. The majority of these pressures are unavoidable due to the nationally set National Living Wage, which has a significant influence on social care contracts, pay awards and increases to running costs driven by the levels of inflation.
32. Balancing the budget is an ongoing and increasingly difficult challenge. The aim is always for the December draft budget report to present a balanced budget for the following year and a small deficit for year two. This approach balances the need for sufficient time to identify initiatives that will close the gap without cutting back services excessively. However, the previous two MTFS's have required the use of £6m and £5m to balance the first year respectively, although the 2024/25 outturn position had improved sufficiently so reserves were not needed by year end. The draft 2026-30 MTFS only forecasts a balanced budget next year after assuming the use of £18m of earmarked reserves to meet the funding gap, with the following three years all being increasingly in deficit.
33. The £36m gap in the second year is of significant concern and reduction needs to be a focus. It will be a priority for reserves to be set aside to fully cover this gap to ensure that the County Council has sufficient time to formulate and deliver

savings and suppress service growth. The Council has always aimed to have two years of reserve cover in the Budget Equalisation reserve to give assurance that a balanced budget could be set in the event that savings delivery is slower than required. The total reserve cover available is not sufficient to cover the 2026/27 and 2027/28 combined deficits of £54m. Heightened focus on the County Council's finances continues to be required whilst this situation remains.

34. The external Efficiency Review, commissioned in October, is making good progress and the first tranche of savings identified have been included in the budget proposals. Further information on these is given at paragraph 86 below. The focus is on long term stability and identifying opportunities with sufficient financial benefits to significantly reduce the MTFS gap.
35. The MTFS gap and the uncertainty over government funding makes the decision on Council Tax even more crucial. The referendum limit has been set by the government at 4.99% for 2026/27 (2.99% core and 2% Adult Social Care) which would raise approximately £21.1m in additional income, and ensure that council tax is maximised for future years. The proposed budget currently includes a 2.99% increase, per the currently approved MTFS, for illustrative purposes. The report sets out the consequences of different Council Tax increases, both for the Council and its residents.
36. The Council Tax section of the report sets out the considerations when deciding upon the annual increase. From a good financial management viewpoint, the use of reserves to balance the budget is not a sustainable position. If expenditure is forecast to exceed income over the course of the MTFS, the prudent course of action is for Council Tax to be increased by the maximum possible. This would not only provide additional ongoing income to reduce the gap in each year of the MTFS. A key driver of this approach is due to the referendum principles imposed by Government. If a council does not raise sufficient tax the referendum limit prevents a catch-up in future years, resulting in the only option being additional savings. However, if it raises too much this can be reversed the next year.
37. The draft four-year capital programme totals £501m. This includes investment for services, road and school infrastructure arising from housing growth in Leicestershire, social care accommodation and essential ICT and Property capital schemes. Capital funding available totals £426m, with the balance of £75m being temporarily funded from the County Council's internal cash balances, with external borrowing potentially being required in future years.
38. To deal with the challenges that the County Council has faced in recent years, as the lowest funded County Council, a proactive approach has been required. Given the heightened uncertainty the more important it is that the County Council keeps this focus.

#### **Circulation under the Local Issues Alert Procedure**

39. This report has been circulated to all Members of the County Council.

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## **PART B**

### **Changes to the draft Budget proposed in December 2025**

40. The report on the draft MTFS taken to the Cabinet on the 16 December provided a lot of detail on the Chancellor's statement, the national financial context, the local government financial settlement and expected service and funding reforms. That detail is not repeated in this report, which focuses on what has changed since then. These changes are summarised in the table below:

	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
<b>Funding changes</b>				
Provisional Settlement – net gains	-3.0	-3.0	-6.1	-6.1
Business Rates – inflation in 29/30	0.0	0.0	0.0	-1.9
Council Tax – updated tax base	0.1	0.1	0.1	0.1
Council Tax - collection funds reduced surplus	0.8	0.0	0.0	0.0
<b>Other Changes</b>				
Growth	-2.4	-2.4	-3.6	-3.6
Inflation / Other	-2.1	-4.0	-6.0	-8.0
Savings	-0.2	-1.4	-3.3	-3.6
Financing of Capital	0.0	0.0	-0.6	-0.5
Bank and Other Interest	0.0	-1.0	-1.0	-1.0
Contribution to Reserves	1.6	-1.7	-0.6	3.0
<b>Contribution from Reserves</b> (to balance 26/27)	-18.1	0.0	0.0	0.0
<b>Revised Shortfalls</b>	<b>0.0</b>	<b>35.5</b>	<b>57.2</b>	<b>84.5</b>

41. The changes are as detailed below:

- **Provisional Settlement.** The Settlement shows an improvement over the previous forecasts of a net £3m in 2026/27 rising to £6.1m from 2028/29, subject to more clarity on the requirements on the Families First grant in particular. The Final Settlement is awaited and may include further changes.
- **Business Rates.** The Provisional Settlement includes increases of around 2% each year on Business Rates up to 2028/29. It is assumed that a similar 2% will apply to Business Rates in 2029/30, amounting to £1.9m.
- 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 decrease of £0.1m in the Council Tax precept.
- Council tax collection fund estimates for 2025/26 have now been received from the billing authorities and are £0.8m lower than the previous estimate.

- Growth changes include
  - Children and Family Services:
    - Social care placements reduced by £2.3m in 2026/27 rising to £3.1m by 2029/30 based on the latest estimates;
    - Oakfield expansion growth reduced by £0.2m;
  - Additional growth of £0.1m in Chief Executive's Department for subscriptions to the Local Government Association and the County Councils Network;
  - Revisions to the Growth Contingency of £1.2m in 2028/29 and 2029/30 to provide overall totals of growth in each year of £27m.
  - One-off £0.1m to develop the Flood Wardens service offer, create 5 pilot sites and work with resilience team on model to set up on a permanent basis.
  - Recognising the growing impact of flooding a further £0.05m has been earmarked to review the County Council's and key partners approach to preventing and reacting to flooding incidents.
- Inflation – changes of -£2.1m in 2026/27 rising to -£8.0m in 2029/30. The central inflation contingency has been amended for the latest information.
- Savings -£0.2m in 2026/27 rising to -£3.6m in 2029/30 mainly due to additional savings from the Efficiency Review of £3.4m by 2029/30.
- Financing of Capital (-£0.6m in 2028/29, -£0.5m in 2029/30) reflecting the latest forecasts and reduced capital funding gap.
- Bank and Other Interest – £1.0m increase from 2027/28 based on the latest forecasts of balances and interest rates.
- Contribution to Reserves – adjustments to the forecast requirements over the MTFS, mainly relating to maintaining contributions to the Budget Equalisation Reserve that match 50% of the High Needs Block forecast deficits.
- The remaining budget gap of £18.1m in 2026/27 will be funded by a contribution from the Budget Equalisation earmarked reserve, in the absence of any other savings or Council Tax increase, to enable the Council to meet its legal duty to set a balanced budget for 2026/27 following the processes set out in the Local Government Finance Act 1992. The amount to be funded from reserves is subject to any changes in the final settlement announcement.

### **Final Local Government Settlement**

42. The final Local Government Settlement has not yet been received and is due in early February 2026. Any significant changes will be reported to the Cabinet and Council.

## **Spending Power**

43. The Government uses a measure of Core Spending Power (CSP) in assessing an authority's financial position. The latest version of CSP for the County Council is shown in the table below.

Core Spending Power (CSP) table: Leicestershire County Council

<b>Illustrative Core Spending Power:</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Revenue Support Grant (RSG)	0	0	80.1	105.2	109.8
Business Rates (baseline/top-up)	0	0	90.6	92.6	94.5
Local Authority Better Care Grant	0	0	21.8	-	-
Legacy Business Rates	92.2	93.2	0	0	0
Legacy Grant Funding	62.2	67.5	0	0	0
Local Authority Better Care Grant	17.7	21.8	0	0	0
Council tax requirement	397.9	422.5	449.3	477.8	508.2
Domestic Abuse Accommodation Grant	1.2	1.5	1.5	1.5	1.5
Families First Partnership	1.8	3.3	6.6	6.6	5.6
Grants rolled in to RSG	1.9	1.9	0	0	0
<b>Core Spending Power Total</b>	<b>574.8</b>	<b>611.6</b>	<b>649.8</b>	<b>683.7</b>	<b>719.6</b>

44. CSP includes an assumption that councils will increase council tax by the maximum amount permitted in each year, including raising the full adult social care precept.
45. The inherent problem with both the previous and the latest Government methodologies to setting funding is that neither takes account of the relative funding position of individual authorities.
46. The provisional settlement covers three years, rather than the recent pattern of single year announcements, but years two and three are subject to change. In addition there is a lack of clarity over whether some of the grant funding, particular the Families First Partnership funding, may be accompanied by requirements to incur additional expenditure. Consequently, there are still significant risks due to the uncertainty of future funding levels.

## **Business Rates**

47. The two main components of the business rates retention scheme income received by the County Council are the "baseline" and "top up" amounts. The baseline is the County Council's share (9%) of business rates generated locally and the top-up is allocated to the County Council to compensate for the small baseline allocation.
48. When the Government has made changes to the national Business Rate Scheme compensation for funding losses have been made in previous years through a series of grants, referred to as Section 31 grants. As part of the Business Rates Reset, there is a change of treatment so that the County Council will receive income from the District Councils on a gross basis rather than the

previous net basis, and the Section 31 grants will be paid to the District Council collection funds.

