
Executive Decision- Revenue Budget Monitoring Outturn 2024/25

Decision to be taken by: City Mayor

Decision to be taken on: 15 July 2025

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Mick Weaver
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- Report version number: 1

1. Summary

This report is the final one in the monitoring cycle for 2024/25 and reports performance against budget for the year.

The final outturn is a £15.4m saving against the budget for the year (4% variance compared to the final budget). The amount saved has increased since period 9 and reflects a lot of work done to both reduce spending and constrain cost growth. Specifically:

- (a) The growing number of homeless families is a huge cost pressure in most urban authorities, and we included £10.6m of growth in the budget together with a £6m contingency. Nonetheless, at period 9 a £7m overspend was still anticipated which has now been brought down to £4m. The Council has invested in new housing and other measures which we believe will avoid £40m of additional cost by 2027/28 and which has also reduced the overspend in 2024/25.
- (b) Transformation work in adult social care enabled us to reduce the budget in-year (it now stands at £16m less than the original budget). Whilst slightly less than expected at period 9, the service has still saved £5m compared to the reduced level of budget.
- (c) There were lower placement and other costs in education and children's services primarily due to lower numbers of looked after children compared to last year. Successful taxi procurement has reduced cost to the SEND transport service (the underlying trend of growing SEND need of course continues).
- (d) Through use of other funding streams and continual scrutiny of requirements, a further £6.3m of earmarked reserves can be released to support future budgets.

The upshot is that, whilst the budget for 2025/26 estimated we would have £25m of reserves left to support the budget after 2027/28, the figure is now estimated to be £55m. Of course, it is still very early days, and the situation is volatile, but this is encouraging. Nonetheless, the projected £68m gap between income and expenditure in 2027/28 is unaffected and cannot be sustained indefinitely with one-off savings. The whole budget position will be reviewed in the autumn, prior to setting the budget for 2026/27.

The projected gap of £68m is dependent on achieving the £23m of savings required by the 2025/26 budget strategy – decisions in relation to £9m of savings have already been taken, together with further cost constraint measures in demand led services.

A more worrying issue in the report is the continued increase in the number of working age people with a care package, and the continued increase in the level of need of those already in receipt of a care package.

Outside of the General Fund, the Housing Revenue Account has saved £3m compared to budget for the year.

The costs of educating pupils with high needs continues to outstrip the grant we receive from the Government. The annual deficits are being accumulated: a special Government dispensation allows us to treat them as a negative reserve without impacting our budget, given the impact this issue is having nationally. The dispensation is due to be reviewed in March 2026 – whilst it is difficult to see how the Government could do anything other than extend it, not doing so would require us to take a charge to our budget reserves: the cumulative deficit is forecast to be £45m by then.

2. Recommended actions/decision

2.1 The Executive is recommended to:

- Note the outturn position detailed in the report.
- Approve the transfers between departmental budgets and reserves requested in Appendix B, and to transfer the total underspend to the budget reserve.
- Approve the changes to earmarked reserves proposed at Appendix C
- Approve a reduction in the budget of £240,000 per year for the Connexions Service, as referred to at Appendix B; and a reduction in the budget for post 16 SEND transport consequent to an executive decision of 13th May, and as referred to at Appendix D
- Note the savings achieved to support the 2025/26 budget strategy, as shown at Appendix D.

2.2 The OSC is recommended to consider the overall position presented within this report and make any observations it sees fit.

3. Scrutiny / stakeholder engagement

N/A

4. Background and options with supporting evidence

The General Fund budget set for the financial year was £429m, before the use of managed reserves. Following savings identified since the budget was set, this has been updated to £405m.

- Appendix A summarises the original budget, current budget and outturn spending in 2024/25.

- Appendix B provides more detailed commentary on the forecast position for each area of the Council's operations.
- Appendix C sets out the Council's earmarked reserves and proposed changes.
- Appendix D sets out savings achieved to support the 2025/26 budget strategy.

5. Financial, legal, equalities, climate emergency and other implications

5.1 Financial implications

This report is solely concerned with financial issues.

