
General Fund Revenue Budget 2026/27

Decision to be taken by: Council

Date of meeting: 25 February 2026

Lead director: Amy Oliver, Director of Finance



Useful information

- Ward(s) affected: All
- Report author: Catherine Taylor/Amy Oliver
- Author contact details: amy.oliver@leicester.gov.uk
- Report version number: 2

1. Purpose

- 1.1. The purpose of this report is to present the City Mayor's strategy for balancing the budget for the next 3 years and to seek approval to the actual budget for 2026/27.
- 1.2. The budget position has improved since the medium-term strategy was established last year, following significant progress on controlling costs, achieving efficiency savings, and a government settlement that recognises the historic under-funding of more deprived areas of the country. Projections now show a sustainable budget position for the next three years.
- 1.3. The proposed budget for 2026/27 is described in this report, subject to any amendments the City Mayor may wish to recommend when he makes a firm proposal to the Council.

2. Summary

- 2.1. As members will be aware, the financial position has been difficult for over a decade, and we have faced difficulties in being able to balance our budget. This has been due to significant loss of government grant and rising costs in demand-led services, particularly in social care and homelessness. This has led to us reducing spending on services other than social care by over 50% in real terms.
- 2.2. Due to the significant work undertaken to manage costs in demand-led services and to make savings, we have improved our financial position and no longer envisage requiring exceptional financial support (EFS) in the foreseeable future.
- 2.3. A multi-strand budget strategy was approved last year and extensive work has been undertaken to control costs in demand-led areas, and to achieve savings targets across the Council. This report proposes continuing the strands of this strategy, but – due to the improved outlook – the focus has moved from managing the immediate crisis to ensuring the longer-term financial sustainability of the budget.
- 2.4. On 9th February, the government wholly unexpectedly announced financial support to authorities to deal with deficits on Dedicated Schools Grant that have built up over several years. This funding will cover 90% of the deficit accrued to date, and is expected to be at least £40m for Leicester. This means that reserves we had previously planned to set aside to offset the deficit are not required for that purpose.
- 2.5. The government has undertaken a substantial review of support to local authorities, and the finance settlement for the next three years was approved on 11th February. This has

improved our financial position (compared to previous years, and to the estimates in the draft budget) as the settlement has recognised the historic under-funding of the more deprived areas of the country; although it does not enable us to reverse the cuts from the previous decade of austerity.

- 2.6. Following these announcements, we are able to make changes to the strategy. Those proposed in this report include:
 - Funding £90m of previously approved capital expenditure from reserves instead of borrowing, and therefore reducing the ongoing revenue borrowing costs incurred;
 - Using capital receipts from the asset sales programme to further reduce borrowing requirements, instead of holding to support future revenue budgets;
 - Providing investment in limited range of priority areas of spending;
 - Amending savings targets to ensure the remaining package is achievable within the timeframes.
- 2.7. Achieving our strategic vision for the Council is dependent on maintaining a sustainable budget position, which enables decisions to be made that balance the resource implications against the financial constraints. This strategy does not make specific decisions about how any service will be delivered, but provides a framework within which those decisions will be made. In particular, it reinforces our commitment to providing high quality care services, and provides additional resources in this area. We are also looking to maintain our economic development to support the long term vision for the City and invest in areas that improve the city for the people that live here.
- 2.8. In addition to this we are continuing to mitigate the pressures within temporary accommodation by investing in additional accommodation for these households. This strategy looks to provide the revenue support to continue with our positive approach to preventing homelessness, alongside significant capital investment included in the capital budget strategy.
- 2.9. Local government reorganisation (LGR) could deliver significant efficiency savings to support the Council's budget, depending on the option chosen by the Government. As these would not start to materialise until 2028/29 at the earliest, the impact has been disregarded for the purposes of this report.
- 2.10. The report proposes a council tax increase of just under 5%, which is the maximum we are able to set without a referendum.
- 2.11. The medium-term outlook is attached at Appendix 4.

3. Recommendations

3.1. Council is recommended to:

- a) approve the three year budget strategy described in this report;
- b) approve the proposed budget and council tax for 2026/27, including the recommendations in the formal budget resolution, subject to any changes proposed by the City Mayor when he makes his final proposal to the Council;
- c) approve the transfers from the budget strategy reserve as set out in paragraph 9.3 of this report;
- d) approve the budget ceilings for each service shown at Appendix 1 to this report;
- e) approve the scheme of virement described in Appendix 2 to this report;
- f) note my view on the adequacy of reserves and the estimates used in preparing the budget;
- g) note the equality implications arising from the proposed tax increase, as described in paragraph 15 and Appendix 3;
- h) note the medium-term financial strategy and forecasts presented at Appendix 4, and the financial challenges ahead;
- i) note the earmarked reserves position set out at Appendix 5;
- j) note the policy on council tax premiums and discounts set out at Appendix 6;
- k) note that the impact of the Council Tax Support Scheme has been reviewed by the Executive, and reported to OSC, during the year;
- l) approve the inflationary increase to Council Tax Support Scheme thresholds as shown at Appendix 7 and approve further inflationary increases in future years (to be calculated with reference to published CPI inflation for the September prior to the start of the year in question);
- m) approve the capital receipts flexibility policy at Appendix 8.

4. Background and Financial Strategy

4.1. Between 2010 and 2020, a “decade of austerity” meant that services other than social care had to be reduced by 53% in real terms, limiting our scope to make further cuts. This was followed by the covid-19 pandemic which led to “stop gap” budgets whilst we dealt with the immediate emergency, and saw the budgets being supported by reserves.

- 4.2. This is alongside cost pressures shared by authorities across the country. These include pressures on the costs of children that are looked after and support for homeless households, as well as the long-standing pressures in adult social care and the hike in inflation. The budgets for 2024/25 and 2025/26 were supported by a further £61m and £31m of reserves respectively.
- 4.3. Plans for a “fair funding” review of grant allocation had been repeatedly delayed. This has left us providing services to a population far in excess of our last needs assessment. When the budget strategy was set, the timing and outcome of this review was unclear.
- 4.4. In February 2025, the Council approved a multi-strand budget strategy aimed at balancing the budget for a minimum three years. This included:

Strand 1 - Releasing one-off monies to buy time, including the release of £90m from the capital reserve, and replacing this with borrowing to fund the capital programme. The improved position now allows us to reverse this £90m transfer, and minimise borrowing costs in the longer term;

Strand 2 - Reductions in the capital programme to reduce the borrowing required, and therefore reduce the cost of this borrowing;

Strand 3 – A programme of property sales aiming to secure an additional £60m of one-off monies. These receipts cannot be used to support the revenue budget without permission from the Secretary of State. It is now planned to use some of the capital receipts to support the capital programme and reduced the revenue cost of borrowing.

Strand 4 – Steps to constrain growth in those statutory services that are under demand led pressure (i.e. adult and children’s social care services, and homelessness).

Strand 5 – Ongoing savings intended to achieve £23m per year by 2027/28 (this target has now been amended to £21m – see paragraph 7 below).

- 4.5. Progress against each of these strands is set out in the sections below, along with a limited number of areas of additional investment to assist in meeting corporate priorities.
- 4.6. Given the significant progress made in implementing the strategy, and the revised funding arrangements being implemented nationally, this report presents a balanced budget for 2026/27, without requiring use of the budget strategy reserve in that year. A small deficit in future years of the strategy can be covered by the reserves; work is ongoing to reduce this forecast deficit.

5. Strands 1-3: releasing one-off monies and reductions in the capital programme

- 5.1. Last year’s forecasts included the release of £90m from the capital reserve, and £20m from other earmarked reserves. Since the budget was approved, a further £12m has been added to the budget reserve from subsequent reviews and additional one-off

income. There is also a forecast in-year underspend for the current financial year (2025/26) that will increase the balance on the budget reserve.

- 5.2. The release of funds from the capital reserve was approved last year to ensure that the revenue budget could remain sustainable, given the sizeable budget gaps forecast at the time. However, it also increases borrowing costs over the long term, and was only considered due to the extremely difficult revenue position at the time. This has now improved to the point that the £90m can be returned to the capital fund without risking running out of reserves over the budget strategy period. Doing this will reduce capital financing costs by an estimated £4.5m per year and contribute to the long-term financial sustainability of the authority.
- 5.3. Earmarked reserves are kept under regular review, and amounts that are no longer required for their original purpose are released to the budget strategy reserve. The next review is planned to take place at year-end and will be reported to members alongside the outturn position.
- 5.4. Against the objective of achieving £60m of capital receipts by 2027/28 we have achieved £16m in completed or legally contracted sales. The work on asset sales is continuing, with sites at an advanced stage of discussions in the region of £30m.
- 5.5. Originally, it was forecast that these receipts would be required to balance the budget after the 3-year strategy (which would require specific permission from the government). To do this, we would need to borrow money to fund the capital programme, which increases our revenue costs in the longer term. Given the improvement in reserves balances in the latest forecasts, it is now planned to use some of these receipts to reduce our borrowing requirements.