49. The revised MTFS includes the “baseline” and “top up” figures issued by the Government as part of the Provisional Settlement. Those figures show increases of around 2%, in line with the OBR forecasts of CPI inflation. As the Settlement covers 2026/27 to 2028/29 an assumption has been included in the MTFS that a similar 2% will apply in 2029/30.
50. The Government introduced the Business Rates Retention System from April 2013 and as part of these changes local authorities were able to enter into Pools for levy and safety net purposes. Net surpluses are retained locally rather than being returned to the Government as would have been the case if no Pool had existed. The current pooling agreement allows for the surplus to be shared between the County Council, Leicester City Council and the seven District Councils. An estimate of £8m was included in the original 2025/26 budget for the County Council’s share of that year’s levies, and the latest estimates show a forecast of circa £7.7m.
51. In total £113m has been retained in Leicestershire between 2013/14 and 2024/25, due to the success of the Business Rates Pool, with a further potential surplus for the pool of £23m forecast in 2025/26.
52. The Government has changed the basis of Safety Nets and Levies from 2026/27 onwards. There will be a transitional period of Safety Net levels: 100% in 2026/27, 97% in 2027/28 and 92.5% in 2028/29. The Government also intends to replace the existing 50% Levy with a progressive (and smaller) levy on growth: 10% on growth up to 110% of baseline funding level, 30% between 110–200%, and 45% above 200%. Given the reset and the change to the safety net and levy rules, it is anticipated that pooling will not be as beneficial as in previous years and the risk of losing access to the national safety net will not be worth the reward of not having to pay the 10% levy to the Government. As a consequence, the partners decided in January 2026 that the Pool should be revoked.

### **Council Tax**

53. The Localism Act 2011 provides for referendums on any proposed increase in Council Tax which is defined as excessive (using definitions prescribed by Central Government) which effectively gives a power of veto. A cap on the core increase of 3% is permitted for County Councils for 2026/27. In addition, the Councils will be permitted to raise an additional 2% to fund adult social care (the adult social care precept).
54. The most financially significant decision of any budget is usually the level that Council Tax will be increased by and the Council’s challenging MTFS. Whilst there is a gap between income and expenditure in the MTFS, applying the maximum Council Tax increase each year is the most prudent decision to protect financial sustainability and service delivery as far as possible. It is a stable and reliable income source and additional income generated from an increase impacts the MTFS in future years – it must be viewed as a long-term financial decision rather than for one year in isolation and has a direct impact on the level

of services that the Council will be able to provide. The referendum caps mean that a decision to reduce by less than the maximum in any one year permanently reduces the taxbase as it cannot be caught up in future years.

55. Every 1% Council Tax is increased by is worth £4.2m to the County Council, that is, £20m cash over the 4-year MTFS. Whilst the Council is using reserves to balance the budget the cash position is of particular importance. Over the MTFS period additional significant “one-off” cash demands are expected due to investment to close the financial gap; local government re-organisation potentially; £75m capital programme borrowing requirement; and the SEND deficit.
56. The 2026/27 draft budget uses a 2.99% increase (£13m of additional income) to demonstrate the impact on the MTFS and the projections in the table at paragraph 40 above reflect this.
57. It is also important to note that the funding formula assumes that councils will increase Council Tax by the maximum each year. The income from Council Tax included within Core Spending Power, which is the measure that the government uses to assess the total resources available for a Council to fund its services. Furthermore, the new Fair Funding proposals include 100% equalisation, which uses a notional Band D Council Tax amount to calculate the resources adjustment that is made from the formula when arriving at a Council’s total grant allocation for the year. For 2026/27, the notional amount is based on a Band D level of £1,739 for upper tier authorities. This is £57 above the County Council’s current Band D charge of £1,681.50, meaning that without any increase for 2026/27 the Council would be losing around £14m of funding compared to the level included in the funding formula. Even with a 3% increase for 2026/27, the Council’s Band D amount would be around £7 less, equating to lost income of nearly £2m.
58. The Council’s current Council Tax amount is lower than comparator authorities, contributing to its low funded position. Some examples are shown below:

<b>Council</b>	<b>Band D 2025/26</b>	<b>Difference £/%</b>
Leicestershire	£1,681.50	
Warwickshire	£1,822.95	+£141.45
Nottinghamshire	£1,894.54	+£213.04
Shire County Average	£1,728.00	+£47.00

59. The latest information on Council Tax increases for 2026/27 from neighbouring County Councils is - Derbyshire 4.9%, Nottinghamshire 3.99%, Warwickshire 3.89%. These are all subject to approval through the usual process.
60. Council Tax is a vital source of income to fund services and it is important that it keeps up with the pace of inflation in order to protect services. For 2026/27, additional costs from increases to the national living wage are at 4.1% and the estimated pay award is 3.5%. These two inflationary factors alone will increase costs by around £17m for next year and account for the vast majority of the

overall £18m inflation contingency, which exceeds the £13m that a 2.99% Council Tax increase would raise. This does not leave any funding for demographic and societal pressures (e.g. aging population and increasing support for children) that have been high for Leicestershire in recent years, as reflected in the service growth of almost £50m.

61. The table below illustrates the consequences of different Council Tax decisions, both for the Council and for a Band D household. The difference between a 2.99% and a 4.99% increase, for example, is 65p per week on a Band D bill, and £8.6m in additional income for the Council, and the difference between a 2.99% and a 3.99% increase is 32p per week on a Band D bill, and £4.3m in additional income for the Council :

<b>% increase in Council Tax for 2026-27</b>	<b>Impact on Band D Council Tax annual bill</b>	<b>Impact on Band D Council Tax weekly bill</b>	<b>Income generated from % increase in 2026-27</b>
<b>0%</b>	<b>No change</b>	<b>No change</b>	<b>£0m</b>
<b>2% general</b>	<b>£33.63</b>	<b>£0.65</b>	<b>£8.6m</b>
<b>1% ASC precept</b>	<b>£16.82</b>	<b>£0.32</b>	<b>£4.3m</b>
<b>3% total</b>	<b>£50.45</b>	<b>£0.97</b>	<b>£12.9m</b>
<b>2% general</b>	<b>£33.63</b>	<b>£0.65</b>	<b>£8.6m</b>
<b>2% ASC precept</b>	<b>£33.63</b>	<b>£0.65</b>	<b>£8.6m</b>
<b>4% total</b>	<b>£67.26</b>	<b>£1.29</b>	<b>£17.2m</b>
<b>3% general</b>	<b>£50.45</b>	<b>£0.97</b>	<b>£12.9m</b>
<b>2% ASC precept</b>	<b>£33.63</b>	<b>£0.65</b>	<b>£8.6m</b>
<b>5% total</b>	<b>£84.08</b>	<b>£1.62</b>	<b>£21.5m</b>

*ASC :Adult Social Care*

62. This contributes significantly towards achieving a balanced budget. The Council Tax decision must be based on a balance between service needs and affordability for residents which should be considered, alongside the advice of the Section 151 Officer and the assurance statement. Whilst there is a significant budget gap the prudent course of action for sound financial management is to maximise the increase up to the referendum limit to avoid more pressure on the Council's ability to provide its current range of services.
63. The wider context with partners and stakeholders is also an important consideration in the Council Tax decision. For instance, a lower increase may make negotiation with suppliers, particularly social care providers, more difficult when the Council is putting forward an argument that it cannot afford to pay more for a service. At a time when government is making significant funding and re-organisation decisions this consideration should not be understated.
64. Over the medium term the level of Council Tax is a key determinant of the level of services that can be offered, efficiencies can and should be maximised regardless of the increase taken. Government controls both service standards and funding mechanisms, leaving the key levers to manage the financial position

locally as the level of Council Tax; efficiency and effectiveness of operations and the range of discretionary services.

65. Whilst the draft MTFS is based on a Council Tax increase of 2.99% in 2026/27 and in each subsequent year, government policy allows for increases of 4.99% for each year up to 2028/29, but the increases applied will need to be assessed by the Council in light of the revised position in each refresh of the MTFS in future years.
66. The financial rationale for the Council setting a budget with the maximum Council Tax increase includes:
  - Demand pressures continuing to grow – with £46m of extra service demand in 2026/27 alone
  - Inflationary pressures, not in the Council's control, such as 4.1% on the National Living Wage which drives cost pressures in Adult Social Care, the Council's largest spending service and over 5% in Children's placements costs.
  - Continued uncertainty over DSG deficits with the government's plans to resolve this unclear and an estimated deficit of £265m at the point the statutory override is due to end.
  - The national funding formula assuming Council's take their maximum Council Tax increases. This is factored into Core Spending Power and the 100% equalisation methodology
  - Limiting the risk of service reductions in future years – whilst there are sufficient reserves in 2026/27 to fund the gap, these can only be used once and the budget equalisation reserve is not sufficient to fund the gap in 2027/28, increasing the risk of service reductions in future years
  - A lower than maximum Council Tax rise is an irreversible decision as the Referendum Limits in place mean that the lost income cannot be recovered in later years
67. A 4.99% Council Tax increase raises a further £8.5m of income in 2026/27 alone compared to the current assumption of 2.99%. This continues in future years and with taxbase increases would generate £40m of additional income over the MTFS. It reduces the financial risk that the Council faces in the future, helps to ensure that increased income keeps pace with inflationary cost increases and ultimately will have a direct link to the level of services that the Council can provide.
68. Council Tax base growth in 2026/27 of 1.48% is marginally lower than the 1.5% anticipated in the current MTFS. The proposed 2026-30 MTFS assumes increases of 1.5% in subsequent years.
69. Collection fund forecasts have been received from the district councils in January 2026 and show a reduction of £0.8m from the £2.0m net surplus included in the draft MTFS reported to the Cabinet in December 2025.