Signed: Amy Oliver

Dated: 2/6/2025

5.2 Legal implications

There are no direct legal implications arising from the recommendations of this report.

Signed: Kevin Carter, Head of Law – Commercial, Property & Planning

Dated: 10 June 2025

5.3 Equalities implications

Under the Equality Act 2010, public authorities have statutory duties, including the Public Sector Equality Duty (PSED) which means that, in carrying out their functions they have to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't. This report is the final one in the monitoring cycle for 2024/25.

While this specific budget monitoring report identifies no direct equality implications, it's important to note that future policy changes are possible. Should the Council propose alterations to existing services, particularly in response to cost pressures and ongoing savings initiatives, these changes should be assessed through the Council's equality impact assessment process. This ensures that equality considerations are integrated into all decision-making.

Protected characteristics under the Equality Act 2010 are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

Signed: Equalities Officer, Surinder Singh, Ext 37 4148

Dated: 4 June 2025

5.4 Climate Emergency implications

There are no climate emergency implications directly associated with this report, as it is a budget monitoring report and is solely concerned with financial issues.

Phil Ball, Sustainability Officer, Ext 372246

30 June 2025

5.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

No other implications are noted as this is a budget monitoring report, and therefore no policy changes are proposed.

6. Background information and other papers:

Report to Council on 21 February 2024 on the General Fund Revenue budget 2024/25

Revenue Outturn Report for 2023/24 presented to OSC on 31 July 2024

Revenue Monitoring Period 3 Report presented to OSC on 26 September 2024

Revenue Monitoring Period 6 Report presented to OSC on 12 December 2024

Report to Council on the General Fund Revenue budget 2025/26 on 19 February 2025

Revenue Monitoring Period 9 Report presented to OSC on 19 March 2025

7. Summary of appendices:

Appendix A - Outturn (April 2024-March 2025) Budget Monitoring Summary.

Appendix B - Divisional Narrative – Explanation of Variances.

Appendix C - Updated reserves position.

Appendix D - Sets out savings achieved to support the 2025/26 budget strategy.

8. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

10. Is this a “key decision”? If so, why?

TBD

Revenue Budget at Outturn, 2024-25

2024-25	Original Budget £000's	Current Budget £000's	Outturn £000's	Variance £000's	Variance %
Financial Services	12,167.3	11,502.8	11,056.4	(446.4)	-3.9%
Information Services	11,062.7	11,305.3	11,305.3	0.0	0.0%
Human Resources & Delivery, Communications & Corporate Services	7,534.0	9,911.5	8,205.5	(1,706.0)	-17.2%
Legal Services	6,309.6	5,972.5	5,565.4	(407.1)	-6.8%
Corporate Resources & Support	37,073.6	38,692.1	36,132.6	(2,559.5)	-6.6%
Planning, Development & Transportation	14,251.3	16,313.7	15,182.6	(1,131.1)	-6.9%
Tourism Culture & Inward Investment	3,801.1	4,574.2	4,421.2	(153.0)	-3.3%
Neighbourhood & Environmental Services	38,456.4	43,646.6	43,861.1	214.5	0.5%
Estates & Building Services	4,397.7	6,055.9	6,282.8	226.9	3.7%
Departmental Overheads	582.4	588.0	776.3	188.3	32.0%
Housing Services	15,098.6	21,384.8	25,359.1	3,974.2	18.6%
Other Grants	0.0	0.0	2.5	2.5	0.0%
City Development & Neighbourhoods	76,587.5	92,563.2	95,885.5	3,322.3	3.6%
Adult Social Care & Safeguarding	196,402.1	188,772.3	186,631.6	(2,140.7)	-1.1%
Adult Social Care & Commissioning	(22,989.5)	(30,997.7)	(34,287.7)	(3,290.0)	10.6%
Sub-Total Adult Social Care	173,412.6	157,774.6	152,343.9	(5,430.7)	-3.4%
Strategic Commissioning & Business Support	2,428.7	2,196.7	1,687.5	(509.2)	-23.2%
Learning Services	21,967.7	22,510.6	21,564.8	(945.8)	-4.2%
Children, Young People & Families	89,413.2	91,092.5	86,119.1	(4,973.4)	-5.5%
Departmental Resources	1,794.1	715.3	650.5	(64.8)	-9.1%
Sub-Total Education & Children's Services	115,603.7	116,515.1	110,021.9	(6,493.2)	-5.6%
Total Social Care & Education	289,016.3	274,289.7	262,365.8	(11,923.9)	-4.3%
Public Health	24,965.6	23,611.0	23,611.0	0.0	0.0%
Total Operational	427,643.0	429,156.0	417,994.9	(11,161.0)	-2.6%
Corporate Budgets	21,089.2	2,211.4	420.5	(1,790.9)	-81.0%
Demographic Pressures	8,000.0	2,000.0	0.0	(2,000.0)	-100.0%
Capital Financing	2,118.0	2,118.0	1,700.5	(417.5)	-19.7%
Total Corporate & Capital Financing	31,207.2	6,329.4	2,121.0	(4,208.4)	-66.5%
Public Health Grant	(29,832.1)	(30,433.3)	(30,433.3)	(0.0)	0.0%
TOTAL GENERAL FUND	429,018.1	405,052.1	389,682.6	(15,369.4)	-3.8%