DSG deficit

- 5.6. Dedicated Schools Grant (DSG) funding nationally has not kept pace with increases in demand for funding for high needs SEND. Under a “statutory override” in place until the end of 2027/28, deficits on the funding are not included in authorities’ available reserves; however, the cumulative deficit has continued to increase and is forecast to be £44.8m by the end of the current financial year 2025/26. The government will resolve (or centrally fund) DSG deficits occurring after April 2028; but until recently it was not clear how deficits already accrued would be treated. The draft budget report therefore proposed setting aside reserves towards this deficit.
- 5.7. The government has entirely unexpectedly confirmed, at late notice, that they will provide grant funding to cover 90% of the cumulative deficit to March 2026, and has strongly implied that funding will also be available for the next two years. It should be noted that this is subject to approval of the local SEND reform plan. The remaining deficit will have to be funded locally. This budget therefore proposes setting aside 10% of the forecast DSG deficit in each year, until the new high needs funding system is introduced in 2028/29.

- 5.8. Government funding towards the deficit will also reduce borrowing costs; local authorities are not allowed to charge borrowing costs of the cumulative deficit to the DSG but have to pay it from the General Fund. The funding of the DSG deficit by government is forecast to save the Council £0.6m in 2026/27, rising to £1.2m in 2027/28.

6. **Strand 4: Constraining Growth in Service Demand**

- 6.1. For several years, one of the chief reasons for our budget gap is growth in the costs of statutory services, particularly social care (and, more recently, homelessness), which have outstripped growth in our income.

Adult Social Care

- 6.2. The budget for **Adult Social Care** requires growth to take account of demographic and inflationary pressures. Demographic pressures can be the result of increased packages of support to those people already receiving care, or a change in the mix of people we provide care for, for example more working age people are diagnosed early with life-long health conditions such as mental health and dementia. Inflationary pressures arise from increases in National Living Wage (NLW) and general inflation.
- 6.3. Calculating future growth is a complex process taking into account current care packages and future projections. The growth required can be seen in the following table:

| | 2026/27 £m | 2027/28 £m | 2028/29 £m |
|-------------------|----------------------|----------------------|----------------------|
| Underlying budget | 179.3 | 179.3 | 179.3 |
| Placement growth | 13.2 | 26.2 | 39.0 |
| Additional income | (2.0) | (2.0) | (2.0) |
| Vacancy factor | (0.8) | (0.4) | 0.0 |
| TOTAL | 189.7 | 203.1 | 216.3 |

- 6.4. The department continues to reduce growth in the costs of care by reducing new entrants, preventative and early support, and by enhanced partnership working. Tracking of current package costs indicate that the department may have spent £24m more in 2025/26 (rising to £41m in 2026/27) if cost mitigation work had not taken place. This programme of work continues, and the future growth pressures identified above takes this into account. Despite this work, it is forecast that costs of care will increase by almost £40m over the three years of this strategy.
- 6.5. The council has undertaken significant work to ensure that other local authorities and health partners are contributing their fair share towards care costs. Through this work, adult social care has generated an additional £2.6m in 2025/26. Although we do not anticipate a sudden drop in future, this additional income is subject to the changes that occur in care packages following reassessments or changes in a person's health conditions.
- 6.6. Adult Social Care was rated as 'Requires Improvement' by the CQC in July 2025. They recognised that we have an effective care and support system, there is clear governance

in place and that we are committed to staff development. However, as there were areas for improvement identified, we are implementing an action plan focussing on this.

- 6.7. Adult social care continues to struggle with recruiting and are undertaking significant work to reduce vacancies. However, we need to recognise that they are unlikely to be fully established in 2026/27, so have included a vacancy factor that will reduce over the three-year strategy period.

Education and Children's Services

- 6.8. The budget for **Education and Children's Services** will require growth in future years. This is due to the increasing costs of providing children's social care, particularly where a small number of care packages incur a significant cost due to the specific needs of those children.
- 6.9. The government has made some additional funds available to support children's social care costs, which have been under pressure nationally. This additional grant will part-fund the increasing costs, but still requires additional funding from our general resources.
- 6.10. The growth required has been estimated as shown in the following table.

| | 2026/27 £m | 2027/28 £m | 2028/29 £m |
|-----------------------------------|----------------------|----------------------|----------------------|
| Underlying budget | 119.9 | 119.9 | 119.9 |
| Growth already in the strategy | 1.0 | 2.1 | 0.0 |
| Additional growth required | 3.3 | 4.9 | 8.7 |
| Part funded from additional grant | (1.4) | (1.3) | (0.3) |
| Vacancy factor | (1.0) | (0.5) | (0.2) |
| TOTAL | 121.8 | 125.1 | 128.1 |

- 6.11. There is a strategy in place to increase our in-house offer providing better quality accommodation, improved quality control, lower likelihood of placement breakdowns and better matching to the needs of young people. This is also anticipated to provide better cost efficiency than external placements. It costs on average £260,200 per annum across our internal provision compared to £302,667 externally in residential settings; costs are lower by about 14% in our internal homes, along with having better outcomes.
- 6.12. This cost differential will be greater as we plan to improve our capabilities for providing in-house support for children and young people with complex needs, particularly those at risk of deprivation of liberty orders (DOLs) or living in accommodation unregulated by Ofsted. This may also benefit children who are living in care out of the city in need of a local residential placement. The capital build costs will be funded jointly with the Department of Education (DFE) and these two new children's homes are expected to be operational in 2027.

6.13. We are part of a pilot Families First Partnership (FFP) programme where we are working with our safeguarding partners to transform and expand preventative support. The overall aim is to keep more families together by strengthening kinship support and ultimately gain a significant reduction in the numbers of looked after children. Several work strands are underway including family group decision making, improving the role of education in multi-agency safeguarding arrangements and information sharing between partners. Through this work, the department has avoided costs of £1.3m in 2025/26 and this is expected to continue in future years.

General Fund Housing

6.14. The budget for **homelessness** has been under severe pressure due to increased numbers of households presenting as homeless, and growth of £11m, in addition to a £6m contingency, was included in the 2025/26 budget. Mitigating work, including £45m of investment in temporary housing, has avoided an estimated £50m of costs by 26/27. However, the number of cases continues to increase and (without further action) will put further pressure on future years' budgets.

6.15. The 2026/27 General Fund Capital Programme Report (also on your agenda) includes the addition of £50m for the acquisition of properties for use as temporary accommodation. The revenue implications of this investment are covered within that report. Alongside acquisitions, it is proposed that we grow the number of properties leased from private sector landlords by 110; the cost of leasing a property is significantly less than hotel stays, and is estimated to result in the avoidance of annual revenue costs. Given the increasing number of homelessness presentations, additional staff are required to ensure that the focus remains on prevention rather than alleviation of need, and funding for additional staff is included in this budget.

6.16. In the final settlement, the government has provided additional homelessness grant. This will be used to part-fund the net additional costs, although additional funding from general resources will still be required.

6.17. The overall revenue impact of the above is estimated as:

| | 26/27 £m | 27/28 £m | 28/29 £m |
|--------------------------------------------------------|-------------|-------------|-------------|
| Additional growth required without further mitigations | 5.9 | 14.7 | 14.7 |
| Net revenue impact of property acquisitions | (2.2) | (6.2) | (6.2) |
| Net impact of additional leased properties | (1.7) | (3.9) | (3.9) |
| Additional staffing cost | 1.8 | 1.8 | 1.8 |
| Total | 3.8 | 6.4 | 6.4 |
| Less: additional grant in final settlement | (1.9) | (2.2) | (2.5) |
| Balance from general resources | 1.9 | 4.2 | 3.9 |

6.18. In recent years, nationally the cost of Housing Benefit linked to supported housing has continued to rise and this is the same for us. Unlike the majority of Housing Benefit, these elements are not fully funded through government subsidy, and we have limited ability to

influence either the level of rents charged or the claims themselves. The forthcoming changes to licensing and rent setting under the Supported Housing Act should improve our ability to manage these cases, but this will take time to have a material impact. To reflect the ongoing pressure, growth of £2.5m per year has been included in the proposed budget.

7. Strand 5 – Savings Programme

- 7.1. The budget strategy approved last year required achievement of savings totalling £23m by 2027/28. Progress against these savings targets has been regularly monitored and reported in the quarterly budget monitoring reports.
- 7.2. Since the original target was set, it has become clear that some targets are not realistically achievable. The figures in this report therefore reflect a reduced target of £19.5m by 2027/28. The specific changes involve:
 - a) Estates & Building Services - £0.8m reduction following difficulty in achieving the savings and the risk it places on the service;
 - b) Neighbourhoods & Environmental Services - £0.5m full-year reduction and a change in phasing following the 2025 consultation on library and community centre provision and the expected consultation on sports services;
 - c) Corporate Services - £1.1m reduction to recognise that there are no further savings targets beyond those agreed in February 2025 and therefore will need to maintain support services
 - d) Finance - £0.9m reduction to support key areas that have seen increases in demand due to the cost of living crisis such as the revenues and benefits team and the increased demand due to the implementation of legislation such as the Procurement Act 2023.