## **Budget Consultation**

70. The County Council has undertaken its annual consultation on the draft budget. The consultation period ran from 17 December 2025 until 18 January 2026 and asked for view on the planned savings and growth included in the draft budgets as well as on the level by which council tax should be increased. A detailed report on the consultation outcome is attached as Appendix O.
71. Of those that expressed a preference on the Council's proposed growth and savings programme, the majority were supportive of the approach taken.
72. With respect to Council Tax, including the ASC precept:
- 68% supported an increase – of which 36% supported an increase of 3% and 32% an increase of 5%.
  - 21% supported no increases, and
  - 11% supported a decrease.
73. Respondents were also supportive of the Council's plans for new savings opportunities, with over 70% agreeing with the proposals.

## **2026/27 - 2029/30 Budget**

74. The 2026/27 budget is summarised in Appendix A and detailed in Appendix E. The detailed four-year MTFS is set out in Appendix B and is summarised in the table below.

<b>Provisional Budget</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29 £m</b>	<b>2029/30 £m</b>
Services including inflation	566.4	631.6	666.6	705.0
Add growth	46.3	27.0	27.0	27.0
Less savings	<u>-23.1</u>	<u>-12.0</u>	<u>-7.6</u>	<u>-5.7</u>
	589.6	646.6	686.0	726.3
Central Items	<u>4.6</u>	<u>8.6</u>	<u>11.7</u>	<u>14.3</u>
	594.2	655.2	697.7	740.6
Contributions to:				
Earmarked reserves	36.3	39.2	45.8	54.0
General Fund	1.0	1.0	1.0	1.0
Contribution from Budget Equalisation reserve (to balance 2026/27)	-18.1			
<b>Total Spending</b>	<b><u>613.4</u></b>	<b><u>695.4</u></b>	<b><u>744.5</u></b>	<b><u>795.6</u></b>
Funding				
Revenue Support Grant	-80.1	-105.2	-109.8	-109.8
Business Rates	-90.6	-92.6	-94.5	-96.4
Council Tax	<u>-442.7</u>	<u>-462.1</u>	<u>-483.0</u>	<u>-504.9</u>
<b>Total Funding</b>	<b><u>-613.4</u></b>	<b><u>-659.9</u></b>	<b><u>-687.3</u></b>	<b><u>-711.1</u></b>
<b>Shortfall</b>	<b><u>0.0</u></b>	<b><u>35.5</u></b>	<b><u>57.2</u></b>	<b><u>84.5</u></b>

75. The MTFS shows a shortfall of £18.1m in 2026/27, which will need to be met by a transfer from the Budget Equalisation earmarked reserve. There are shortfalls of £36m in 2027/28 rising to £85m in 2029/30. As set out in the following section there is a range of initiatives currently being developed that will aim to bridge the gap.
76. The Council maintains a range of earmarked reserves which are held to cover identified risks or for specific future projects. The Budget Equalisation reserve is held as contingency for the risks and uncertainties in the MTFS and to smooth the impact of budget gaps across the strategy. Given the significant gap of £36m in the MTFS from 2027/28 it is important that this reserve retains at least sufficient balance to cover that gap in the event that newly identified savings have a longer implementation time. After accounting for the £18.1m required for the 2026/27 gap, this reserve does have a sufficient balance to fund the gap currently forecast for 2027/28 but this would only be called upon if other mitigations are not successful or take longer to deliver. The use of reserves to balance the budget gap is not a sustainable position and so urgent attention will need to be given to identifying further savings or income generation opportunities that can be delivered from 2027/28 onwards.

### **Savings and Transformation**

77. Although the provisional settlement includes some additional grant funding, the Council continues to face significant shortfalls in funding and it is clear that significant additional savings will still be required on top of the £48m that have been identified, £23m of which are to be made in 2026/27.
78. This is a challenging task, especially given that savings of £290m have already been delivered over the last sixteen years. This was initially driven by the real terms reduction in Government grants, which is in excess of £100m since 2010. In recent years, service demand pressures have become the main driver.
79. The identified savings are shown in Appendix C. The main proposed four-year savings are:
- Children and Family Services (£20.3m). This includes savings of £16.7m from smarter commissioning, procurement and demand management, £1.5m from the innovation partnership and £0.9m from reduced care costs through growth of internal family-based placements.
  - Adults and Communities (£16.6m). This includes £5.0m from increased Better Care Fund income, £4.6m from prevention reviews and £4.4m from Efficiency Review savings.
  - Environment and Transport (£6.9m). Savings include £4.8m from the assisted transport programme, £0.8m from contract procurement efficiencies and £0.7m from food waste implementation.
  - Chief Executive's Department (£0.6m). This includes savings from reviews of several service areas and additional income.
  - Corporate Resources (£4.0m). This includes savings of £1.6m on a review of the Minimum Revenue Provision, £0.9m from ICT efficiencies and £0.6m

from the ways of working office programme and £0.4m from the customer and digital programme.

80. The £48m identified savings can be grouped into four main types:
  - a) Service re-design and delivery (£19m)
  - b) Better commissioning and procurement (£21m)
  - c) Other (£1m)
  - d) Additional income (£7m)
81. The savings include £4.5m of initial financial benefits arising from the Efficiency Review. This is made up of £4.4m for reablement in Adult Social Care and £0.1m of additional income from changes to Fees and Charges.
82. Further savings or additional funding will be required to close the budget shortfall of £36m in 2027/28 rising to £85m in 2029/30.
83. 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 the main findings from the Efficiency Review, which is discussed in more detail below. Outlines of the proposals have been included as Appendix D, Savings under Development. 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 the current ideas and is expected to be shaped significantly as the Efficiency Review progresses.
84. The MTFS also includes an integrated programme of strategic actions to reduce the High Needs deficit by reducing costs through increasing local provision of places, practice improvements and demand reduction initiatives. The aim of the programme is to ensure that the expenditure can be contained within the allocation through the Dedicated Schools Grant. Savings of £66.1m are planned over the MTFS period.
85. Despite these savings, the High Needs Block deficit continues to grow and is a significant concern. Whilst the government has confirmed its intention to take over responsibility for funding High Needs spend from April 2028, no details on any plans to fund the historic deficit have been announced. Further details are provided in the Dedicated Schools Grants section of the report below.

### **Future Financial Sustainability**

86. To address the financial challenge that the Council faces, the Council commissioned Newton Consulting to undertake an external Efficiency Review to identify opportunities to reduce costs or increase income. The review commenced in December, and is making good progress with the latest identified savings included in the MTFS position presented in this report. The Council is acutely aware that long term reliance on reserves is not viable and that it must continue to embrace transformational change, opportunities to generate income,

and a focus on efficiency to safeguard essential services for residents and communities.

87. 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.

88. From initial diagnostic work, Newton have identified themes and opportunities with the greatest potential for financial savings and impact on service efficiency and will now progress these to benefit proposals which will set out the operational impact on residents, the quantified financial opportunity profiled over the MTFS and the actions needed to deliver the savings.

89. From the initial phase of work, 6 directorate level opportunities have been identified which focus on demand management and enabling residents to be as independent as possible. These opportunities cover a range of Adult Social Care, and Children and Family Services – increasing family-based placements and supporting more residents outside of residential care for example.

90. Alongside the directorate specific opportunities, six cross-directorate themes have been identified, representing more fundamental system and service transformation. These are summarised below and further information is shown at Appendix R:

Theme	Description
Targeted and effective Prevention	<ul style="list-style-type: none"> <li>• Looking at demand drivers to the front door for the Council, particularly for Adult Social Care, and identifying what proportion of these are preventable with appropriate intervention.</li> <li>• Early intervention for Children and Young People (CYP) to keep families together.</li> <li>• Maximise the impact of Public Health grants</li> </ul>
Commissioning for the Future	<ul style="list-style-type: none"> <li>• Ways to manage and mitigate external provider costs</li> <li>• Growing the Council's provision and managing the market in a different way</li> </ul>
Procurement and Third Party spend	<ul style="list-style-type: none"> <li>• Review third party spend across the Council to consolidate suppliers.</li> <li>• Category and Contract Management</li> </ul>
Maximising income	<ul style="list-style-type: none"> <li>• Uplifts to fees and charges, especially where charges are currently lower than others.</li> </ul>

	<ul style="list-style-type: none"> <li>• Introduce new charges where opportunities exist e.g. Network Management.</li> <li>• Maximise returns on commercial assets.</li> </ul>
Council Operating Model and workforce capacity	<ul style="list-style-type: none"> <li>• Consolidation and digital support to 'front door' customer contact.</li> <li>• Review staffing and management structures across the Council.</li> <li>• Using AI and technology to support staff, using benchmarks and best practice to test how efficiently the Council is using resources.</li> <li>• Reduction in agency spend across the Council.</li> <li>•</li> </ul>
Having the best assets and estates for the future	<ul style="list-style-type: none"> <li>• Right sizing of property estate to ensure effective use of space.</li> <li>• Maximise commercial income from commercial assets</li> </ul>

91. A strong theme of the review has been to improve residents outcomes where possible, alongside maximising efficiency and cost saving opportunities. The demand management and prevention themes give the greatest potential for improving outcomes and service quality. The review is also being done in the context of wider reform to the sector, particularly social care, and will help inform how the Council can prepare for this.
92. The review stage of work was focused on any immediate opportunity to accelerate existing MTFS savings. At this stage a total of £4.5m has been included in the proposed MTFS arising from the Efficiency Review. This is made up of £4.4m for reablement in Adult Social Care and £0.1m of additional income from changes to fees and charges including country parks parking fees and monitoring fees of section 106 obligations funded by developers. The reablement saving in Adult Social Care relates to increasing the capacity of the HART service and therefore the number of residents accessing reablement. This will increase independence for residents and reduce their need for ongoing commissioned care. The initial saving included in the draft MTFS in December of £1m is now forecast to increase by £3.4m by 2029/30, building on an existing saving in this area of £1.9m.
93. The County Council is taking decisive action to close the budget gap and build a financially resilient organisation. The review is due to conclude in March and will result in a revised Transformation Programme underpinned by strong governance and innovation to accelerate delivery and embed new ways of working ongoing.
94. The revised Transformation Programme will be presented to the Cabinet for approval at the conclusion of the review. The Scrutiny Commission will also receive an update. At that stage a decision will also be made on how to implement the recommendations arising from the review and any external support needed under phase 2 of the current contract. 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 MTFS budget gaps. 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.