1.1 Changes since the original budget are summarised in the table below:

	Total General Fund £000's
Original budget	429,018
Savings approved - Period 9 2023/24	(621)
Savings approved - Period 3 2024/25	(23,105)
Savings-Connexions	(240)
Latest budget	405,052

1.2 The original budgets split between employees, running costs and income are available at [2024/25 Budget Summary \(leicester.gov.uk\)](https://leicester.gov.uk/2024/25-Budget-Summary)

Divisional Narrative – Explanation of Variances

Corporate Resources and Support (Chief Operating Officer: Alison Greenhill)

Corporate Resources Department spent £36.1m, £2.6m less than the budget. This is a further improvement on the £1.6m underspend reported at Period 9. The majority of this relates to holding vacancies to meet our savings targets set out in the Medium Term Financial Strategy.

1. Finance (Director of Finance - Amy Oliver)

- 1.1. The Financial Services Division spent £11.1m which is £0.4m under budget. The saving relates to vacancies and additional income received during the year.

2. Corporate Services, (Director of Corporate Services – Andrew Shilliam)

- 2.1. Taken together, these divisions spent £19.5m which is £1.7m under budget, after the planned use of reserves in IT.
- 2.2. This is due to staffing vacancies across the service, together with higher than budgeted income, including amounts charged to schools.
- 2.3. City Catering has achieved a breakeven position.

3. Legal, Coronial and Registrars, Members and Democratic Services (City Barrister – Kamal Adatia)

- 3.1. Legal services spent £5.6m, which is £0.4m under budget. Of this, Members' and Democratic Services spent £1.2m, £0.1m less than the budget with lower members' allowance expenditure than expected. The remaining underspend relates to vacancies within Legal and Governance Services.
- 3.2. Coronial and registrar services spent £0.7m as per the budget, after the use of earmarked reserves of £0.1m and support from corporate budgets of £0.2m, as in previous years.

City Development and Neighbourhoods (Strategic Director – Richard Sword)

The department overspent by £3.3m on a net budget of £92.6m. This is a £3.7m improvement from the forecast overspend of £7m reported at period 9, mainly down to improved performance in managing the cost of temporary accommodation for homeless families.

4. Planning, Development & Transportation (Director – Andrew Smith)

- 4.1. The division spent £15.2m, an underspend of £1.1m. This is an improvement from the underspend of £0.2m reported at Period 9.
- 4.2. Government funding via the BSIP (Bus Service Improvement Plan) grant has helped to maintain a high level of tendered bus service provision and to support other bus-related measures such as Park and Ride. Expenditure on concessionary fares is significantly higher than the last financial year, due to higher amounts payable to bus operators. This arises from the updated calculation model issued by central government. However, an underspend of £1.2m within concessionary fares has been achieved due to passenger numbers remaining at lower levels than expected.
- 4.3. Highways underspent by £0.8m. This is mainly due to an additional £1m of work done on capital schemes, reducing the amount to be borne by the revenue budget. The £1m was offset by extra cost of £0.2m for extra pothole repairs and other structural maintenance which has been required due to adverse weather conditions.
- 4.4. In a continuation of recent pressures, a reduction in the number of major planning applications being submitted has led to an income shortfall of £0.7m
- 4.5. There is an overspend of £0.2m in relation to the running of bus stations with CCTV, cleaning charges and rates exceeding budget.
- 4.6. This report requests that £1.4m of BSIP government grant income is transferred to reserves to finance expenditure which will be incurred in future years

