

**MEETING OF THE OVERVIEW SELECT COMMITTEE THURSDAY, 30
JANUARY 2025**

12. REVENUE BUDGET 2025/26

Addendum – Note on Settlement.

Update – General Fund Budget 2025/26

Date: 22nd January 2025
To: Overview Select Committee
From: Amy Oliver, Director of Finance

1. INTRODUCTION

This note updates the draft budget report to explain:

- (a) The effect of the finance settlement and other changes since the beginning of December;
- (b) The impact of the decision taken by the Council on the council tax support scheme;
- (c) The effect of the budget on care leavers.

2. FINANCE SETTLEMENT

The provisional finance settlement was received on 18th December.

Whilst there are some details we still do not know, grant income available for the overall budget is forecast to be £19m higher in 2025/26 than we previously assumed. No figures are available for 2026/27, but we are assuming that most of the £19m will also be provided in that year as well. Some of these sums are in recognition of additional costs and emerging pressures which will need to be met.

The most significant reason for the improvement is a new “recovery grant” which the Government has directed towards deprived authorities (the main losers seem to be the more affluent district councils). This has provided us with £11.7m.

Not included in the settlement is a grant to compensate us for additional national insurance costs for our own employees – the amount has not been announced, but the national amount has, and we estimate we will be around £1.5m short of what we need. There is no compensation for increased NI costs borne by external service providers.

The settlement also provided £2.6m of new money for children’s social care prevention, which will permit the development of new programmes in the department.

The draft budget strategy (as described in the report circulated with your agenda) uses a combination of one-off monies and annual savings. The annual savings sought (£20m per year) are considerably less than the amount required to eliminate the budget gap. This was a deliberate decision to allow for potential changes in Government policy.

The underlying financial crisis has not changed. For illustration, to avoid making any spending cuts we would need additional funding of £90m per year by 2027/28 (on top of the

£19m). The national financial position implies that there will be cuts to funding for unprotected services (which we would expect to include local government), and there is absolutely no likelihood that this sort of money will be forthcoming.

3. COUNCIL TAX SUPPORT SCHEME

The draft budget report assumed that savings totalling £2.4m per year could be achieved from changes to the council tax support scheme, together with a further £0.4m in admin savings due to the new scheme being simpler to administer (£2.8m in total). The scheme approved by the Council on 16th January represents a saving of £1.3m, plus £0.3m admin savings (£1.6m in total). Thus, the approved scheme saves £1.2m less than the original assumption. The final budget report to Council will recommend an additional savings target to compensate (which will keep the financial strategy on track).

4. IMPACT ON DRAFT BUDGET

The draft budget published in December including the following projections of spending and income:

	2025/26 £m	2026/27 £m	2027/28 £m
Expenditure	433.9	466.5	503.4
Minus income	(387.2)	(400.1)	(413.5)
Equals Recurring Budget Gap	46.7	66.4	89.9

This would have the following impact on reserves:

	25/26 £m	26/27 £m	27/28 £m
At the beginning of the year	53.5	123.1	56.7
Plus earmarked reserves	20.3		
Plus capital fund	90.0		
Plus capital receipts (if permission granted)			60.0
Other	6.0		
Minus budget gap	(46.7)	(66.4)	(89.9)
At the end of the year	123.1	56.7	26.8

The budget estimates have now been revised chiefly to reflect the settlement and new costs arising from the settlement, latest projections of social care costs (including the impact of the living wage), and the actual expected council tax income

in 2025/26. The council tax income reflects the council tax support scheme approved on 16th January. Our best estimates of the overall budget are now as shown below (these are still fluctuating – we await the final settlement and announcement of our public health grant for instance - but major change is now unlikely).

	2025/26 £m	2026/27 £m	2027/28 £m
Expenditure	438.6	467.4	501.9
Minus income	(408.5)	(421.2)	(433.8)
Equals Recurring Budget Gap	30.1	46.2	68.1

And on reserves:

	25/26 £m	26/27 £m	27/28 £m
At the beginning of the year	53.5	139.5	93.3
Plus earmarked reserves	20.1		
Plus capital fund	90.0		
Other	6.0		
Minus budget gap	(30.1)	(46.2)	(68.1)
At the end of the year	139.5	93.3	25.2

The overall impact of the settlement is that, if all goes well, we will not need to use the £60m receipts expected from the asset sales programme to fund the 2027/28 budget. The position could however easily change. We do, of course, need a financial strategy for years beyond 2027/28 where a considerable gap remains. If everything goes to plan these receipts would be available to support the 2028/29 budget.

5. CARE EXPERIENCED YOUNG PEOPLE

It was noted at Adult Social Care Scrutiny Commission that the EIA omits mention of care experienced young people. The final report will be amended to correct this.

As stated in the report, the EIA only considers the impact of the tax rise. No service changes are proposed by the budget, which only sets spending limits for each service. When decisions about services are made in due course, full EIAs will be prepared as appropriate.

There is no disproportionate impact of the tax rise on care experienced people. Indeed, many pay no council tax at all. Our policy states that:

“If you are under 25 years of age and have previously been a resident in a care home or similar facility provided by Leicester City Council, you may qualify for a council tax discount. A discount will be applied to 100% of the council tax liability after any other discounts have been applied for any period the care leaver is liable for council tax in Leicester You will

still qualify for this discount if you have moved away from Leicester and returned since you were resident in the care facility.”