### **Growth**

95. Over the period of the MTFS, growth of £127.3m is required to meet demand and service pressures with £46.3m required in 2026/27. The main elements of growth are:
  - Children and Family Services (£58.3m). This is mainly due to £47.9m for pressures on the Social Care placements budget arising from increased numbers of Looked After Children, £4.5m for unaccompanied asylum seeking children, from increased demand and cost pressures and £2.4m for the Disabled Children Service.
  - Adult Social Care (£29.7m). This is largely the result of an ageing population with increasing care needs and increasing numbers of people with learning disabilities and mental health issues. There is also growth of £3.7m for the CQC Improvement Plan.
  - Environment and Transport (£21.3m). This mainly relates to increased service user numbers and costs for Special Educational Needs (SEN) transport (£13.3m) and the anticipated costs of the introduction of an emissions trading scheme required by the Government (£6.0m).
  - Chief Executive's (£0.3m) for increased childcare legal cases (£0.2m) and subscriptions to the Local Government Association (LGA) and the County Councils Network (CCN) (£0.1m).
  - Corporate Resources (£1.0m) for Commercial Services (£0.7m) and ICT cyber security (£0.3m).
  - Corporate Growth (£16.7m). This has been included to act as a contingency for potential further cost pressures in the later years of the MTFS. The amount has been set based upon historic levels of growth incurred. The contingency reflects that it is not possible to specifically identify all of the growth before the first year of a four-year MTFS.
96. Details of proposed growth to meet spending pressures are shown in Appendix C.
97. In addition, in response to the Council motion in December, a one-off allocation of £0.1m has been provided for in the inflation contingency to develop the Flood Wardens service offer, create 5 pilot sites, and work with resilience team on model to set up on a permanent basis. This will allow the on-going operational costs to be determined and transfer of resource between teams. Temporary funding through the inflation contingency will need to be managed in-year for 2026/27 before being formalised in on-going budgets for future years.
98. Recognising the growing impact of flooding £0.05m has been earmarked to identify way to improve the approach to preventing and reacting to flooding incidents in Leicestershire. This will include engaging with partner agencies and local stakeholders to ensure our individual and collective contributions are maximised.

### Charnwood Geopark

99. As a key partner and champion of the Charnwood Forest Regional Park, and following its selection to be the UK's submission to UNESCO for Geopark status, a provision for the Council's share of the cost (being £37,500 per year over four years from 2027/28) has been made within the 2026-30 MTFS funded from earmarked reserves. The achievement of UNESCO Geopark status has the potential to increase economic activity in Leicestershire as a result of the expected increase in visitors and tourism, as well as the ability of local businesses to promote their connections to the Geopark by becoming a Geopartner. A decision on the success of the bid is expected April 2027.

### Inflation

100. The Government's preferred measure of inflation is the CPI. In December 2025 this was 3.4%. The Office for Budget Responsibility (OBR) expects inflation to fall to 2.6% in 2026 and then decrease to 2.0% in 2027, and to remain at 2.0% until 2030.
101. However, the Council's cost base does not always reflect CPI. Energy and fuel increases, for example, have a much more significant impact. The draft MTFS therefore assumes 3% per annum in each year.
102. The impact of the National Living Wage (NLW), set out earlier in the report, is particularly significant. In recent years social care costs have been driven up by its continued increases, for which an additional provision has been made. The NLW also has a significant impact on the Council's pay costs.
103. The main local government pay awards in 2025/26 have been based on a standard increase of 3.2% across the whole of the pay scale. The MTFS provides for an estimated average annual pay award increase of 3.5% in 2026/27 and later years. This allowance will also need to cover any impacts of the Employment Rights Act.
104. The Trade Unions have submitted a claim for 2026/27 of the greater of £3,000 or 10% on each pay point. This would increase pay costs by circa 10.5%, around 200% higher than the 3.5% assumed in the MTFS. The National Employers' offer is unlikely to be known before the Cabinet considers this report.
105. The Leicestershire Local Government Pension Scheme (LGPS) has undertaken a triennial actuarial assessment which will set rates from 2026/27. The improved funding position of the fund has enabled a 6% reduction in the level of the Council's contribution rate to be budgeted for, which will reduce the net costs over services by circa £9.2m.
106. Detailed service budgets for 2026/27 are compiled on the basis of no pay or price increases. A central contingency for inflation is to be held, which will be allocated to services as necessary.

## **Central Items**

107. 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, £12.7m in 2028/29 and £13.4m in 2029/30, as a result of the increasing financing requirement for the capital programme.
108. Interest income relating to Treasury Management investments is budgeted at £11.0m in 2026/27 and is estimated to reduce to £7m in 2027/28, £4m in 2028/29 and £2.0m 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.

## **Health and Social Care Integration**

### **Better Care Fund (BCF)**

109. Health and Social Care Integration continues to be a national government priority. Developing effective ways to co-ordinate care and integrate services around the person and provide more of this care in community settings are seen nationally and locally as key to improving outcomes and ensuring high quality and sustainable services for the future.
110. The Council has received funding from the NHS through the Better Care Fund (BCF) since 2015/16 in line with levels determined by Government. The BCF's purpose is to help the Council finance the delivery and transformation of integrated health and care services to the residents of Leicestershire, in conjunction with NHS partners.
111. The BCF policy framework and planning requirements are refreshed regularly and may cover one year or a number of years. The Department of Health and Social Care (DHSC) and MHCLG published a one year framework for the implementation of the BCF in 2025/26 on 31 January 2025. The framework for 2026/27 has not yet been published.
112. The four national conditions set by the Government in the BCF policy framework for 2025/26 are:
- Plans to be jointly agreed
  - Implementing the objectives of the BCF
  - Complying with grant and funding conditions, including maintaining the NHS minimum contribution to adult social care (ASC)
  - Complying with oversight and support processes
113. The Better Care Grant was introduced in 2025/26 as a combined grant replacing both the Improved Better Care Grant and the ASC Discharge Fund Grant. The grant conditions require that the funding is used for:

- meeting adult social care needs;
- supporting people to be discharged from hospital when they are ready (including supporting the principles of 'Discharge to Assess');
- ensuring that the social care provider market is supported.

114. The value of BCF funding for Leicestershire in 2026/27 is shown in the table below. The NHS minimum contributions for 2026-27 and an indicative position for 2027-28 were published on 17 November.

115. The Better Care Grant has been included in the table at 2025/26 values as the funding for 2026/27 has not yet been announced.

	<b>2026/27 £m</b>	
NHS Minimum Allocation	59.0	Level mandated by NHS England
Better Care Grant	21.8	Allocated to local authorities, specifically to meet social care need and assist with alleviating pressures on the NHS, with emphasis on improving hospital discharge, and stabilising the social care provider market.
Disabled Facilities Grant	5.5	Passed to district councils
<b>Total BCF Plan</b>	<b>86.3</b>	

116. In 2026/27, £24m of the NHS minimum allocation into the BCF will be used to sustain adult social care services. The national conditions of the BCF require a certain level of expenditure to be allocated for this purpose. This funding has been crucial in ensuring the Council can maintain a balanced budget, while ensuring that some of its most vulnerable users are protected; unnecessary hospital admissions are avoided; and the good performance on delayed transfers of care from hospital is maintained.

117. In addition to the required level of funding for sustaining social care service provision, in 2026/27 a further £9m of Leicestershire's BCF funding has been allocated for social care commissioned services. These services are aimed at improving carers' health and wellbeing, safeguarding, mental health discharge, dementia support and crisis response.

118. The balance of the NHS Minimum Allocation £26m is allocated for NHS commissioned out-of-hospital services. The County Council commissions community care services on behalf of the NHS through shared care and joint funding arrangements. The Council is reviewing these arrangements alongside the provision of Continuing Health Care and Funded Nursing care to ensure residents are receiving optimal care and it is funded appropriately.

119. Any reduction in the funding for social care from the BCF would place additional pressure on the Council's MTFs, and without this funding there is a real risk that the Council would not be able to manage demand or take forward the wider integration agenda.

## **Other Grants and Funds**

120. There are a number of other specific grants included in the MTFS. The main grants are shown below:

- Public Health – £33.1m
- Local Authority Better Care Grant - £21.8m
- Asylum Seekers – estimated £11m
- Bus Service Improvement Plans -£9.1m
- Families First Partnership -£6.6m
- Extended Producer Responsibility -£5.9m
- Pupil Premium – estimated £5.4m
- Universal Infant Free School Meals – estimated £2.3m
- Music Education Hubs Grants – £1.5m
- Domestic Abuse Safe Accommodation - £1.5m
- PE and Sports – estimated £1.1m

121. It should be noted that the Crisis and Resilience Fund is £1m lower than the Household Support Fund that it replaced. A revised offer, reflecting Government's new criteria will need to be developed.