5. Tourism, Culture & Inward Investment (Director – Mike Dalzell)

- 5.1. The division spent £4.4m, an underspend of £0.2m. This is a small decrease from the £0.3m underspend position reported at period 9.
- 5.2. The saving is mainly attributable to De Montfort Hall achieving a surplus of £0.3m through extra ticketing income due to a wider selection of shows being offered, in addition to increased catering and bar income.
- 5.3. The wider division has generated small underspends of £0.1m due to vacant posts.
- 5.4. This report requests that £163k is transferred to reserves, in respect of grant funding where the expenditure will occur in future years,

6. Neighbourhood & Environmental Services (Director – Sean Atterbury)

- 6.1. The division spent £43.8m, an overspend of £0.2m, in line with the position reported at Period 9
- 6.2. Building control has overspent by £0.3m due to ongoing staffing shortages, reducing the generation of income and therefore prompting the recruitment of an external contractor.
- 6.3. Leisure Centres have improved their income by £0.1m.
- 6.4. This report requests that £728k is transferred to reserves. £600k of this relates to the waste management contract, with the remainder relating to several grant-funded projects, including prison library services and the Imaginative Spaces Project.

7. Estates & Building Services (Director – Matthew Wallace)

- 7.1. The division spent £6.3m, an overspend of £0.2m, being an improvement on the £0.3m overspend forecasted at Period 9.
- 7.2. The Corporate Estate has overspent by £0.7m. There was a £0.4m pressure resulting from extra staffing costs being incurred to support ongoing lease reviews which will, in time, lead to the generation of additional income. There were further overspends of £0.3m relating to repairs across the estate.
- 7.3. There was a £0.1m overspend arising from building repair work in the Operational Estate.
- 7.4. An organisational review within Soft FM has led to a £0.4m underspend on staffing costs, partially offsetting the overspend within the Corporate Estate.
- 7.5. There are other small underspends that total £0.2m.

8. Departmental Overheads

- 8.1. An additional £0.2m has been set aside for potential bad debts.

9. Housing General Fund (Director – Chris Burgin)

- 9.1. The division spent £25.4m, an overspend of £4.0m. This is a significant improvement on the £7m reported at Period 9.
- 9.2. The number of homelessness presentations continues to add to the cost of temporary accommodation with homelessness services overspending by £4.2m; this is inclusive of a £6m extra budget provision to support the area. This is however a considerable improvement from expectations at Period 9 and reflects the success of significant work being undertaken to effectively manage this pressure, as well as reducing accommodation costs as more properties are acquired to house families and singles. There is still a continued demand on homelessness services and work is continuing to find longer-term resolutions to this nationally recognised issue.
- 9.3. The wider division has generated underspends of £0.2m.
- 9.4. This report requests £1,858k of Asylum grant income be transferred to reserves.