- 7.3. By period 6 in 2025/26, 70% of the revised total had already been achieved:

| | Target (full year) £m | Achieved to date £m |
|------------------------------------------|-----------------------------|---------------------------|
| Estates & Building Services | 2.0 | 1.0 |
| Housing | 1.0 | 0.9 |
| Neighbourhoods & Environmental Services | 6.7 | 2.1 |
| Planning, Development and Transportation | 4.0 | 4.0 |
| Tourism, Culture & Inward Investment | 2.3 | 2.3 |
| Children's Services | 1.0 | 1.0 |
| Corporate Services | 0.9 | 0.9 |
| Financial Services | 0.4 | 0.4 |
| Adult Social Care | 1.2 | 1.2 |
| TOTAL | 19.5 | 13.8 |

- 7.4. More details on these savings can be found in the regular quarterly monitoring reports. Work is ongoing to realise the balance of the savings total.

Additional Investment

- 7.5. Given the improvement in the financial position, it has been possible to build limited growth into the budget for some priority areas:
- 7.6. During the redevelopment of the central market there has been a shortfall in income as a consequence of a reduction in the number of traders and a lower fee being charged. £450k is being made available in 2026/27 to cover this shortfall in income until the new market becomes operational.
- 7.7. This budget includes funding for a permanent team, building on the pilot work already underway, to better manage public spaces across the city. At a cost of £0.3m per year, the hybrid team will work 7 days a week to tackle anti-social behaviour and environmental enforcement, working alongside the existing City Warden, Public Health and Housing teams. Further funding has been included for pressures in the complaints team, which will be part-funded by the HRA.
- 7.8. The UK Shared Prosperity Fund (UKSPF) is a government grant to invest in communities, businesses, people and skills, which runs until March 2026. This funding has been supporting some Council services such as festival, inward investment and business/retail support team. Without the addition of the £1m to the budget this would lead to this work not continuing.
- 7.9. Ash dieback is a disease which ultimately leads to the death of ash trees, of which there are 19,000 across the City. The disease increases the chance of branches becoming brittle and falling. Whilst this risk has been appropriately managed, existing budgets have become strained and a dedicated team is needed to deal with this going forward. £0.3m per year is being made available for a team to monitor sites and prioritise trees for removal.
- 7.10. As noted elsewhere in this report, the overall budget position is better than when the savings targets were originally proposed. As a result, we are now able to set some monies aside for reinvestment in our city development and neighbourhoods divisions. £3.2m will be held as a budget provision within City Development & Neighbourhoods department; detailed proposals for this provision will be developed by the strategic Director in due course.
- 7.11. Future financial sustainability is dependent on continuing to effectively maximise income due to the council and households of the City. This process has been identified as requiring additional investment, and a £0.8m budget has been established, which will be held as a corporate budget.

8. Budget Strategy Reserve

- 8.1. When the 2025/26 budget was set, the budget strategy reserve was forecast to be £163.6m at 1st April 2025, reducing to £25m by March 2028. There have been improvements to the forecasts, described in the sections above. This report also contains a recommendation to return £90m to the capital reserve to fund the already approved capital programme, and therefore reduce long-term borrowing costs.
- 8.2. Reserve balances are kept under review to ensure future costs are provided for. It is proposed to set monies aside towards transitional costs associated with local government reorganisations
- 8.3. Updated forecasts show that we are now expecting a balance of £51m by March 2029:

| | 2025/26 £m | 2026/27 £m | 2027/28 £m | 2028/29 £m |
|-------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| At the beginning of the year | 193.8 | 65.8 | 65.3 | 61.8 |
| Add: Forecast rates pool surplus | 7.1 | | | |
| <i>Reserve restatements:</i> | | | | |
| To capital reserve | (90.0) | | | |
| Set aside for DSG deficit (see 5.6 above) | (4.5) | (2.7) | (2.8) | |
| Set aside for LGR transitional costs | (14.0) | | | |
| Budget surplus / (gap) in year | (26.6) | 2.2 | (0.7) | (10.3) |
| At the end of the year | 65.8 | 65.3 | 61.8 | 51.5 |

9. Construction of the 2026/27 budget

- 9.1. By law, the Council's role in budget setting is to determine
 - a) The level of council tax;
 - b) The limits on the amount the City Mayor is entitled to spend on any service ("budget ceilings") - proposed budget ceilings are shown at Appendix 1;
- 9.2. In line with Finance Procedure Rules, the Council must also approve the scheme of delegation that controls subsequent changes to these ceilings. The proposed scheme is shown at Appendix 2.
- 9.3. The budget is based on a proposed Band D tax for 2026/27 of £2,121.87, an increase of just under 5% compared to 2025/26. This is the maximum which will be permitted without a referendum.
- 9.4. The tax levied by the City Council constitutes only part of the tax Leicester citizens have to pay (albeit the major part – 84% in 2025/26). Separate taxes are raised by the Police

and Crime Commissioner and the Combined Fire Authority. These are added to the Council's tax, to constitute the total tax charged.

- 9.5. The actual amounts people will be paying, however, depend upon the valuation band their property is in and their entitlement to any discounts, exemptions or benefit. Almost 80% of properties in the city are in band A or band B, so the tax will be lower than the Band D figure quoted above. The Council also has schemes for mitigating hardship.
- 9.6. The Police and Crime Commissioner and Combined Fire Authority will set their precepts in February 2026. The formal resolution will set out the precepts issued for 2026/27, together with the total tax payable in the city.

10. 2026/27 Budget Overview

- 10.1. The table below summarises the proposed budget for 2026/27 (projections for a full three-year period are included in the medium-term strategy at Appendix 4):

| | 2026/27 |
|-----------------------------------------------|----------------|
| | £m |
| Net service budget | 438.2 |
| Provision for pay inflation | 6.6 |
| Corporate budgets (including capital finance) | 7.8 |
| Housing Benefits | 2.5 |
| General contingency for risk | 2.0 |
| Expenditure total | 457.1 |
| | |
| Income: | |
| Council tax | 178.0 |
| Collection Fund surplus | 0.2 |
| Retained rates baseline | 145.1 |
| Revenue Support Grant | 117.0 |
| Recovery Grant | 11.7 |
| Extended Producer Responsibility for Waste | 7.4 |
| Income total | 459.4 |
| | |
| Surplus | 2.2 |

11. Departmental Budget Ceilings

- 11.1. Budget ceilings have been prepared for each service, calculated as follows:
 - a) The starting point is last year's budget, subject to any changes made since then which are permitted by the constitution (e.g. virement);
 - b) An allowance is made for non-pay inflation on a restricted number of budgets. Our general rule is that no allowance is made, and departments are expected to manage

with the same cash sum that they had in the previous year. Exceptions are made for the budgets for independent sector adult social care (2%) and foster care (2%) but as these areas of service are receiving growth funding, an inflation allowance is merely academic (we pay from one pot rather than another). Budgets for the waste PFI contract have been increased by RPI, in line with contract terms.

- c) Unavoidable growth has been built into the budget. This has been mitigated by action that has already been taken to control costs in demand-led areas, as detailed in paragraph 6 above. Budgets have also been increased for the investment described at section 8.
- d) Savings requirements for 2026/27, as detailed at paragraph 7 above, have been deducted from service budgets, along with additional savings that have been approved subsequently to the strategy being set in 2025/26.
- e) Budget ceilings have been reduced to reflect the reduction in employers' pension contributions from April 2026. The pension fund is managed by the County Council and its performance is reviewed by independent actuaries every 3 years. The actuaries examine investment performance in particular, and seek to ensure that all councils in the scheme make future contributions that are sufficient to pay all pensions when they become due. Our contributions are paid as a percentage of payroll costs, and previous reviews have usually led to an increase. As a consequence of the most recent review, we will be paying around £9m per year less than we are now. Members are asked to note that this does not reflect any reduction in the Council's overall liabilities: ultimately, we have to pay sufficient contributions to the County Council to ensure that all future pension costs are paid. Note that employees also pay a percentage of their earnings to the fund – these amounts are fixed by law.
- f) Ceilings have also been adjusted to reflect current grant funding streams being rolled into general funding from 2026, as part of the review of government funding. These are presentational changes to government funding that will not, in themselves, affect the amount we have available to spend.

11.2. The proposed budget ceilings are set out in Appendix 1.

11.3. In recent years, the pay award for local government staff has not been agreed until part way through the financial year. A central provision is held to fund the 2026/27 pay award, forecast at 3% and will be added to budget ceilings once agreed.

11.4. The role of the Council is to determine the financial envelopes within which services are delivered. Delivering the services within budget is a function of the City Mayor.

12. Corporately held Budgets and Provisions

- 12.1. In addition to the services' budget ceilings, some budgets are held corporately. These are described below.
- 12.2. As discussed above, a provision has been set aside for **pay awards**, which are not (in recent years) agreed until some time into the financial year. The provision is based on an assumed 3% pay award each year.
- 12.3. The budget for **capital financing** represents the cost of interest and debt repayment on capital spending, less interest received on balances held by the council. Decisions to borrow money to fund capital expenditure have led to an increase in the budget, although this increase will reduce where capital receipts are used to fund expenditure in lieu of borrowing. The budget also reflects the scale of the Dedicated Schools Grant deficit, impacts the level of interest received and must be met from the general fund.
- 12.4. **Miscellaneous central budgets** include external audit fees, pension costs of some former staff, levy payments to the Environment Agency, bank charges, general insurance costs, money set aside to assist council taxpayers suffering hardship, funds to maximise income to the Council and residents (see 8.7 above) and other sums it is not appropriate to include in service budgets. Miscellaneous central budgets are partially offset by the effect of recharges from the general fund into other statutory accounts of the Council.
- 12.5. The **housing benefits** budget funds the difference between benefits payments and the amount of subsidy received from central government. This gap has been increasing in recent years, particularly around supported housing (see para. 6.18 above).
- 12.6. A corporate contingency budget of £2m has been set aside, which will only be allocated if necessary. Following a number of years of having limited requirement to use the corporate contingencies the budgets have been reduced. However, it should be noted if we do have any unexpected pressures in 2026/27 the budget strategy reserve is available to be used. This would however reduce the one-off funding available for the future year budget strategies.