## **Dedicated Schools Grant Settlement 2026/27**

### **Schools Block**

122. School funding continues to be delivered through the National Funding Formula (NFF), which applies nationally consistent funding rates for all pupils, irrespective of the local authority in which they are educated. Within the NFF, only the basic per-pupil entitlement is universal; all other elements reflect additional needs such as deprivation, low prior attainment (LPA), English as an additional language, and mobility. Nationally in 2026/27, 74.3% of NFF funding is allocated through the basic entitlement, 18.1% through additional needs, and 6.4% through school-led factors.

123. For 2026/27, there are no structural changes to the NFF. However, the DfE has rolled the Schools Budget Support Grant (SBSG) and National Insurance Contributions (NICs) Grant into the NFF. These have been incorporated through uplifts to the basic entitlement, free school meals (FSM), lump sum, Minimum Per-Pupil Levels, and each school's baseline for the funding floor. A further 2.11% increase has been applied to most pupil-led and school-led factors, with the FSM factor increasing by 1.66%. Local authorities are required to move their local funding formulae at least 10% closer to the NFF compared with 2025/26, unless they already fully mirror the national formula. Local authorities must operate a Minimum Funding Guarantee (MFG) between 0% and 0.5%, in line with the national funding floor, which is set at 0%, ensuring no school receives a reduction in its per-pupil funding compared to 2025/26 once rolled-in grants are accounted for. This has required Leicestershire to seek permission to continue to fund rental costs in some small schools. With these exceptions, assuming approval from the DfE, the Leicestershire funding formula remains fully in accordance with the NFF.

124. In November 2025, the Cabinet decided not to approve a transfer of funding from the Schools Block to the High Needs Block of the Dedicated Schools Grant (DSG). Instead it agreed to explore a per-pupil contribution from schools to support pupil outreach support and seek a financial commitment from schools to supporting ongoing mainstream inclusion.
125. The December 2025 allocation is £583.9m based on updated October 2025 census information. This is an increase of 4% from the latest 2025/26 allocation.
126. Whilst the NFF for schools is based upon the 2025 school census, funding for local authorities is based upon the pupil characteristics recorded in the 2024 school census. An increase in the number of pupils eligible within the NFF for Free School Meals (FSM) and Low Prior Attainment (LPA) has resulted in an affordability gap of £1.99m. Whilst this is not the first instance of an affordability gap in Leicestershire, many authorities regionally and nationally have had, and continue to be in this position. In order to close that gap and ensure that the funding formula is fully delivered within the grant available it has been necessary to enact the DfE's mechanism of capping and scaling school level increases, and this has required a cap of 2.77% scaled by 50%.
127. Minimum per-pupil levels have increased due to the rolled-in grants and are set at £5,115 for primary and £6,640 for secondary pupils. These levels are mandatory for all local funding formulae. As the funding floor and MFG protection operate at a per-pupil level, schools experiencing reductions in pupil numbers will see corresponding decreases in overall budget allocations.
128. Additionally, the Government has confirmed that free school meal entitlement will expand to all children in households receiving Universal Credit from September 2026. This expansion will be funded through a separate grant, not through the DSG or NFF in 2026/27, and further details will be published by the DfE in due course.

#### Central Services Block

129. The central services block funds a number of school-related expenditure items such as existing school-based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic costs. For 2026/27, the central schools block will incorporate the SBSG and NICs grant elements relating to centrally employed staff. The provisional Settlement is £4.8m for 2026/27.
130. The annual 20% reduction to historic commitments continues in 2026/27. Reductions will now be applied against the 2025/26 baseline rather than the immediately preceding year. Protections remain in place for pre-2013 termination of employment costs. The DfE expects that, subject to further review, only residual protected elements will remain by 2030.

#### Early Years Block

131. The entitlement to Early Years Education for 2026/27 is;

- (a) 30 hours for eligible working parents for children aged 9 months to 2 years. (this has been extended from 15 hours from September 2025)
- (b) 15 hours for 2 years olds for families requiring additional support, this was formally disadvantaged 2-year-olds.
- (c) Universal offer of 15 hours for 3- and 4-year-olds.
- (d) An additional 15 hours extended entitlement for working parents for 3- and 4-year-olds.

132. The Early Years DSG settlement is estimated to be £128.6m and based on funding rates of £6.20 per hour for the 3 – 4-year-olds, £7.90 for 2-year-olds and £10.67 for under 2's. Local authorities are required to pass through 97% of the settlement to providers, the remaining 3% meeting the cost of the Early Learning and Childcare service. Work is underway within the service to enable the local authority to calculate and notify providers of their funding rates no later than 28 February 2026. A delegation to the Director of Children and Family Services following consultation with the Cabinet Lead Member is recommended to set the rates for 2026/27.

### High Needs

133. The High Needs Block allocation is estimated to be £124m in 2026/27. Confirmation of the 2026/27 grant is not expected until March / April 2026. For financial year 2026/27 the DfE announced it was temporarily suspending the high needs national funding formula (NFF), which in previous years has been used to calculate local authorities' high needs allocations. Instead, local authorities' allocations will be based on their 2025 to 2026 allocations, with some adjustments - including the annualisation of historic grant funding. Whilst it is challenging to compare the 2026/27 allocation with 2025/26 on an exact like-for-like basis due to the change in funding methodology, the 2026/27 allocation reflects a net real-term increase of 1.2% in funding, compared to an assumed 3% increase which had been assumed for financial planning, which adds an additional financial burden for the following financial year. Following wider reforms to the SEND system, which the government will set out in early 2026, the DfE will review the methodology for allocating high needs funding for future years so that it supports the SEND reforms.
134. On the basis that high needs funding allocations for 2025/26 are significantly below projected spend levels, and with the 2025/26 allocation being used to calculate 2026/27 allocations, it is expected that the current unsustainable financial position will continue into 2026/27, pending any further updates to funding linked to SEND reform announcements anticipated early in 2026.
135. At the end of 2024/25 the accumulated High Needs deficit stood at £64.4m and is now projected to rise to £111.9m at the end of 2025/26. If future demand remained on a similar trajectory to 2025/26, the cumulative DSG deficit could increase to around £462.5m by March 2030, as shown in the projection below (although projections/supporting mitigations will require refreshing early into 2026 aligned with outputs and impact of any announcement around SEND reforms and projections of current demand):

	2026/27 £,000	2027/28 £,000	2028/29 £,000	2029/30 £,000
Grant Income	-124,684	-126,202	-127,838	-129,604
Total Expenditure	212,564	238,001	269,089	303,787
Total Savings	-15,363	-33,403	-49,634	-66,146
<b>Annual Revenue Funding Gap</b>	<b>72,517</b>	<b>78,396</b>	<b>91,617</b>	<b>108,036</b>
2019/20 High Needs Deficit	7,062			
2020/21 High Needs Deficit	10,423			
2021/22 High Needs Deficit	11,365			
2022/23 High Needs Deficit	6,683			
2023/24 High Needs Deficit	5,650			
2024/25 High Needs Deficit	23,215			
2025/26 High Needs Deficit forecast	47,482			
<b>Cumulative High Needs Funding Gap</b>	<b>184,397</b>	<b>262,793</b>	<b>354,410</b>	<b>462,446</b>

136. Although it had been stated that from 2028/29 the Government will absorb SEND costs, it has not specified how this will be achieved and how it will be funded. Government has subsequently qualified that support may not be for all costs and could be conditional. This may mean that local authorities would not build up further DSG deficits from 2028/29, but government have not identified any additional funding from 2028/29 within the Spending Review plans. At the point of the Statutory Override ending at 31 March 2028, based on current policy, local authorities would then be required to recognise the historic DSG deficits, which are expected to reach £14bn 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 Government has not set out how it will address this issue other than to state that support to deal with SEND deficits will not be unlimited. Plans to support Councils with historic and accruing deficits and conditions for accessing such support is expected alongside the final settlement. The Council can only set its budget and MTFS on what it knows and so the current strategy of making some provision for SEND deficits has continued through the MTFS.
137. With the High Needs Block continuing to face significant financial pressures, with allocations falling well below projected demand, to mitigate this, a whole-system approach is being implemented through six key actions: strengthening early intervention and mainstream inclusion, applying robust EHCP gatekeeping and reviews, expanding local specialist provision, reducing early years specialist placements, and improving commissioning and demand management. These measures aim to slow cost growth and improve sustainability, but given the scale of demand, the financial position remains challenging and will require ongoing review alongside national reform developments
138. Despite current and planned mitigations, the levels of projected growth mean that the financial position is unsustainable, and whilst the transfer of responsibility to government from 2028/29 is welcome, the historic deficit still presents a huge challenge and impacts the Council's General Fund in other ways, such as loss of

investment income from cash-flowing the deficit. As such it is essential that the planned measures to contain ongoing growth are successful. Further mitigations and actions are actively considered to reduce the projected financial burden on the DSG High Needs funding block. This work is currently underway, and its impact will be reflected as part of the wider MTFS planning work over the coming months.

139. In developing additional mitigations, consideration is being given to aligning actions to anticipated changes in the Schools White Paper. Whilst the actual content of this paper is unknown, through the work the authority is undertaking for the DfE as part of the Change Programme Partnership, the Council is aware there will be a key focus on 'mainstream inclusion'. This will include working with all mainstream schools to ensure there is a much stronger emphasis on children and young people with complex and significant needs attending their local mainstream school wherever possible. To deliver this new approach, it will require the full co-operation of school leaders and their close partnership working with the Council and each other.