10. Housing Revenue Account (Director – Chris Burgin)

- 10.1. The Housing Revenue Account (HRA) is a ring-fenced income and expenditure account relating to the management and maintenance of the Council's housing stock. The HRA has underspent by £3m, where break-even was forecast at period 9. It is proposed that £0.35m of this be used to support the capital overspend (reported in the capital monitoring report on your agenda) and the rest to be held in reserve to support the future provision of affordable housing. Revenue is also used for capital spending, which is reported separately within the capital outturn report.
- 10.2. Core rent and service charge income was £1.1m higher than budgeted. This is due to reduced voids and higher affordable rent levels when compared to budget expectations.
- 10.3. The HRA incurs the cost of interest on its debt and receives income from interest on the cash balances which it holds. Borrowing costs were lower than anticipated, generating a £1.7m surplus, mainly due to interest rate reductions. Additionally, interest income exceeded the budget by £0.6m, reflecting higher cash balances held.
- 10.4. The Repairs and Maintenance service has overspent by £1.4m. There have been increased disrepair claims and associated costs driven by law firms before the introduction of fixed recoverable costs, generating an overspend of £1.1m. Running costs are over budget by £0.6m due to rising premises costs at the metalwork shop, scaffold hire costs to facilitate necessary repairs and the purchase of updated health and safety equipment. These pressures were partially mitigated by other small underspends within the division, totalling £0.2 million, including the receipt of insurance income not originally budgeted for and the capitalisation of some staffing costs.
- 10.5. Management and Landlord Services underspent by £1.5m. A £0.6m underspend has arisen due to vacancies across the service. A further £0.4m saving has been achieved due to the pay award being slightly less than budgeted attributable to the level of vacant posts. There is also a £0.4m saving relating to IT system development, as some modules are now not being implemented until the next financial year. These savings were offset by a £0.4 million shortfall in income from Right to Buy sales, which reduced the available funding for related administrative costs. There was also a £0.2 million overspend due to increased use of temporary accommodation. District Heating underspent by 0.7m, mainly due to grant income being received relating to prior years.
- 10.6. The HRA makes contributions towards general fund activities as well as being charged for a fair proportion of the Council's overheads. The HRA's contribution to general fund activities and overheads was £0.5m over budget, driven by higher than expected repair team costs and slightly increased corporate costs.

Adult Social Care (Strategic Director – Laurence Jones)

11. Adult Social Care (Service Directors – Ruth Lake and Kate Gallopi)

- 11.1. Adult social care spent £152.3m, £5.4m less than the budget (a saving of 3.4%). Members will recall that in the previous period – period 9, this forecast spend was £151m. The underspend of £5.4m can be mainly attributed to vacancies and securing additional income against costs of care but also to measures introduced in the department to constrain costs.
- 11.2. We continued to have difficulty in recruiting to vacancies. These vacancies are predominantly seen across the Social Work Teams. This difficulty has not worsened significantly from period 9 to period 12. The overall staffing underspend attributed to services totals £3.6m.
- 11.3. Gross package costs have increased from Period 9 to Period 12. Specifically, there were 2 reasons for this higher spend:
- a) Net growth in numbers requiring care. The overall number of people receiving a formal package of care stood at 5,509 at the end of March against a target of 5,490. The target for nil net growth in older people numbers was achieved (this actually reduced by 0.6%) but people of a working age receiving a package of long-term care grew by 8.3% against a target of 5.0%)
 - b) Net growth in need. This was set at a challenging target of 2.0% (in 2023/24 the level of growth in need was 3.23%). The actual level of growth for 2024/25 was 4.98%.

Despite the above, average package costs did not increase significantly and were further offset by an increase in income forecast from both individuals and funding contributions from health towards joint-funded packages of care. This has had a net effect of £1.8m

- 11.4. As a result of the factors above, the outturn position of Adult Social Care is a saving of £5.4m.
- 11.5. This report requests £1.9m of partnership income be transferred to reserves to support adult social joint projects such as virtual wards, intermediate care response, hospital discharge and other schemes.

Education and Children's Services (Strategic Director – Laurence Jones)