13. Resources

- 13.1. The majority of the council's core funding comes from business rates; government grant funding; and council tax. Service-specific sources of funding, such as fees & charges and specific grants, are credited to the relevant budget ceilings, and are part of departmental budgets.
- 13.2. The final settlement was approved in Parliament on 11th February, and this budget has been updated from earlier estimates published in the draft budget. The settlement is underpinned by the Fair Funding Review, which has recalculated funding shares for the first time since 2013, based on latest data on cost drivers including deprivation. As this recognises population growth in the last decade, and unwinds some of the impact of funding cuts during the austerity period in the 2010s (which disproportionately affected deprived authorities) this has increased our share of national funding.

13.3. The key changes from the earlier estimates include:

- Updating funding formulae to use the most recent Index of Multiple Deprivation (IMD) figures published in October 2025. These show Leicester as relatively more deprived (compared to other authorities) than the previous IMD figures, and therefore increase the share of funding we are assessed to need;
- Further increasing the level of equalisation for council tax base, which also increases our share of funding (as higher-taxbase areas are assumed to raise more locally);
- Continuation of the £11.7m Recovery Grant, targeted at deprived authorities, for a further 3 years.

Business rates and core grant funding

13.4. Local government retains 50% of business rates collected locally, with the balance being paid to central government. In recognition of the fact that different authorities' ability to raise rates do not correspond to needs, there are additional elements of the business rates retention scheme: a top-up to local business rates, paid to authorities with lower taxbases, and Revenue Support Grant (RSG).

13.5. The government's reforms from April 2026 include several overlapping strands:

- a) Fully equalising for differences in council tax bases across the country. We gain from this as our tax base is relatively low;
- b) Revised and updated formulae that measure each area's "need to spend" on different service areas. Compared to previous estimates, we will lose funding from some of these changes;
- c) Rebasing business rates income to redistribute growth achieved since 2013, and to reflect the business rates revaluation that will be implemented from April;
- d) Transitional arrangements to phase in the effect on individual authorities.

13.6. The budget in this report contains a single figure for the "retained rates baseline". This includes both the proportion of business rates kept by the City Council, grants that we will receive to meet the cost of centrally-decided reliefs, and the top-up received from government. Due to the complexity of the changes to business rates, the final split between funding streams is not shown. A government safety net guarantee ensures that we will receive at least this amount through a combination of retained rates and government support.

13.7. Under the previous business retention arrangements, a "rates pool" across Leicester and Leicestershire allowed a greater share of rates to be retained locally, and shared across the pool authorities. This has served us well: over recent years, our share of the additional rates has been over £6m per year, which has been used to support the budget strategy and the local economy. The rates reset, and other changes to the rates retention system, make the pool unviable in 2026/27 and the authorities involved have agreed to disband it.

Council tax

13.8. Council tax income is estimated at £178m in 2026/27, based on an assumed tax increase of just below 5% (the maximum we believe will be allowed to set without a referendum). The 5% limit will include a “social care levy” of 2%, designed to help social care authorities mitigate the growing costs of social care. Since our tax base is relatively low for the size of population, the levy raises just £3.5m per year, significantly lower than the annual increase in costs in adult social care.

13.9. The council tax base has grown by 1.5% since last year’s budget was set.

13.10. While the major elements of Council Tax banding and discounts are determined nationally, some discounts and premiums, as well as the Council Tax Support Scheme for those on low incomes, are determined locally. Appendix 6 sets out these discounts and premiums.

Other grant funding and income streams

13.11. The majority of grant funding is treated as income to the relevant service departments and is not shown separately in the table at paragraph 11. From 2026/27, some of these grants are being rolled into our core funding (and budget ceilings adjusted – see paragraph 12.1 and Appendix 1) and several funding streams have been consolidated into ringfenced grants:

- a) Homelessness, Rough Sleeping and Domestic Abuse Grant (£6.6m) – the allocation for this funding stream was increased by £1.9m in the final settlement, in recognition of cost pressures across the country;
- b) Public Health Grant (£37.9m) – which now consolidates drug and alcohol treatment and recovery funding and local stop smoking services;
- c) Crisis and Resilience Fund (£8.3m) – to provide preventative support and assist people faced with financial crisis, replacing the Household Support Fund and discretionary housing payments.
- d) Children, Families and Youth Grant (£9.1m) – consolidating previous funding including children’s social care prevention, Families First programmes and holiday activities and food.

13.12. Since 2025/26, a new (unringfenced) funding stream relating to Extended Producer Responsibility (EPR) in respect of waste packaging has been received, for which our provisional allocation for 2026/27 is £7.4m. We have only limited information about likely levels of income in later years, which will depend on producers’ responses to the new levy. Regardless of the position, we expect waste costs to increase by up to £3m per year when there is a new contract in May 2028.

13.13. Three Leicester neighbourhoods have been selected for the Government’s Pride in Place programme. Each will receive up to £20m grant funding over a ten-year period, with the Council acting as Accountable Body; of which the revenue funding totals £7m for each area. In line with our treatment of other specific grants, this will be managed within service departments and is not shown separately within Appendix 1. The capital elements are included in the capital programme report, also on your agenda.

Collection Fund surplus / deficit

- 13.14. Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true.
- 13.15. The Council has an estimated **council tax collection fund surplus** of £2.4m, after allowing for shares to be paid by the police and fire authorities. The reasons for this include a reduction in bad debt provision, following significant work to improve collection rates; and a continuing fall in the cost of the council tax support scheme (CTSS).
- 13.16. The Council has an estimated **business rates collection fund deficit** of £2.2m.

14. Budget and Equalities (Surinder Singh, Equalities Officer)

- 14.1. The Council is committed to promoting equality of opportunity for its residents; both through its policies aimed at reducing inequality of outcomes, and through its practices aimed at ensuring fair treatment for all and the provision of appropriate and culturally sensitive services that meet local people's needs.
- 14.2. In accordance with section 149 of the Equality Act 2010, the Council must "have due regard", when making decisions, to the need to meet the following aims of our Public Sector Equality Duty :-
- a) eliminate unlawful discrimination
 - b) advance equality of opportunity between those who share a protected characteristic and those who do not;
 - c) foster good relations between those who share a protected characteristic and those who do not.
- 14.3. Protected groups under the public sector equality duty are characterised by age, disability, gender reassignment, pregnancy/maternity, race, religion or belief, sex and sexual orientation.
- 14.4. When making decisions, the Council (or decision maker, such as the City Mayor) must be clear about any equalities implications of the course of action proposed. In doing so, it must consider the likely impact on those likely to be affected by the recommendation; their protected characteristics; and (where negative impacts are anticipated) mitigating actions that can be taken to reduce or remove that negative impact.
- 14.5. A number of risks to the budget are addressed within this report (section 16 below). If these risks are not mitigated effectively, there could be a disproportionate impact on people with particular protected characteristics and therefore ongoing consideration of the risks and any potential disproportionate equalities impacts, as well as mitigations to address disproportionate impacts for those with particular protected characteristics, is required.

15. Risk Assessment and Estimates

- 15.1. Best practice requires me to identify any risks associated with the budget, and Section 25 of the Local Government Act 2003 requires me to report on the adequacy of reserves and the robustness of estimates.
- 15.2. Assessing the robustness of estimates requires a judgement to be made, which is now hard given the volatility of some elements of the budget. The most significant individual risks are described below.
- 15.3. Like most (probably all) upper tier authorities, we run the risk of further demand and cost increase in adults' social care and children's placements, despite mitigating work that is continuing.
- 15.4. Like many housing authorities, we run the risk of further cost pressures from homelessness. However, the Council has a significant programme of investment in temporary accommodation to mitigate this risk.
- 15.5. In addition to the above, we have a cumulative overspend on the schools' "high needs" block. By March 2028, when future overspends will transfer to central government, this could be as high as £100.5m. The government have announced 90% funding towards the deficit at March 2026, and the intention of further support towards deficits arising in 2026/27 and 2027/28, but with no definite commitment as to the amount. This report proposes earmarking reserves to meet 10% of the deficit in each.
- 15.6. We are also exposed to any further inflationary cost pressures, which may result from world events.
- 15.7. Significant progress has been made on achieving the savings target, however failure to deliver the remaining savings would have a significant impact on the strategy.
- 15.8. The budget holds a corporate contingency of £2m per year. If this contingency is not sufficient this would place pressure on our budget strategy reserve, reducing the monies available to fund future budgets.
- 15.9. There is a multiplicative effect of any risks which crystallise into annual cost pressures. For instance, an additional £5m per year of unavoidable cost will, all other things being equal, use £15m of reserves by the end of 2028/29.
- 15.10. However, there is a clear plan: that shows the improvements that have been made in our financial strategy and the budget gap is closing, we need to continue to work on a programme to further reduce it. This involves the continuation of the cost mitigation work in areas of service under pressure, transformation of services and the potential to reduce borrowing by using capital receipts to fund the capital programme.
- 15.11. Subject to the above comments, I believe the estimates made in preparing the budget are sufficiently robust to allow the budget for 2026/27 to be approved.