### **Adequacy of Earmarked Reserves and Robustness of Estimates**

140. 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.
141. When setting the MTFS prudent and realistic estimates have been used for core assumptions. The following table provides a summary of the impact of changes to those key assumptions:

<b>Impact of (+ or -)</b>	<b>Like-lihood</b>	<b>Equates to (+ or -)</b>
1% Council Tax	Low	£4.2m
1% Business Rates growth	Medium	£0.6m
1% Pay award (excludes staff funded from specific grant (e.g. Dedicated Schools Grant, Public Health etc.)	Medium	£2.2m
1% Non-pay budget (excludes ASC contract inflation)	Medium	£1.6m
1% ASC demand growth	Medium	£2.2m

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

<b>Risk Area</b>	<b>Commentary</b>	<b>Mitigation/Provision</b>	<b>RAG</b>
Inflation	High inflation persisting for longer than expected leading to increased costs and continuation of Cost of Living crisis.	Inflation allowance within the budget and MTFS	Amber
Non achievement of savings and income targets	The requirement for savings and additional income totals £199m over the next four years of which £85m is unidentified	Strong governance in place to maximise savings delivery and early identification of any slippage. MTFS risks contingency	Amber

		and budget equalisation reserve in place	
SEND spend in excess of grant	A cumulative deficit in excess of £400m is anticipated by the end of 2029/30. Expenditure each year is expected to be between £73m and £108m more than high needs block funding, despite £66m of savings being targeted.	Statutory override currently in place but significant risk if this ends and no alternative arrangements are put in place by government	Red
National Living Wage and salary increases	Increases in the NLW have been estimated for 3 of the 4 years of the MTFS and pay awards are unknown for any year. Each 1% increase in the NLW increases the Council's cost base by around £2m per annum. Whilst there is some provision for this in the inflation allowance, there is a risk that it may not be sufficient.	Inflation allowance to manage in-year fluctuations	Amber
Local Government Finance Reform and other policy reforms	There are a number of delayed government initiatives which may impact in later years of the MTFS. These include: <ul style="list-style-type: none"> <li>• Review of SEND reforms</li> <li>• Adult Social Care charging reforms</li> <li>• Children's Social Care reforms</li> </ul>	Additional government funding to meet new burdens, MTFS risk contingency, growth contingency.	Amber
Further service demand	Unforeseen service pressures resulting in an overspend, particularly demand-led children's and adult social care.	Balanced growth assumptions in the MTFS, financial controls, MTFS contingencies	Amber
Adult Social Care - Fair Pay Agreement	Risk that Central Government funding is insufficient leaving the shortfall with local government.	Feedback to Government, potential reduced provision of and access to services, MTFS risk contingencies.	Amber
Local Government Reorganisation	A decision is expected from MHCLG in the summer on the preferred LGR option for LLR, the outcome of which is likely to lead to significant resource requirements over the short to medium term.	The Council's strong balance sheet will facilitate the ability to finance any early implementation costs	Amber

143. 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. However, these assumptions are based on the best available evidence with sensitivity analysis undertaken where appropriate.

144. There are a number of ways that risks will be mitigated and reduced which are highlighted above and explained further below:

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

## General Fund

145. The General Fund balance is available for unforeseen risks that require short term funding. The forecast balance on the General Fund (non-earmarked fund) at the end of 2025/26 is £26m which represents 4.2% of the 2026/27 net budget (excluding schools' delegated budgets), this is a relatively low level compared to similar authorities. 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. These risks come in a variety of forms:

- Legal challenges such as judicial reviews that may result in a change in savings approach.
- Regulatory issues 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.
- High levels of inflation.
- Government solution for SEND reform and funding of deficits not being sufficient

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

147. The proposed MTFS also 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 BCF.
- Pressure on demand-led budgets particularly in social care and high needs.
- Maintaining the level of investment required to deliver savings.
- New service pressures that arise.
- No discretionary growth provided for.
- Risks around commercial services.
- Other one-off pressures.

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

## Earmarked Reserves

149. The estimated balance for revenue earmarked reserves as at 31 March 2026 is £171m. This is set out in detail in Appendix K to this report. The final level of earmarked reserves will be subject to the current year budget outcome.

150. Earmarked reserves and balances are held for specific purposes in line with the Council's Earmarked Reserves Policy attached as Appendix J. The main earmarked reserves and balances projected at 31 March 2026 are:

- (a) Capital Financing and Improvement Projects (£91m). Holds MTFS revenue contributions for the capital programme or one-off projects.
- (b) Budget Equalisation (£113m). This reserve is held to manage variations in funding across financial years including MTFS funding gaps. It also includes funding towards 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. The reserve can be used to fund spend to save initiatives.
- (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 (£38m).
- (f) DSG Reserve (-£96m). Forecast deficit balance, which includes the High Needs SEND deficit.

151. The overall forecast position on earmarked reserves shows earmarked reserves potentially being overdrawn by £64m 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. Details are expected from the DfE in early 2026 with regards to SEND Reforms and how Council's will be supported to manage DSG deficits. More details may also come in the final Local Government Finance Settlement.

152. 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

153. 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

154. The Council's risk management policy statement and strategy, and insurance policy are reviewed annually and are included as Appendix I and L respectively. The policies were considered and noted by the Corporate Governance Committee on 23 January 2026.

### Robustness of Estimates and Adequacy of Reserves

155. 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 departments' 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.
156. 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. The initial savings included from the Efficiency Review are supported by a benefits proposal setting out assumptions, evidence and risks. No further savings targets from the Efficiency Review have been included, pending completion of the review and assurance that benefit proposals are robust and deliverable.
157. 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.
158. 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. If the specifically earmarked reserves are not adequate the County Council has flexibility in its approach to funding the capital programme to provide further assurance. Although this would be detrimental to the long term sustainability of the council. However it should be noted that there remains a considerable financial risk in relation to the Council's High Needs Deficit and at the time of writing the report no further information has been released by the government on plans to manage the historic and ongoing SEND deficits. The MTFS has been prepared on the basis of the current trajectory of demand across all years, and continuation of the current strategy to make a partial provision against the deficit.
159. By March 2026, the Council is forecast to hold approximately £110m of debt arising from historic unfunded expenditure on SEND. This represents the Council's most significant financial risk and is becoming unaffordable as the deficit grows. The ability to present a balanced budget is currently dependent on the statutory override, a temporary measure that takes precedence over standard accounting rules. This override allows SEND deficits to be excluded

from the Council's balance sheet; however, it does not resolve the underlying funding gap or reduce the accumulated deficits. Despite efforts to manage demand and costs - including participation in the Department for Education's Delivering Better Value programmes - the SEND deficit continues to grow, and this is a trend seen nationally. Current projections indicate a cumulative deficit of approximately £14bn by March 2028, when the statutory override is scheduled to end.

160. By this point, the County Council's cumulative deficit will stand at £265m based on current forecast, which will exceed all available earmarked reserves.. Therefore, whilst the current budget and MTFS has been based on the best information available and an assessment of risk, the future sustainability of the Council does rely on the government setting out plans for managing both the historic SEND deficit and future funding of the SEND service. Even if responsibility for funding SEND transfers to government from 2028/29, other dependencies will remain with the Council which have financial implications e.g. SEN assessment and SEND transport services will remain a Council General Fund responsibility.
161. The aim is to balance the budget without the use of reserves, so that on-going services are funded by income that is also expected to be on-going. It has become common place across Local Government that this is not possible. If reserves are required to ensure that there is sufficient time for remediation plans to be enacted 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 and 2027/28 in part. There is still a £18m gap for 2026/27 and £85m by 2029/30, based on a 2.99% Council Tax increase each year. Therefore, taking the maximum Council Tax increase of 4.99% in each year of the MTFS is the financially prudent course of action. This will help to ensure that the Council remains robust and financially resilient and maximises locally generated resources. This is particularly important as it is a far more stable and certain than other types of funding, such as government grant and business rates. The Council continues to experience escalating demand for services as well as inflationary cost pressures, which government funding is not keeping pace with.
162. Adopting a 5% increase will raise £8.5m more funding than the current budget assumption and would reduce the gap to £10m. The current budget projections in this report will require the use of £18m of reserves to be used to be able to recommend a balanced budget to Council. Whilst use of reserves can be a useful short-term strategy, the Council's MTFS cannot rely on reserves to balance the budget in the medium to longer term.
163. 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. The Efficiency Review has the potential to have a significant positive impact on the MTFS. The nature of the review is to maximise the potential for savings across a wide range of areas. Due to the high level of ambition it is likely that the benefit for 2026/27 will be limited due to the time for improvement to be implemented.

164. Alongside the Efficiency Review it is important that other disciplines to manage the short fall are maintained, namely:

- Prioritise reduction of the deficit over discretionary services if the financial position improves
- Look to minimise borrowing through continued restrictions on the capital expenditure and maximisation of capital receipts

### **Concluding Comments – Revenue Position**

165. The draft MTFS is balanced in 2026/27, but only by using £18.1m of one-off reserves. There is then a financial gap of £36m in 2027/28 rising to £85m by 2029/30.

166. The Council has used a small level of reserves when setting the budget for the last two financial years, although the outturn position for 2024/25 had improved to a position where reserves were then not needed. Reliance on reserves long term is not sustainable, and the budget equalisation reserve is not at a sufficient level to fully fund the gap beyond 2026/27 and so focused action and financially prudent decisions must be taken. If sufficient reserves are not available additional borrowing for the Capital Programme is likely to be the next short term mitigation, although this would have a greater long term financial detriment. The level of Council Tax increase will be a key consideration when assessing final budget proposals for 2026/27 and it must be viewed as a long term decision rather than one year in isolation.