12. Education and Children's Services (Service Directors – Damian Elcock and Sophie Maltby)

- 12.1. The services spent £110.0m, an underspend of £6.5m a saving of 5.6%. The principal areas of underspend relate to looked after children placement costs, vacancies across several services and SEN home to school transport.
- 12.2. £2.6m of savings are due to staffing vacancies across the department. Some posts like social workers and Educational Psychologists have proven difficult to recruit to due to the competitive market, and admin posts have been left vacant pending the children's centres review. Vacancies have created significant work pressures, but action has been taken where possible to review structures and recruit.
- 12.3. Looked after children and other placement costs were £3.5m below the budget. This is primarily due to a fall in numbers, the current year end number of placements being 643 compared to 662 last year. However, the service also benefited from reduced legal and travel costs.
- 12.4. The SEN home to school transport cost was £0.7m under the budget of £15m. This was due to a slight fall in demand and securing reduced prices from the taxi companies. Average passenger numbers needing transport support was 1606 compared to 1633 last year. Changes to the post-16 SEN transport policy were delayed, pending further consultation, but a decision has now been taken.
- 12.5. Direct payments to parents of disabled children for respite care cost £0.3m more than the budget. The budget was increased for 2024/25, but demand has risen at a faster rate. A review of eligibility criteria will take place in 2025/26 with a view to having a revised policy in place.
- 12.6. The cumulative DSG reserve deficit was £9.6m at the end of March 2024. In the four years to 2023/24, high needs block (HNB) funding increased by more than 10% annually. This helped offset growth in demand and cost inflation, but the underlying deficit continued to grow. Demand for SEN support continues to outstrip the available resources.
- 12.7. The years of significant increases to the HNB funding allocation from the Government ended in 2023/24. The allocation increased by 3.3% to £81.6m in 2024/25, which has all been used towards inflationary increases.
- 12.8. The number of new Education, Health and Care plans (EHCPs) agreed for statutory assessment in the academic year 2023/24 was 605. Up to March 2025, the number of plans agreed was 317 which is on track to exceed the previous year's total. The current funding levels are inadequate for the total cohort of young people that are now being supported. With effectively zero real terms funding growth, the in-year deficit increases

significantly as the cohort increases. Even with mitigations it remains a significant challenge to meet increasing demand. The current year deficit is £12.6m, which increases the cumulative deficit on 31 March 2025 to £22.2m - it is expected to increase to £45m by March 2026. Due to a special Government “override” we are able to maintain this as a negative balance (normally, we would be expected to write it off against our other reserves). The Government is reviewing the override in March 2026, although it is felt likely that it will be extended.

- 12.9. The service has put in place a range of strategies to mitigate the cost impact of the growth in demand for and complexity of SEN support as part of the HNB Management Recovery Plan and Transformation Project. Leicester is also part of the DfE’s SEND and alternative provision change programme, alongside Leicestershire and Rutland for the East Midlands region.
- 12.10. A saving of £240k was delivered in 2024/25 arising from a review of the Connexions service. The saving was achieved by restructuring it to make it more efficient. Connexions is a careers service for young people who live in Leicester City and are aged 14 to 19, or up to 25 for young people with special educational needs or disabilities (SEND).
- 12.11. This report requests that £2.4m of ringfenced grant income is transferred to reserves to finance expenditure which will be incurred in future years on specific schemes such as family hubs, wraparound childcare and change programme.

Public Health (Director – Rob Howard)

13. Public Health

- 13.1. The Public Health Service spent £23.6m as per budget. Some small variances at service level offset each other.
- 13.2. This breakeven position was possible after drawing down £1.3m of reserves to offset spending on a number of specific projects, specifically children's oral health (£68k), tobacco dependency (£98k), health inequalities (£301k), fuel poverty (£403k) and weight management (£411k).
- 13.3. £106k was transferred to reserves for community vaccines and infection control.
- 13.4. Public Health Services received additional government grants of £3.9m in 2024/25. This targeted funding allows further investment in specific services including substance misuse, smoking cessation and 0-19 children's services. The grants are all ringfenced and monitored through regular returns to the funder.