15.12. In addition, we have a substantial level of reserves available to support the budget strategy. This means that, in the short term, reserves can be used in substitution for any savings which cannot be made, or for unexpected cost pressures; and there is limited risk of being unable to balance the budget in 2026/27. I regard our level of reserves as adequate.

15.13. As a last resort, a £15m General Fund emergency balance is held. I do not expect to have to call on this balance in the time period set out in this strategy.

16. Financial, Legal and Other Implications

16.1. Financial Implications

This report is exclusively concerned with financial issues.

16.2. Legal Implications (Kamal Adatia, City Barrister & Head of Standards)

- a) The budget preparations have been in accordance with the Council's Budget and Policy Framework Procedure Rules – Council's Constitution – Part 4C. The decision with regard to the setting of the Council's budget is a function under the constitution which is the responsibility of the full Council.
- b) At the budget-setting stage, Council is estimating, not determining, what will happen as a means to the end of setting the budget and therefore the council tax. Setting a budget is not the same as deciding what expenditure will be incurred. The Local Government Finance Act, 1992, requires an authority, through the full Council, to calculate the aggregate of various estimated amounts, in order to find the shortfall to which its council tax base has to be applied. The Council can allocate greater or fewer funds than are requested by the Mayor in his proposed budget, though case law establishes that this can not operate as a direction to an Elected Mayor to spend / save the monies for that purpose.
- c) As well as detailing the recommended council tax increase for 2026/27, the report also complies with the following statutory requirements:-
 - Robustness of the estimates made for the purposes of the calculations;
 - Adequacy of reserves
 - The requirement to set a balanced budget.
- d) Section 65 of the Local Government Finance Act, 1992, places upon local authorities a duty to consult representatives of non-domestic ratepayers before setting a budget. There are no specific statutory requirements to consult residents.
- e) The discharge of the 'function' of setting a budget triggers the duty in s.149 of the Equality Act, 2010, for the Council to have "due regard" to its public sector equality duties. These are set out in paragraph 15. There are considered to be no specific proposals within this year's budget that could result in new changes of provision that could affect different groups of people sharing protected characteristics. Where savings are anticipated, equality assessments will be prepared as necessary. Directors and the City Mayor have freedom to vary or abort proposals under the

scheme of virement where there are unacceptable equality consequences. As a consequence, there are no service-specific 'impact assessments' that accompany the budget. There is no requirement in law to undertake equality impact assessments as the only means to discharge the s.149 duty to have "due regard". The discharge of the duty is not achieved by pointing to one document looking at a snapshot in time, and the report evidences that the Council treats the duty as a live and enduring one. Indeed, case law is clear that undertaking an EIA on an 'envelope-setting' budget is of limited value, and that it is at the point in time when policies are developed which reconfigure services to live within the budgetary constraint when impact is best assessed. However, an analysis of equality impacts has been prepared in respect of the proposed increase in council tax, and this is set out in Appendix 3.

- f) Judicial review is the mechanism by which the lawfulness of Council budget-setting exercises are most likely to be challenged. There is no sensible way to provide an assurance that a process of budget setting has been undertaken in a manner which is immune from challenge. Nevertheless the approach taken with regard to due process and equality impacts is regarded by the City Barrister to be robust in law.
- g) Schedule 1A to the Local Government Finance Act 1992 states that the Council must "make" a Council Tax Reduction scheme for each financial year, and if it wishes to change it, it must "revise" or "replace" it. The deadline for making, revising or replacing a Scheme is 11th March. There are no proposals to change the CTSS so recommendation 3.1(j) reflects the decision to keep the existing Scheme, subject to inflationary changes to thresholds for support.

16.3. Climate Change Implications

- a) The climate emergency remains one of the key long-term challenges facing the council and the city, creating increasing real-world consequences, including financial costs, as we have seen from recent flooding incidents.
- b) In broad terms, the financial pressures facing the council, and the strategy proposed for addressing them, are likely to have the following implications for addressing the climate emergency:
 - Reductions in service delivery and sale of council buildings may result in reductions in the council's own carbon footprint i.e. the emissions caused by our own use of buildings and travel. These savings may not always be reflected in those of the wider city if reductions in council activity are offset by increases in community or business activity. For example, where council facilities need to be closed and sold/transferred, their use by community groups or businesses will still generate emissions.
 - The constraints on both revenue and capital are likely to reduce opportunities for the council to invest in projects to reduce carbon emissions and to make the city more resilient to the changing climate, except where a compelling 'spend-to-save' business case can be made or external grant funding can be secured.

- c) Efforts should continue to develop financial and environmental 'win-win' climate projects, such as those which can cut council energy/fuel bills and carbon emissions. Likewise, any opportunities to secure external funding for climate work should be sought.
- d) More specific climate emergency implications will continue to be provided for individual decisions regarding projects and service/policy changes relating to implementing the budget strategy.

Budget Ceilings

| | 2025/26 | Changes | | | | | | 26/27 Budget Ceiling £000's | | |
|-------------------------------------------------------|-----------------|------------------------------|------------------------------|---------------------------------|---------------------|------------------------|----------------------|-----------------------------------|--|--|
| | | in budget package | | Savings previously agreed | Grants rolled in | Pension Adjustments | Non-Pay Inflation | | | |
| | | Budget As at P9 £000's | Savings package £000's | £000's | £000's | £000's | £000's | | | |
| 1. City Development & Neighbourhoods | | | | | | | | | | |
| 1.1 Neighbourhood & Environmental Services | | | | | | | | | | |
| Divisional Management | (1,325.1) | (1,009.0) | | | | (7.4) | | (2,341.5) | | |
| Regulatory Services | 2,220.1 | | | | | (145.6) | | 2,074.5 | | |
| Waste Management | 24,165.6 | | | | | (21.2) | 484.8 | 24,629.2 | | |
| Parks & Open Spaces | 6,241.1 | (300.0) | 276.0 | | | (544.4) | | 5,672.7 | | |
| Neighbourhood Services | 6,777.7 | | | | | (231.3) | | 6,546.4 | | |
| Standards & Development | 1,272.4 | | | | | (94.0) | | 1,178.4 | | |
| Community Safety | 429.5 | | 265.0 | | | (39.9) | | 654.6 | | |
| Sports Services | 3,018.0 | (425.0) | | | | (232.6) | | 2,360.4 | | |
| Divisional sub-total | 42,799.3 | (1,734.0) | 541.0 | 0.0 | 0.0 | (1,316.4) | 484.8 | 40,774.7 | | |
| 1.2 Tourism, Culture & Inward Investment | | | | | | | | | | |
| Arts & Museums | 3,275.1 | (164.0) | 320.0 | | | (129.1) | | 3,302.0 | | |
| De Montfort Hall | 802.4 | (17.0) | | | | (106.2) | | 679.2 | | |
| City Centre | 0.0 | | | | | 0.0 | | 0.0 | | |
| Place Marketing Organisation | 2.9 | | | | | 0.0 | | 2.9 | | |
| Economic Development | 363.0 | (264.0) | 721.0 | | | (64.2) | | 755.8 | | |
| Markets | (154.7) | | 450.0 | | | (20.9) | | 274.4 | | |
| Adult Skills | (821.4) | | | | | 0.0 | | (821.4) | | |
| Divisional Management | 47.7 | 45.0 | | | | (6.3) | | 86.4 | | |
| Divisional sub-total | 3,515.0 | (400.0) | 1,491.0 | 0.0 | 0.0 | (326.7) | 0.0 | 4,279.3 | | |

Budget Ceilings (cont.)

| | 2025/26 | Changes | | | | | | 26/27 Budget Ceiling £000's |
|----------------------------------------------------------------|-----------------|-------------------------|----------------|---------------------------------|---------------------|------------------------|----------------------|-----------------------------------|
| | | in budget package | | Savings previously agreed | Grants rolled in | Pension Adjustments | Non-Pay Inflation | |
| | | Budget As at P9 | £000's | £000's | £000's | £000's | £000's | |
| 1.3 Planning, Transportation & Economic Development | | | | | | | | |
| Transport Strategy | 10,531.1 | (1,082.0) | | | | (201.1) | | 9,248.0 |
| Highways | 2,441.0 | (558.0) | | | | (462.7) | | 1,420.3 |
| Planning | 1,548.9 | (50.0) | | | 27.1 | (165.7) | | 1,360.3 |
| Divisional Management | 459.3 | (310.0) | | | | (8.2) | | 141.1 |
| <i>Divisional sub-total</i> | 14,980.3 | (2,000.0) | 0.0 | 0.0 | 27.1 | (837.7) | 0.0 | 12,169.7 |
| 1.4 Estates & Building Services | 4,724.1 | (100.0) | | | | (481.0) | | 4,143.1 |
| 1.5 Housing Services | 20,808.9 | (300.0) | 1,981.9 | 0.0 | 1,343.3 | (296.7) | | 23,537.4 |
| 1.6 Departmental Budgets | | | | | | | | |
| Departmental Overheads | 597.8 | 400.0 | | | | (10.3) | | 987.5 |
| City Development & Neighbourhoods | | | | | | | | |
| Investment | | 3,200.0 | | | | | | 3,200.0 |
| | 597.8 | 400.0 | 3,200.0 | 0.0 | 0.0 | (10.3) | 0.0 | 4,187.5 |
| DEPARTMENTAL TOTAL | 87,425.4 | (4,134.0) | 7,213.9 | 0.0 | 1,370.4 | (3,268.8) | 484.8 | 89,091.7 |