167. Whilst the Spending Review and Fair Funding proposals have improved the Council's funding position compared to the previous MTFS estimates, looks likely to remain one of the lowest funded county areas in the country, which makes the financial challenge even harder. Core Spending Power per head for Leicestershire for 2026/27 is £1,078, which is 19% below the national average of £1,333 per head.

168. The Council continues to face huge social care demand, and is also seeing increased complexity in the type of care that is required which is further increasing costs. The Efficiency Review will focus on demand management and prevention to help stem these costs and improve outcomes for residents, but reforms are also needed, particularly in Children's Social Care and SEND.

169. Successful delivery of savings is dependent upon a range of factors, not all of which are in the control of the County Council. All savings included in the MTFS have had an initial deliverability assessment so that a realistic financial plan can be presented. With 2026/27 not forecast to be balanced there is less time to generate new savings and a lower margin of error on delivery. Identifying new savings will be a key activity a task made harder by the reduced options available.

170. Maintained schools and academies are under significant financial pressure; this could affect the County Council through its statutory responsibilities relating to education, for example to ensure the provision of sufficient school places.

171. The growing deficit on the high needs budget/DSG reserve, to potentially £460m by the end of the MTFS period, is a major concern and whilst the transfer of responsibility to fund SEND to government from April 2028 is welcome, there is no clarity on how the historic deficit will be funded.
172. Despite continuing to be a high performing authority, it is inevitable that the constantly tightening financial position alongside dealing with significantly increasing demand will have an impact on the Council's services.
173. The delivery of this MTFS rests on several factors:
- Dealing with the continued increase in demand for services and the cost of delivering them
  - The absolute need to deliver the savings in the MTFS and to identify and deliver further savings
  - Prioritising closure of the financial gap above discretionary spending
  - The need to have very tight cost control, especially over demand-led budgets, such as social care and special education needs.
  - Management of the capital programme expenditure and capital receipts
  - The need to manage other risks that could affect the Authority's financial position and clarity from the government on plans to manage SEND deficits.
  - To retain sufficient reserves to manage the risks that the Council faces and to provide enabling funds for the implementation of recommendations from the Efficiency Review

### **Treasury Management Strategy Statement**

174. The Treasury Management Strategy Statement, which includes the minimum revenue provision (MRP) statement and annual investment strategy, must be approved in advance of each financial year by the County Council. Appendix N to this report sets out the Treasury Management Strategy Statement for 2026/27.
175. The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The Council is required to approve an annual MRP statement and set prudential and treasury indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are included with the Treasury Management Strategy as Annex 1 and Annex 2.
176. The legislation requires the Council to set its treasury strategy for borrowing and to prepare an annual investment strategy (for treasury management investments). This sets out the Council's policies for managing its treasury management investments and for giving priority to the security and liquidity of those investments. This Strategy should be read in conjunction with the Investing in Leicestershire Programme (IILP) Strategy (Appendix H), which sets out the Council's approach when considering the acquisition of investments for the purposes of inclusion within the IILP, and the Capital Strategy (Appendix G),

which sets out the Council's approach to determining its medium term capital requirements.

#### Minimum Revenue Provision Review

177. The Local Authorities (Capital Finance and Accounting) Regulations 2003 require local authorities to charge to their revenue account in each financial year a minimum amount to finance capital expenditure. This is referred to as Minimum Revenue Provision (MRP). The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
178. In 2019/20 the Council reviewed the expenditure that is required under statute relating to a prudent MRP. Based on the average economic remaining life of assets held, the MRP calculation for supported and unsupported borrowing was amended to a period of 40 years, which reduced the MRP charge to around £6m per annum.
179. During 2024/25 the Council has reassessed the MRP policy to assess its continued appropriateness. The review has identified that changes to the existing policy can be made to remain prudent and to more accurately reflect the time value of money through the use of an annuity calculation. This results in a consistent charge to the General Fund for assets over their useful lives. Setting the annuity rate at the Bank of England's Monetary Policy Committee's inflation target rate of 2% is considered appropriate and prudent. MRP will increase by this percentage each year. This reflects the time value of money and can be considered to be fairer on council tax-payers as it produces a consistent charge as measured in real terms. The revised approach was approved by the Council in February 2025 and is being applied from 2025/26.
180. CIPFA's Practitioners' Guide to Capital Finance in Local Government supports the use of the Annuity method on the basis that the MRP charge to the General Fund takes account of the time value of money.
181. It should be noted that the revised approach does not change the overall amount of MRP payable; the same amount is simply repaid over a different time period but is more aligned with the period over which the underlying assets provide benefit. The MRP strategy can be found in Annex 1 to this strategy.
182. Overall capital financing costs, MRP (annuity basis) and external debt interest, are forecast to be £12.4m in 2026/27 and to then rise to £13.4m in 2029/30 as a result of the requirement for new borrowing. This estimate assumes the required new borrowing is from internal cash balances. The capital financing costs do not include the cost of interest returns foregone by using internal cash balances, this will be reflected in a reduction to the bank and other interest budget.
183. The Treasury Management Strategy has been prepared on the basis that there will be no new external borrowing by the County Council in the period covered by this MTFs, see capital section below for further details.

184. The Council continues to maintain a low risk approach to the manner in which its list of authorised counterparties is produced and takes advice from the Council's treasury management advisors on all aspects of treasury management.
185. The strategies were considered and noted by the Corporate Governance Committee on 23 January 2026.

### **Capital Programme 2026/27 to 2029/30**

186. The overall approach to developing the capital programme has been 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 (circa 10 year payback) .
  - Passport Government capital grants received for key priorities for highways and education to those departments.
  - No new forward funding of section 106 contributions.
  - Maximise external sources of income including capital receipts, 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.
187. The draft capital programme totals £501m over the four years to 2029/30. The programme is funded by a combination of Government grants, capital receipts, external contributions, revenue balances and earmarked funds.

### **Changes to the Capital Programme 2026-30**

188. Since the draft capital programme to the Cabinet in December the following expenditure changes, all fully funded, have been included in the updated capital programme – all in the Environment and Transport programme.

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Local Authority Bus Grant	2.7	2.8	2.8	2.9	11.1
Consolidated Active Travel Fund*	-	0.9	0.9	0.9	2.7
Highway Maintenance Incentive Fund**	-	-	2.6	2.6	5.2
Transport Asset Management Programme	4.9	5.3	7.0	8.7	25.9
<b>Total</b>	<b>7.6</b>	<b>9.0</b>	<b>13.3</b>	<b>15.1</b>	<b>45.0</b>

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

189. Local Authority Bus Grant – notification of 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.
190. Consolidated Active Travel Fund - notification of DfT funding to support local transport authorities to develop and build infrastructure for walking and cycling.
191. Highways maintenance – increased estimates for the incentive element of the grant allocations following a review of the guidance.
192. Transport Asset Management programme – review of the grant conditions enabling the maximisation of the capital grant and reversing the previous substitution to the revenue budget.
193. In addition to the expenditure changes, additional funding is available through the capital financing and improvement projects reserve (£2m) and updated estimates of future capital receipts (£6.7m). This has the impact reducing the overall capital shortfall previously reported to the Cabinet from £84m to £75m reducing the need for future borrowing and lowering capital financing costs.
194. The updated capital programme and funding is shown below.

<b><u>Capital Programme 2026-30</u></b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Children and Family Services	38.6	37.7	7.7	3.2	87.2
Adults and Communities	8.4	5.9	5.9	5.6	25.8
Environment and Transport	73.7	63.0	67.9	70.1	274.7
Chief Executive's	0.2	-	-	-	0.2
Corporate Resources	2.0	2.0	1.3	1.8	7.1
Corporate Programme	11.3	27.1	32.0	35.5	105.9
<b>Total</b>	<b>134.2</b>	<b>135.7</b>	<b>114.9</b>	<b>116.2</b>	<b>501.0</b>

  

<b><u>Capital Resources</u></b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Grants	59.3	65.4	71.8	77.0	273.5
Capital Receipts from sales	3.1	10.2	6.3	3.4	23.1
Revenue/ Reserve Contributions	51.1	31.6	0.2	0.2	83.0
External Contributions	20.7	19.2	5.8	0.6	46.3
<b>Total</b>	<b>134.2</b>	<b>126.4</b>	<b>84.1</b>	<b>81.2</b>	<b>426.0</b>

  

<b>Funding Required</b>	<b>0</b>	<b>9.2</b>	<b>30.7</b>	<b>35.0</b>	<b>75.0</b>
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195. 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.
196. The overall proposed capital programme can be summarised as:

Service Improvements	£317m
Invest to Save	£31m
Investment for Growth	£90m
Future Developments/ Risk Contingency	£63m
<b>Total</b>	<b>£501m</b>

## **Funding and Affordability**

### **Forward Funding**

197. 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.
198. 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.
199. There are risks involved in managing and financing a programme of this size. And an increased reliance on developer contributions through section 106 agreements means that it may take many years for investment to be repaid. Historic agreements may not be sufficient for the actual cost of infrastructure in the high inflation environment that is currently being experienced. The drivers of inflation are having a particularly profound impact upon construction schemes. Risks could be further compounded in the event of an economic slowdown, which could delay the housing development required before section 106 funding is received.
200. A key determinant in generating sufficient developer contributions is the approach taken by the district council, as the local planning authority. The district council will set the local planning context against which section 106 agreements will be agreed and ultimately decide on planning permission.
201. The Council's financial position, both in relation to capital and revenue funds is grave. As the lowest funded County Council in England, the Council has limited capacity to provide capital funding, or forward funding (recovered over a period of time) to support planned growth and therefore the focus must be on

maximising developer contributions and delivery rather than the County Council filling viability gaps in highways infrastructure requirements.