Corporate Items & Reserves

14. Corporate Items

- 14.1. The corporate budgets cover the Council's capital financing costs, items such as audit fees, bank charges, contingencies and levies. This budget has underspent by £4.2m.
- 14.2. There is a net shortfall on housing benefit subsidy of £1.6m, relating to supported accommodation where rents can be significantly higher than the maximum amount of subsidy paid by the government. The issue has been increasing in recent years, and we understand it is shared by many authorities across the country. This is partially offset by additional amounts reclaimed from tenants and landlords where overpayments have been made.
- 14.3. A capital financing saving of £0.4m arises from cash balances not declining as fast as we expected, and to higher than expected interest rates on these balances. This has been partially offset by losses on the Lothbury property fund winding up, as reported in the treasury management update (also on your agenda).
- 14.4. As previously reported, the underspend includes sums not required to fund the 2024/25 pay award (£0.9m), council tax hardship payments (£0.5m) where Household Support Fund money has been used to fund the scheme in 2024/25, and a receipt from backdated business rates (£0.5m). In addition, expected overspends on coroners' costs and banking charges have been managed within budget. Various additional provisions not required and miscellaneous income have also contributed to the underspend.
- 14.5. In period 3 the demographic pressures contingency was reduced to £2m. This contingency was established to meet unavoidable cost pressures, primarily in social care, and only to be utilised if required. Ongoing work to manage spend has meant that this contingency was not required in year.
- 14.6. A receipt of £7.2m is expected for the Council's share of the surplus from the county-wide business rates pool, plus £0.5m relating to additional rates for the Waterside enterprise zone. It is proposed that these are transferred to the budget reserve in line with the assumptions made as part of the 2025/26 budget report.

Reserves Position

- 1.1 At the start of the 2024/25 financial year, an estimated £80.6m was available to support the budget strategy. The budget adjustments and variances included in this report, and earlier monitoring reports, have updated the position as shown below:

	£m	£m
Resources available 1 April 2024		80.6
Add: additional one-off transfers		10.7
Rates pool funding expected		7.7
Required for 2024/25 budget:		
As set (February 2024)	61.0	
Savings identified	(24.0)	
		(37.0)
Underspend as in this report		15.4
As at 1 April 2025		77.4
Release from earmarked reserves:		
Included in 25/26 budget report	20.1	
Further review at outturn	6.3	
		26.4
Total available		103.8

- 1.2 The 2025/26 budget and capital programme reports approved in February also approved the release of £90m from the capital reserve, which is not included in the table above.
- 1.3 In February, we set a three-year balanced budget to 2027/28, using a combination of one-off monies, savings to be achieved of £23m per year, and cost constraint in demand led services. It was estimated at the time that we would have reserves of £25.2m left to support budgets beyond 2027/28.
- 1.4 This position is affected by the outturn for 2024/25, and the forecasts have been revised as follows (income and expenditure projections have not been revised):

	2025/26 £m	2026/27 £m	2027/28 £m
b/fwd	103.8	169.7	123.5
Capital fund	90.0		
Business rates pool	6.0		
Required to meet budget	(30.1)	(46.2)	(68.1)
c/fwd	169.7	123.5	55.4

- 1.5 Thus, reserves at March 2028 are projected to be £30m higher than forecast in February. The position has improved due to the additional savings achieved at outturn, further scrutiny of earmarked reserves (see below) and the use of other funding to reduce the earmarking required.
- 1.6 Members are asked to note that this projection is highly volatile – a forecast of reserves is even more volatile than assumptions about income and expenditure due to the multiplicative effect (e.g. if there are additional pressures in homelessness and social care amounting to £15m per year, then reserves would fall by £45m).
- 1.7 The programme of asset sales to generate £60m over three years is proceeding.
- 1.8 The whole budget position will be reviewed in time for the budget for 2026/27.

2. Earmarked Reserves

2.1 As part of the budget report approved in February, all earmarked reserves were reviewed to release funds where possible, and earmarked reserves were consolidated. A further review has been undertaken at outturn, which has identified an additional £6.3m to support the budget strategy (reflected in the tables at para. 1 above).

2.2 The improvement is in part due to measures taken to reduce the requirement for these reserves (e.g. savings were made on the cost of the King Power Stadium helicopter inquest by holding it at City Hall; the extension of the Household Support Fund has reduced the need for our anti-poverty reserves to be used).