Budget Ceilings (cont.)

| 2025/26 | Changes | | | | | | 26/27 Budget |
|---------|----------|-----------------|---------------|-------------------|-----------|-------------|---------------------|
| | Budget | in | Savings | | Pension | Non-Pay | |
| | As at P9 | Savings package | budget report | previously agreed | rolled in | Adjustments | Inflation |
| £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |

2.Adults**2.1 Adult Social Care & Safeguarding**

| | | | | | | | |
|---------------------------------------|-------------------------|-------------------|------------------------|-------------------|-------------------|-----------------------|-------------------------|
| Other Management & support | 946.5 | | (19.9) | | (38.5) | | 888.1 |
| Safeguarding | 528.6 | | (10.4) | | (21.9) | | 496.3 |
| Preventative Services | 6,142.8 | | (132.0) | | (228.8) | | 5,782.0 |
| Independent Sector Care Package Costs | 187,117.1 | | 11,185.0 | | 0.0 | 3,905.7 | 202,207.8 |
| Care Management (Localities) | 15,079.1 | | (283.5) | | (602.6) | | 14,193.0 |
| <i>Divisional sub-total</i> | <i>209,814.1</i> | <i>0.0</i> | <i>10,739.2</i> | <i>0.0</i> | <i>0.0</i> | <i>(891.8)</i> | <i>3,905.7</i> |
| | | | | | | | <i>223,567.2</i> |

2.2 Adult Social Care & Commissioning

| | | | | | | | |
|------------------------------------|--------------------------|-------------------|-----------------------|-------------------|-----------------------|-----------------------|--------------------------|
| Enablement & Day Care | 1,872.9 | | (37.6) | | (75.3) | | 1,760.0 |
| Care Management (LD & AMH) | 6,487.1 | | (127.1) | | 33.8 | (269.7) | 6,124.1 |
| Preventative Services | 413.3 | | (2.8) | | | (2.8) | 407.7 |
| Contracts, Commissioning & Other | | | | | | | |
| Support | (1,241.4) | | (175.2) | | 6,935.6 | (334.5) | 5,184.5 |
| Departmental | (38,043.5) | | (11.5) | | 22.6 | (20.0) | (38,052.4) |
| <i>Divisional sub-total</i> | <i>(30,511.6)</i> | <i>0.0</i> | <i>(354.2)</i> | <i>0.0</i> | <i>6,992.0</i> | <i>(702.3)</i> | <i>0.0</i> |
| | | | | | | | <i>(24,576.1)</i> |

| | | | | | | | | |
|-------------------------|------------------|------------|-----------------|------------|----------------|------------------|----------------|------------------|
| DEPARTMENT TOTAL | 179,302.5 | 0.0 | 10,385.0 | 0.0 | 6,992.0 | (1,594.1) | 3,905.7 | 198,991.1 |
|-------------------------|------------------|------------|-----------------|------------|----------------|------------------|----------------|------------------|

| Budget Ceilings (cont.) | | | | | | | | |
|--------------------------------------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------------|------------------------|------------------------|----------------------|-----------------------------------|
| | 2025/26 Budget As at P9 | Changes Savings package | Savings in budget report | Savings previously agreed | Grants rolled in | Pension Adjustments | Non-Pay Inflation | 26/27 Budget Ceiling £000's |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| 3. Education & Children's Services | | | | | | | | |
| 3.1 SEND and Education | | | | | | | | |
| Strategic Commissioning | 2,247.3 | | | | 150.0 | (116.9) | | 2,280.4 |
| Raising Achievement | 682.1 | | (26.0) | | | (53.2) | | 602.9 |
| Learning & Inclusion | 1,578.7 | | (32.0) | | | (87.5) | | 1,459.2 |
| Special Education Needs and Disabilities | 19,102.5 | | 174.0 | | | (374.4) | | 18,902.1 |
| Departmental Resources | 4,917.0 | | (67.0) | | | (214.4) | | 4,635.6 |
| Divisional sub-total | 28,527.6 | 0.0 | 49.0 | 0.0 | 150.0 | (846.4) | 0.0 | 27,880.2 |
| 3.2 Children's Social Work and Early Help | | | | | | | | |
| Children In Need | 17,708.4 | | (199.0) | | | (539.5) | | 16,969.9 |
| Looked After Children | 63,613.1 | | 2,792.3 | | 893.8 | (516.2) | 231.3 | 67,014.3 |
| Safeguarding & QA | 2,227.4 | | (93.0) | | | (90.9) | | 2,043.5 |
| Community Safety | 341.3 | | | | | (3.6) | | 337.7 |
| Early Help Targeted Services | 3,187.7 | (600.0) | (93.0) | | | (203.6) | | 2,291.1 |
| Early Help Specialist Services | 4,277.0 | | (82.0) | | | (225.5) | | 3,969.5 |
| Divisional sub-total | 91,354.9 | (600.0) | 2,325.3 | 0.0 | 893.8 | (1,579.3) | 231.3 | 92,626.0 |
| DEPARTMENTAL TOTAL | 119,882.5 | (600.0) | 2,374.3 | 0.0 | 1,043.8 | (2,425.7) | 231.3 | 120,506.2 |
| 4. Health and Wellbeing | | | | | | | | |
| Adults' Services | 9,434.6 | | | | 4,961.9 | | | 14,396.5 |
| Children's 0-19 Services | 10,335.7 | | | | | | | 10,335.7 |
| Lifestyle Services | 1,616.8 | | | | 485.0 | (32.6) | | 2,069.2 |
| Staffing & Infrastructure& Other | 3,734.2 | | | | (125.3) | (103.8) | | 3,505.1 |
| DEPARTMENTAL TOTAL | 25,121.3 | 0.0 | 0.0 | 0.0 | 5,321.6 | (136.4) | 0.0 | 30,306.5 |

Budget Ceilings (cont.)

| | 2025/26 Budget As at P9 £000's | Changes in budget report £000's | Savings previously agreed £000's | Grants rolled in £000's | Pension Adjust- ments £000's | Non-Pay Inflation £000's | 26/27 Budget Ceiling £000's |
|-------------------------------------------|---------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------|-------------------------------------------------------|-----------------------------------------------|------------------------------------------------------|
| 5. Corporate Resources Department | | | | | | | |
| 5.1 Corporate Services | | | | | | | |
| Delivery, Communications & Political Gov | 9,786.9 | 0.0 | 0.0 | 0.0 | 0.0 | (416.9) | 9,370.0 |
| 5.2 Financial Services | | | | | | | |
| Financial Support | 6,340.8 | | | (25.0) | | (338.7) | 5,977.1 |
| Revenues & Benefits | 4,559.4 | | | | | (269.2) | 4,290.2 |
| <i>Divisional sub-total</i> | <i>10,900.2</i> | <i>0.0</i> | <i>0.0</i> | <i>(25.0)</i> | <i>0.0</i> | <i>(607.9)</i> | <i>0.0</i> |
| 5.3 Data, Digital & Technology | 11,429.5 | 0.0 | 0.0 | 0.0 | 0.0 | (335.7) | 11,093.8 |
| 5.4 Legal Services | 6,529.7 | 0.0 | 0.0 | 0.0 | 0.0 | (304.9) | 6,224.8 |
| DEPARTMENTAL TOTAL | 38,646.3 | 0.0 | 0.0 | (25.0) | 0.0 | (1,665.4) | 0.0 |
| TOTAL -Service Budget Ceilings | 450,378.0 | (4,734.0) | 19,973.2 | (25.0) | 14,727.8 | (9,090.4) | 4,621.8 |
| <i>less public health grant</i> | | | | | | | (37,652.3) |
| NET TOTAL | 418,328.4 | | | | | | 438,199.1 |

Scheme of Virement

1. This appendix explains the scheme of virement which will apply to the budget, if it is approved by the Council.

Budget Ceilings

2. Directors are authorised to vire sums within budget ceilings without limit, providing such virement does not give rise to a change of Council policy.
3. Directors are authorised to vire money between any two budget ceilings within their departmental budgets, provided such virement does not give rise to a change of Council policy. The maximum amount by which any budget ceiling can be increased or reduced during the course of a year is £500,000. This money can be vired on a one-off or permanent basis.
4. Directors are responsible, in consultation with the appropriate Deputy/Assistant Mayor if necessary, for determining whether a proposed virement would give rise to a change of Council policy.
5. Movement of money between budget ceilings is not virement to the extent that it reflects changes in management responsibility for the delivery of services.
6. The City Mayor is authorised to increase or reduce any budget ceiling. The maximum amount by which any budget ceiling can be increased during the course of a year is £5m. Increases or reductions can be carried out on a one-off or permanent basis.
7. The Director of Finance may vire money between budget ceilings where such movements represent changes in accounting policy, or other changes which do not affect the amounts available for service provision.
8. The Director of Finance may vire money between budget ceilings to reflect where the savings (currently shown as summary figures in Appendix One) actually fall.
9. The Strategic Director, in consultation with the Director of Finance, may vire money to reflect decisions about the use of the service reinvestment budget.
10. Nothing above requires the City Mayor or any director to spend up to the budget ceiling for any service. At the end of the year, underspends on any budget ceiling shall be applied:
 - (a) Firstly, to offset any overspends in the same department;
 - (b) Secondly, to a corporate reserve to support the overall budget strategy.

