

## REPORT OF THE CABINET

### A. MEDIUM TERM FINANCIAL STRATEGY 2026/27 – 2029/30

#### SUPPLEMENTARY REPORT

##### Introduction

1. This supplementary report relates to the Cabinet's consideration of the 2026/27 – 2029/30 Medium Term Financial Strategy (MTFS) at its meeting on 3<sup>rd</sup> February.

##### Background

2. Attached to the Council agenda is the report considered by the Cabinet on 3<sup>rd</sup> February 2026 which reflects the changes to the budget since it was approved for consultation in December including the provisional Local Government Settlement. The report to Cabinet included the following appendices marked A – R. Some of these have now been updated and are being circulated with this supplementary report following receipt of the final Local Government Settlement on 9<sup>th</sup> February. These are shown in the table below:

Appendix A	2026/27 Revenue Budget Summary ( <b>as amended</b> )
Appendix B	Four Year Revenue Budget 2026/27 to 2029/30 ( <b>as amended</b> )
Appendix C	Growth and Savings 2026/27 to 2029/30 ( <b>as amended</b> )
Appendix E	Detailed Revenue Budgets 2026/27 ( <b>as amended – Corporate and Central Items only</b> )
Appendix K	Earmarked Reserves Forecasts ( <b>as amended</b> )

##### Changes arising from the final Local Government Finance Settlement

3. Since the Cabinet meeting the final Local Government Finance Settlement was announced on 9 February 2026. As a result the following changes have been made to the 2026/27 – 2029/30 budget:
  - (i) Final Settlement. The settlement provided an increase in Revenue Support Grant (RSG) over the previous forecasts of £2.7m in 2026/27 and £1.4m in 2027/28. The additional funding reduces the amount required from the budget equalisation reserve in 2026/27 to £15.4m to balance to the budget

and reduces the budget gap in 2027/28 to £34.2m.

- (ii) Dedicated Schools Grant (DSG) deficits. The Government has announced support to local authorities with DSG deficits:
- a. Phase 1 - Local Authorities with DSG deficits at the end of 2025/26 will be eligible to receive a High Needs Stability Grant covering up to 90% of their DSG deficit subject to each authority submitting and securing the Department for Education's (DfE) approval of a local SEND reform plan. The DfE will commission local area partnerships to develop these plans during 2026. Payments will then be made in autumn 2026.
  - b. Phase 2 – the Government will confirm the detail on further support for deficits arising in 2026/27 and 2027/28 before the end of the statutory override (31 March 2028), stating 'we will continue to take an appropriate and proportionate approach, although it will not be unlimited'.
  - c. From 2028/29 – SEND spending will be covered by the DfE's central budget meaning that local authorities will not be expected to fund future SEND costs from general funds, but no funding has yet been included in the DfE's budget for this.

The Dedicated Schools Grant is made up of three blocks – High Needs, Schools and Early Years. The forecast net DSG deficit as at 31 March 2026 is £94m. This comprises the High Needs Block deficit of £110m and underspends on the Schools and Early Years blocks of £16m. It's not clear which basis MHCLG intend to use for the calculation.

The DfE have also advised that they will scrutinise local authority DSG accounts on an ongoing basis to identify discrepancies and significant fluctuations, as well as potential ineligible spend, which will be deducted from the total net DSG balance before calculating the 90% grant.

Based on the above, an initial estimate is that around £80m of government grant could be received in respect of the net DSG deficit as at 31 March 2026, subject to the DfE approval process. The Council would then need to fund the balance of £30m (of the £110m projected High Needs deficit) as at 31 March 2026.

For some time the Council has been setting aside funding in the budget equalisation reserve towards the High Needs deficit with a balance of £65m forecast to be held at 31 March 2026. A total of £35m is therefore proposed to be redirected towards other priorities of the Council and to support the MTFS in the longer term, as detailed below:

- £2.5m to be held in the budget equalisation to ensure there is sufficient cover for two years of MTFS budget gaps.
- £10m to contribute to the costs of Local Government Reorganisation (LGR), to be held in the Transformation and LGR reserve
- £10m transferred to the capital financing reserve to reduce the capital shortfall of £75m and reduce the need for prudential borrowing in later

years of the MTFS. The capital programme will be updated in the summer refresh (August/September 2026) for this change.

- £10m for the implementation phase of the Efficiency Review, subject to a Cabinet decision following completion of the review, to be held in the Transformation and LGR reserve
- Balance of £2.5m to be added to the Service Investment Fund to fund one off priority projects.

There are still ongoing financial risks with DSG deficits from April 2026 until responsibility transfers to the DfE from 2028/29. The level of government support for these deficits has not yet been confirmed and therefore the MTFS continues to set aside 50% towards these deficits until the position becomes clearer.

4. Appendices A, B, C, E and K have been amended to reflect the changes above.
5. The recommendations of the Cabinet to the County Council concerning the MTFS taking account of the proposed changes outlined above are set out in the motion which appears below.

#### **Motion to be moved**

- (a) That subject to the items below, and following changes arising from the Local Government Finance Settlement, approval be given to the Medium Term Financial Strategy (MTFS) which incorporates the recommended net revenue budget for 2026/27 totalling £616.1m as set out in the revised Appendices A, B and E of this report and includes the growth and savings for that year as set out in the revised Appendix C;
- (b) That the revised Appendices A, B, C and E be approved to reflect the changes in Revenue Support Grant, which reduces the use of reserves in 2026/27 and reduces the funding gap in 2027/28, and the allocation of £2.5m in the Service Investment Fund, as set out earlier in this supplementary report;
- (c) That approval be given to the projected provisional revenue budgets for 2027/28, 2028/29 and 2029/30, set out in revised Appendix B to the report, including the growth and savings for those years as set out in revised 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;
- (d) 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;
- (e) 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;

- (f) That the level of the General Fund and earmarked reserves as set out in the revised Appendix K, to reflect the updates for the High Needs Deficit cover as set out earlier in this report, be noted and the planned use of those earmarked reserves as indicated in that appendix be approved;
- (g) That the risk assessment at paragraph 140 and the Director of Corporate Resources assurance statement at paragraph 155 be noted;
- (h) That the recommended Council Tax increase of 2.99% for 2026/27 and the resulting precept be approved;
- (i) 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;
- (j) That approval be given to the 2026/27 to 2029/30 capital programme, totalling £501m, as set out in Appendix F;
- (k) 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;
- (l) 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
<b>Operational boundary for external debt</b>				
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>
<b>Authorised limit for external debt</b>				
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>

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

**(i) Maturity of borrowing:-**

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

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

- (o) 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;**
- (p) 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;**
- (q) 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;**
- (r) That it be noted that the Leicester and Leicestershire Business Rate Pool has been revoked for 2026/27;**
- (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.**

**12<sup>th</sup> February 2026**

**Mr. D. Harrison CC  
Leader of the Council**

**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>