2.3 The remaining General Fund earmarked reserves are:

Description of Reserve(s)	Balance at 1/4/25 £m	Notes
Departmental ring-fenced resources	12.1	Grant funding, with conditions attached.
Partnership funding	10.0	Originating from joint working arrangements (often with the health service). While these may be legally part of our reserve balances, there is a clear expectation that they remain within these projects. Diverting these to other purposes would risk our ongoing relationship with partners.
Insurance Fund	2.2	Meets costs of our self-insured insurance claims. Needs to be

		sufficient for this purpose and is periodically reviewed by actuaries.
Severance Fund	4.7	Meets staff redundancy and other termination costs
Workforce development	4.0	For investment in the workforce, including trainees and apprentices. Despite the budget crisis (or because of it) it is important that we maintain funds for this.
Service transformation fund	6.0	Likely to play a more prominent role in achieving savings through service modernisation.
Building Schools for the Future	6.1	To manage lifecycle maintenance costs of the schools redeveloped under the BSF programme.
Welfare reserve	1.3	Supports welfare reform and provides welfare support more generally.
Cost of technology	8.0	Required for ongoing investment in ICT systems and development work including the implementation of a new finance system detailed in the capital programme report elsewhere on the agenda.
Elections fund	1.4	Funds future local elections
Ward Committees	0.1	
Waste repocurement strategy	8.4	To prepare for a new contract, to take effect from May 2028
TOTAL	64.3	

- 2.4 Members are reminded that we also have a significant negative earmarked reserve. As with most authorities, we spend more than our income on the “high needs” schools’ block (this is further discussed at Appendix B above). There is a special government dispensation for all authorities to maintain a negative balance, and not write it off to the general fund. The balance at the end of 2024/25 is minus £22m. The dispensation is subject to review in March 2026 when the forecast balance would be minus £45m. It is difficult to see how the Government would allow it to end, but it remains a risk. If it happened, the forecast reserve balance at the end of 2027/28 (£56m) would fall substantially.

Savings Identified

- 1.1 As members are aware, when we set the budget for 2025/26 there were savings targets set for Divisions. Since setting the budget Directors have been working on actions they can take to achieve the savings. This report identifies where Directors have been able to take actions to achieve their savings.
- 1.2 The table below provides detail on savings achieved towards the savings targets approved at Council in February 2025.

Description	2025/26 £000	2026/27 £000	2027/28 £000
Savings Decision Previously Noted in Period 9 Report	1,314	1,314	1,314
<u>Housing General Fund</u>			
Fleet Service Efficiencies	213	213	213
Capitalisation of Staffing Costs	60	60	60
Homelessness Services Efficiencies	253	253	253
HGF Subtotal	526	526	526
<u>Planning, Development & Transportation</u>			
Capitalisation of PDT Staff & Highway Programme Costs	993	1,388	1,398
Concessionary Fares Budget Savings	25	825	825
Highways & Transport Services Efficiency Savings	450	550	555
Parking Services Savings	230	555	555
Planning Service Budget Savings	0	20	40
Parking Fees & Charges (Exec. Decision)	500	550	600
PDT Subtotal	2,198	3,888	3,973
<u>Tourism and Culture Inward Investment</u>			
Growth in income at De Montfort Hall	15	32	32
Reduction in Grants to Arts Organisations	461	461	461
Reduced opening hours at Museums	167	288	318
Efficiency savings within Arts & Museums	304	347	347
Staffing & operational efficiencies within City Centre & Place Marketing teams	72	72	72
New Approach to Festival Procurement	150	150	150
Additional Programme Management Fee Income	50	250	250
Additional Income from Managed Workspaces	0	64	431
TCII Subtotal	1,219	1,664	2,061

Estates & Building Services			
Energy Smart Initiatives (Exec. Decision)	197	197	197
Financial Services			
Virtual Bank Accounts to be introduced within Business Service Centre	150	150	150
Additional income and restructuring within Revenues and Customer Support	250	250	250
FS Subtotal	400	400	400
Children's Services			
Play Association Grants (Exec. Decision)	0	1,000	1,000
Total Savings Reported in this Report	4,540	7,675	8,157
Total Cumulative Savings Reported	5,854	8,989	9,471

- 1.3 In March 2025, the Executive took the decision the purchase the YoHo building to provide temporary accommodation for the homeless. Whilst this does not contribute to the savings targets, it will reduce the net cost of homelessness services by £2.6m per year.
- 1.4 In May, the Executive approved a new SEND travel policy, which will result in savings of £0.9m in 2025/26, rising to £1.9m in 2026/27 and £2.1m in 2027/28.