Corporate Budgets

11. The following authorities are granted in respect of corporate budgets:
 - (a) the Director of Finance may incur costs for which there is provision in miscellaneous corporate budgets, except that any policy decision requires the approval of the City Mayor;

- (b) the Director of Finance may allocate the provision for pay awards and other inflation;

Earmarked Reserves

11. Earmarked reserves may be created or dissolved by the City Mayor. In creating a reserve, the purpose of the reserve must be clear.
12. Directors may add sums to an earmarked reserve from a budget ceiling, if the purposes of the reserve are within the scope of the service budget, and with the agreement of the Director of Finance. This cannot take place at year end (see para. 8 above).
13. Directors may spend earmarked reserves on the purpose for which they have been created.
14. When an earmarked reserve is dissolved, the City Mayor shall determine the use of any remaining balance.
15. The City Mayor may transfer any sum between earmarked reserves.

Other

16. The City Mayor may amend the flexible use of capital receipts policy, and submit revised policies to the Secretary of State.

Equality Impact Assessment

Equality Impact Assessment (EIA) Tool:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| Title of proposal | Council tax increase for 2026/27 |
| Name of division/service | Corporate |
| Name of lead officer completing this assessment | Catherine Taylor, Financial Strategy Manager |
| Date EIA assessment commenced | 3 rd November 2025 |
| Date EIA assessment completed (prior to decision being taken as the EIA may still be reviewed following a decision to monitor any changes) | 26 th January 2026 |
| Decision maker | Council |
| Date decision taken | 25 February 2026 |

| EIA sign off on completion: | Signature | Date |
|------------------------------------------------|------------------|-----------------|
| Lead officer | Catherine Taylor | 25 January 2025 |
| Equalities officer (has been consulted) | Surinder Singh | 26 January 2025 |
| Divisional director | Amy Oliver | 28 January 2026 |

Please ensure the following:

- a) That the document is **understandable to a reader who has not read any other documents** and explains (on its own) how the Public Sector Equality Duty is met. This does not need to be lengthy but must be complete and based in evidence.
- b) That available support information and data is identified and where it can be found. Also be clear about highlighting gaps in existing data or evidence that you hold, and how you have sought to address these knowledge gaps.
- c) That the equality impacts are capable of aggregation with those of other EIAs to identify the cumulative impact of all service changes made by the council on different groups of people.
- d) That the equality impact assessment is started at an early stage in the decision-making process, so that it can be used to inform the consultation, engagement and the decision. It should not be a tick-box exercise. Equality impact assessment is an iterative process that should be revisited throughout the decision-making process. It can be used to assess several different options.
- e) Decision makers must be aware of their duty to pay 'due regard' to the Public Sector Equality Duty (see below) and 'due regard' must be paid before and at the time a decision is taken. Please see the Brown Principles on the equality intranet pages, for information on how to undertake a lawful decision-making process, from an equalities perspective. Please append the draft EIA and the final EIA to papers for decision makers (including leadership team meetings, lead member briefings, scrutiny meetings and executive meetings) and draw out the key points for their consideration. The Equalities Team provide equalities comments on reports.

1. Setting the context

Describe the proposal, the reasons it is being made, and the intended change or outcome. Will the needs of those who are currently using the service continue to be met?

Purpose

The Council has a legal obligation to set a balanced budget each year. There remains a difficult balance between funding services for those most in need, maintaining support for the most vulnerable and the investment required to ensure the effective delivery of services. Council Tax is a vital funding stream for the Council to fund essential services. This appendix presents the draft equalities impact of a proposed 4.99% council tax increase. This includes a precept of 2% for Adult Social Care, as permitted by the Government without requiring a referendum.

Alternative options

The realistic alternative to a 5% council tax increase would be a lower (or no) increase. A reduced tax increase would represent a permanent diminution of our income unless we hold a council tax referendum in a future year. In my view, such a referendum is unlikely to support a higher tax rise. It would also require more cuts to services in later years (on top of the substantial cost savings already required by the budget strategy).

The budget situation is already extremely difficult, and it seems inevitable that further cuts will have severe effects on front-line services. It is not possible to say precisely where these future cuts would fall; however, certain protected groups (e.g. older people; families with children; and people with disabilities) could face disproportionate impacts from reductions to services.

Mitigating actions

The Council has a range of mitigating actions for residents. These include: funding through the new Crisis & Resilience Fund, which replaces the Household Support Fund and Discretionary Housing Payments from April 2026, direct support through Council Tax Discretionary Relief (which increased by 50% from £500,000 to £750,000 from April 2025 for two years) and Community Support Grant awards; the council's work with voluntary and community sector organisations to provide food to local people where it is required – through the network of food banks in the city; through schemes which support people getting into work (and include cost reducing initiatives that address high transport costs such as providing recycled bicycles); and through support to social welfare advice services.

2. Equality implications/obligations

Which aims of the Public Sector Equality Duty (PSED) are likely be relevant to the proposal? In this question, consider both the current service and the proposed changes.

a. Eliminate unlawful discrimination, harassment and victimisation

- How does the proposal/service aim to remove barriers or disproportionate impacts for anyone with a particular protected characteristics compared with someone who does not share the same protected characteristics?
- Is this a relevant consideration? What issues could arise?

The Council Tax decision, as part of the overall budget strategy, aims to balance the funding of services for those in need, maintaining support for most vulnerable and the investment required to ensure the effective delivery of services. It does not, in itself, make specific decisions about the delivery of those services; which will be the subject of separate decisions with their own equality assessments, where appropriate.

b. Advance equality of opportunity between different groups

- Does the proposal/service advance equality of opportunity for people?
- Identify inequalities faced by those with specific protected characteristic(s).
- Is this a relevant consideration? What issues could arise?

By securing funding, the proposal aims to advance equality of opportunity by maintaining services that support independence and quality of life for these key protected groups, thereby reducing inequalities they face.

c. Foster good relations between different groups

- Does the service contribute to good relations or to broader community cohesion objectives?
- How does it achieve this aim?
- Is this a relevant consideration? What issues could arise?

Securing a sustainable budget for local services contributes to community stability and social cohesion. Effective, well-funded services that support vulnerable residents can help indirectly in fostering good relations.

3. Who is affected?

Outline who could be affected, and how they could be affected by the proposal/service change. Include people who currently use the service and those who could benefit from, but do not currently access the service. Where possible include data to support this.

Who is affected by the proposal?

As at October 2025, there were 133,220 properties liable for Council Tax in the city (excluding those registered as exempt, such as student households).

Under the CTSS scheme, “vulnerable” households with low income are eligible for up to 100% support, limited to the amount payable on a band C property. Other low income households are eligible for up to 80% support, limited to the amount payable on a Band B property. Households deemed vulnerable are defined in the scheme which uses proxies to identify disability and/or caring responsibilities.

Council tax support for pensioner households follows different rules. Low-income pensioners are eligible for up to 100% relief on the total amount payable.

How are they affected?

The table below sets out the financial impact of the proposed council tax increase on different properties, before any discounts or reliefs are applied. It shows the weekly increase in each band, and the minimum weekly increase for those in receipt of a reduction under the CTSS for working-age households who are not classed as vulnerable. [Under the scheme introduced last year, households classified as vulnerable can access up to 100% CTSS support]

| Band | No. of Properties | Weekly increase (£) | Minimum Weekly Increase under CTSS (£) |
|------|-------------------|---------------------|----------------------------------------|
| A- | 427 | 1.08 | 0.22 |
| A | 77,948 | 1.29 | 0.26 |
| B | 26,960 | 1.51 | 0.30 |
| C | 15,584 | 1.72 | 0.52 |

| | | | |
|--------------|----------------|------|------|
| D | 6,664 | 1.94 | 0.73 |
| E | 3,403 | 2.37 | 1.16 |
| F | 1,531 | 2.80 | 1.59 |
| G | 612 | 3.23 | 2.02 |
| H | 42 | 3.88 | 2.67 |
| Total | 133,171 | | |

In most cases, the change in council tax (around £1.51 per week for a band B property with no discounts; and just 30p per week if eligible for the maximum 80% reduction for non-vulnerable households under the CTSS) is a small proportion of disposable income, and a small contributor to any squeeze on household budgets. A council tax increase would be applicable to all properties - the increase would not target any one protected group, rather it would be an increase that is applied across the board. However, it is recognised that this may have a more significant impact among households with a low disposable income.

Households at all levels of income have seen their real-terms income decline in recent years due to cost-of-living increases, and wages that have failed to keep up with inflation; although inflation has fallen more recently. These pressures are not limited to any protected group; however, there is evidence that low-income families spend a greater proportion of their income on food and fuel (where price rises have been highest), and are therefore more affected by price increases.