202. Due to the risk of forward funding not being repaid, for example if a developer's planned scheme is no longer viable. The County Council's intention is for all future schemes to be fully funded, including adequate contingency, before they are committed to. Without appropriate funding, infrastructure relating to further plans cannot be added to the programme. It is therefore critical that Local Plans are prepared with sufficient evidence to secure contributions and delivery for critical infrastructure.
203. Whilst this approach significantly reduces the financial risk faced by the County Council, in the shorter term, it does not remove it entirely. Until such time as Government policy reflects and addresses the challenges faced by local authorities in meeting housing needs whilst ensuring infrastructure is available and appropriate, district councils, as planning authorities are in the best position to manage the developer contribution risk. It is therefore necessary for the district councils to work with the County Council to ensure Local Plans include policies that balance the need to support delivery of growth without exposing the County Council to further financial risk. District councils also need to work with the County Council to direct more funding towards priority infrastructure
204. Without new funding the County Council can only commit to constructing new infrastructure upon receipt of funds from developers. Whilst the County Council will always be mindful of its statutory duty to ensure that highway safety is not compromised, there could be adverse impacts of development, such as congestion, if sufficient developer funding is not secured through the planning process.

### **Capital Grants**

205. Grant funding for the capital programme totals £274m 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).

### Children and Family Services

206. Capital grant funding for schools is provided by the DfE. The main grants are:

- a) Basic Need – this grant provides funding for new pupil places by expanding existing schools and academies or by establishing new schools. Funding is determined through an annual submission to the DfE which identifies the need for additional school places in each local authority area. In March 2025 the DfE announced Basic Need grant allocations for 2026/27 and 2027/28 of £1.2m and £0.7m respectively.

This compares with £17m awarded in 2025/26. The methodology they have used differs to previous years and now incorporates funding thresholds for planning areas below which grant funding will not be provided. This change in methodology has resulted in a significant reduction in the level of funding the Council will receive for 2026/27 and 2027/28. The Council has made representation to the DfE regarding this change in methodology and the impact it will have on enabling the Council to meet its statutory duty of providing sufficient mainstream places. A nominal estimate of £1m has been used for 2028/29 and 2029/30, which will be updated once the allocations are announced.

- b) Strategic Capital Maintenance – this grant provides the maintenance funding for the maintained school asset base. Details of the grant for 2026/27 and future years have not yet been announced. An estimate of £8m (£2m per annum) is included in the capital programme.
- c) Devolved Formula Capital - funding provided to schools. The DfE has not yet announced details of grant allocations. An estimate of £1.6m (0.4m per annum) is included in the MTFS, based on the number of maintained schools.

### Adult Social Care

207. Capital funding for the Disabled Facilities Grant (DFG) programme has not yet been announced for 2026/27 and later years. An estimate of £5.5m in line with current years allocation has been included in the capital programme.

### Environment and Transport

208. The main Department for Transport grants have been announced for the next four years. These include:

- a) Local Transport Grant (LTG) - £74m in total. The LTG provides funding to improve and maintain local transport infrastructure. It replaces the previous Integrated Transport Block (ITB) and provides capital funding to help councils deliver transport priorities and improvements.
- b) Highways Maintenance Block - Baseline funding £106m in total.
- c) Highways Maintenance Block - Incentive funding - £39m in total.
- d) Local Authority Bus Grant - £11.1m in total.

209. Highways Maintenance Block Grant provides funding to maintain and improve local roads. The overall grant allocation for 2026/27 of £29.8m is an increase of £1m compared to the current year's allocation. In 2026/27 a proportion of this funding (£8m or 27%), has been designated as incentive funding and will be subject to the Council as the Local Highway's Authority (LHA) demonstrating that it has complied with best practice in highways maintenance. For the purpose of the 2026-30 MTFS Capital Programme, 100% incentive funding has been assumed, and will be reviewed at each MTFS refresh.

## **Capital Receipts**

210. The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £23m across the four years to 2029/30.
211. 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**

212. To supplement the capital resources available and avoid the need for borrowing, £83m of revenue/ reserves funding is being used to fund the programme.
213. The capital financing and improvement projects 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**

214. A total of £46m is included in the funding of capital programme 2026-30. This relates to section 106 developer contributions funded capital schemes over the next four years.

## **Funding from Internal Balances**

215. Overall a total of £75m 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.
216. 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 2% to 3%.
217. The overall cost of using internal balances to fund £75m 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 £6m 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 £3m per annum. Because of the uncertainty on interest rates,

this position will be kept under review as part of the treasury management strategy.

218. 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**

219. Over the period of the MTFS, a capital programme of £501m is required of which £134m is planned for 2026/27. The main elements are:
- Children and Family Services - £87m. The priorities for the programme are informed by the Council's School Place Planning Strategy and investment in SEND as part of the High Needs Development Plan.
  - Adults and Communities - £26m. The programme includes £22m relating to the Disabled Facilities Grant (DFG) programme and schemes for the Social Care Investment Plan (SCIP).
  - Environment and Transport - £275m – completion of major schemes including Zouch Bridge replacement, £195m investment in the Transport Asset Management (TAM) programme – preventative and restorative highways maintenance - and the Environment and Waste Programme. Other significant projects include the Melton Depot replacement and the corporate wide vehicle replacement programme.
  - Chief Executive's - £0.2m, Legal case management system.
  - Corporate Resources - £7m. Investment in ICT, Transformation and Property.
  - Corporate Programme - £106m. Investment in the Investing in Leicestershire Programme (IILP) £43m (subject to business cases), the future developments fund £38m (subject to business cases), and the major schemes portfolio risk fund of £25m.
220. Details of the proposed capital programme are shown in Appendix F to this report.

### **Capital Summary**

221. The capital programme totals £501m over the four years to 2029/30. The Council recognises the need to fund long term investment and has forward funded £20m of capital infrastructure projects for highways. £10m has already been repaid, with £5m estimated to be repaid by 2029/30 and the balance of £5m expected between 2030 and 2040.
222. Longer term infrastructure schemes (outside of the MTFS period) are not included in the programme.
223. There are significant financial pressures in the School Accommodation programme due to increased inflationary costs, legacy section 106 shortfalls and a change in DfE grant allocation methodology requiring additional funding of £6.7m above the grants provided by the DfE. This gap can only be met through

the use of Council discretionary funding from reserves and the capital risk programme.

- 224. Overall £75m from internal cash balances will be used to fund the capital programme. As such there is very limited scope to add further capital schemes to the capital programme. The additional revenue costs arising from this total c.£4m per annum, on the basis of internal borrowing.
- 225. By their nature, discretionary asset investments, which are made to generate capital receipts or revenue returns, are risky. Whilst this is partially mitigated by the County Council's ability to take a long-term view of investments, removing short-term volatility, it is likely that not all investments will yield returns in line with the business case.
- 226. A significant portion of the programme enables revenue savings; delays or unsuccessful schemes will directly affect the revenue position.
- 227. Additional Government investment in housing and infrastructure is increasingly subject to a competitive bidding process and areas with devolution deals are likely to be preferred.

### **Investing in Leicestershire Programme**

- 228. The Council directly owns and manages properties, including Industrial, Office and County Farms as part of the Investing in Leicestershire Programme (liLP). 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 liLP 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.
- 229. 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.

### **Other Funding Issues**

#### **East Midlands Freeport**

- 230. 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.
- 231. 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.

### **Equality Implications**

232. 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.

233. 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.

234. An equality impact assessment (EIA) of the outline proposals is undertaken annually, Appendix P. The purpose is 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.

235. This assessment is at a high level and is an overview of the MTFS. 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.

236. Overall, the assessment found that the Council's budget changes will have the potential to adversely impact older people, children and young people, carers, 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 November 2025 of the Leicestershire Community Insight Survey found that a

significantly higher percentage of women, middle-aged people, non-white British people, and people with a disability responded that they had been affected a “fair amount” or a “great deal” by national and local public sector cuts.

237. 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.
238. If potential negative impacts are identified, these will be subject to further assessment and mitigating action will be considered.
239. 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**

240. 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**

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

### **Environmental Implications**

242. The MTFS includes schemes to support the Council’s response to climate change and to make environmental improvements.

### **Partnership Working and Associated Issues**

243. 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**

244. 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 to 2029/30 – Proposals for Consultation

<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 2025/26 – 2028/29

<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: 2026/27 Revenue Budget

Appendix B: Four Year Revenue Budget 2026/27 to 2029/30

Appendix C: Growth and Savings 2026/27 to 2029/30

Appendix D: Savings under Development

Appendix E: Detailed Revenue Budgets 2026/27

Appendix F: Capital Programme 2026/27 to 2029/30

Appendix G: Capital Strategy

Appendix H: Investing in Leicestershire Programme Strategy

Appendix I: Risk Management Policy and Strategy

Appendix J: Reserves Policy

Appendix K: Earmarked Reserves forecasts

Appendix L: Insurance Policy

Appendix M: Council Tax and Precept

Appendix N: Treasury Management Strategy Statement and Annual Investment Strategy

Appendix O: MTFS Consultation Report

Appendix P: Equality Impact Assessment

Appendix Q: Comments of the Overview and Scrutiny Committees and Scrutiny Commission (to follow)

Appendix R: Efficiency Review Opportunities