A 3.8% uplift to most working-age benefits, in line with CPI inflation, will come into effect from April 2026, while the State Pension and pension-age benefits will increase by 4.8%, and the Universal Credit standard allowance is increasing above inflation. Local Housing Allowance rates will be frozen for 2026/27, representing a real-terms cut for this group of claimants. [NB council and housing association tenants are not affected by this as their rent support is calculated differently and their full rent can be compensated from benefits].

4. Information used to inform the equality impact assessment

- **What data, research, or trend analysis** have you used?
- Describe how you have got your information and what it tells you
- Are there any gaps or limitations in the information you currently hold, and how you have sought to address this? E.g. proxy data, national trends, equality monitoring etc.

Information on the properties subject to Council Tax is obtained from the Council's own systems. We do not hold detailed information on council taxpayers' protected characteristics; national and local economic data has been used to help assess the likely impact on different groups.

5. Consultation

Have you undertaken consultation about the proposal with people who use the service or people affected, people who may potentially use the service and other stakeholders? What did they say about:

- What is important to them regarding the current service?
- How does (or could) the service meet their needs? How will they be affected by the proposal? What potential impacts did they identify because of their protected characteristic(s)?
- Did they identify any potential barriers they may face in accessing services/other opportunities that meet their needs?

Draft budget was published in early December in advance of the final decision in February

6. Potential Equality Impact

Based on your understanding of the service area, any specific evidence you may have on people who use the service and those who could potentially use the service and the findings of any consultation you have undertaken, use the table below to explain which individuals or community groups are likely to be affected by the proposal because of their protected characteristic(s). Describe what the impact is likely to be, how significant that impact is for individual or group well-being, and what mitigating actions can be taken to reduce or remove negative impacts. This could include indirect impacts, as well as direct impacts.

Looking at potential impacts from a different perspective, this section also asks you to consider whether any other particular groups, especially vulnerable groups, are likely to be affected by the proposal. List the relevant groups that may be affected, along with the likely impact, potential risks and mitigating actions that would reduce or remove any negative impacts. These groups do not have to be defined by their protected characteristic(s).

Protected characteristics

Impact of proposal:

Describe the likely impact of the proposal on people because of their protected characteristic and how they may be affected. Why is this protected characteristic relevant to the proposal? How does the protected characteristic determine/shape the potential impact of the proposal? This may also include **positive impacts** which support the aims of the Public Sector Equality Duty to advance equality of opportunity and foster good relations.

Risk of disproportionate negative impact:

How likely is it that people with this protected characteristic will be disproportionately negatively affected? How great will that impact be on their well-being? What will determine who will be negatively affected?

Mitigating actions:

For disproportionate negative impacts on protected characteristic/s, what mitigating actions can be taken to reduce or remove the impact? You may also wish to include actions which support the positive aims of the Public Sector Equality Duty to advance equality of opportunity and to foster good relations. All actions identified here should also be included in the action plan at the end of this EIA.

a) Age

Indicate which age group/s is/ are most affected, either specify general age group (children, young people, working aged people or older people) or specific age bands.

What is the impact of the proposal on age?

Older people (pension age and older) are least affected by a potential increase in council tax and can access more generous (up to 100%) council tax relief. However, in the current financial climate, a lower council tax increase would require even greater cuts to services in due course. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as older people are the primary service users of Adult Social Care.

While employment rates remain high, earnings have not kept up with inflation in recent years so working families are likely to already be facing pressures on households' budgets. Younger people, and particularly children, were more likely to be in poverty before the current cost-of-living crisis and this is likely to have continued.

What is the risk of disproportionate negative impact on age?

Working age households and families with children – incomes squeezed through reducing real-terms wages.

What are the mitigating actions?

Lower-income households will have access to the Council Tax Support Scheme, providing up to 100% support for "vulnerable" households and up to 80% for other low income households.

In addition, households will have access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.

b) Disability

A person has a disability if she or he has a physical or mental impairment which has a substantial and long-term adverse effect on that person's ability to carry out normal day-to-day activities. If specific impairments are affected by the proposal, specify which these are. Our standard categories are on our equality monitoring form – physical impairment, sensory impairment, mental health condition, learning disability, long standing illness, or health condition.

What is the impact of the proposal on disability?

Disabled people are more likely to be in poverty. Many disabled people will be classed as vulnerable in the proposed new CTSS scheme and will therefore be protected from the impact of a council tax increase.

However, in the current financial climate, a lower council tax increase would require even greater cuts to services in due course. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as disabled people are more likely to be service users of Adult Social Care.

What is the risk of disproportionate negative impact on disability?

Further erode quality of life being experienced by disabled people.

What are the mitigating actions?

The CTSS scheme has been designed to give additional support (up to 100%) to vulnerable households. It also allows support at the level of the band C tax, rather than band B as applies to non-vulnerable households.

In addition, households will have access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing budgets.

Ensure all information and advice relating to the CTSS scheme, discretionary funds, and support services is available and provided in a range of accessible formats.

c) Gender reassignment

Indicate whether the proposal has potential impact on trans men or trans women, and if so, which group is affected. A trans person is someone who proposes to, starts, or has completed a process to change his or her gender. A person does not need to be under medical supervision to be protected.

What is the impact of the proposal on gender reassignment?

No disproportionate impact is attributable specifically to this characteristic.

What is the risk of disproportionate negative impact on gender reassignment?

N/A

What are the mitigating actions?

N/A

d) Marriage and civil partnership

Please note that under the Public Sector Equality Duty this protected characteristic applies to the first general duty of the Act, eliminating unlawful discrimination, only. The focus within this is eliminating discrimination against people that are married or in a civil partnership with regard specifically to employment.

What is the impact of the proposal on marriage and civil partnership?

No disproportionate impact is attributable specifically to this characteristic

What is the risk of disproportionate negative impact on marriage and civil partnership?

N/A

What are the mitigating actions?

N/A

e) Pregnancy and maternity

Does the proposal treat someone unfairly because they're pregnant, breastfeeding or because they've recently given birth.

What is the impact of the proposal on pregnancy and maternity?

Someone who is pregnant or recently given birth often have lower incomes during the period immediately before and after childbirth, when they may be receiving statutory maternity pay or no pay at all.

What is the risk of disproportionate negative impact on pregnancy and maternity?

Household may have a lower income during this period and be disproportionately impacted by the increase in Council Tax.

What are the mitigating actions?

Lower-income households will have access to the Council Tax Support Scheme, providing up to 100% support for "vulnerable" households and up to 80% for other low income households.

In addition, households will have access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.

f) Race

Race refers to a group of people defined by their race, colour, and nationality (including citizenship) ethnic or national origins. A racial group can be made up of two or more distinct racial groups, for example Black Britons, British Asians, British Sikhs, British Jews, Romany Gypsies and Irish Travellers.

What is the impact of the proposal on race?

Those with white backgrounds are disproportionately on low incomes (indices of multiple deprivation) and in receipt of social security benefits. Some ethnic minority people are also low income and on benefits.

What is the risk of disproportionate negative impact on race?

Household income being further squeezed through low wages and reducing levels of benefit income.

What are the mitigating actions?

Lower-income households will have access to the Council Tax Support Scheme, providing up to 100% support for “vulnerable” households and up to 80% for other low income households.

In addition, households will have access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.

Where required, interpretation and translation services will be provided to remove barriers in accessing support/advice.

g) Religion or belief

Religion refers to any religion, including a lack of religion. Belief refers to any religious or philosophical belief and includes a lack of belief. Generally, a belief should affect your life choices or the way you live for it to be included in the definition. This must be a belief and not just an opinion or viewpoint based on the present state of information available and;

- be about a weighty and substantial aspect of human life and behaviour
- attain a certain level of cogency, seriousness, cohesion, and importance, and
- be worthy of respect in a democratic society, not incompatible with human dignity and not in conflict with fundamental rights of others. For example, Holocaust denial, or the belief in racial superiority are not protected.

Are your services sensitive to different religious requirements e.g., times a customer may want to access a service, religious days and festivals and dietary requirements

What is the impact of the proposal on religion or belief?

No disproportionate impact is attributable specifically to this characteristic

What is the risk of disproportionate negative impact on religion or belief?

N/A

What are the mitigating actions?

N/A

h) Sex

Indicate whether this has potential impact on either males or females.

What is the impact of the proposal on sex?

Disproportionate impact on women who tend to manage household budgets and are responsible for childcare costs. Women are disproportionately lone parents, who are more likely to experience poverty.

What is the risk of disproportionate negative impact on sex?

Incomes squeezed through low wages and reducing levels of benefit income. Increased risk for women as they are more likely to be lone parents.

What are the mitigating actions?

If in receipt of Universal Credit or tax credits, a significant proportion of childcare costs are met by these sources.

Lower-income households will have access to the Council Tax Support Scheme, providing up to 100% support for “vulnerable” households and up to 80% for other low income households.

In addition, households will have access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.

i) Sexual orientation

Indicate if there is a potential impact on people based on their sexual orientation. The Act protects heterosexual, gay, lesbian or bisexual people.

What is the impact of the proposal on sexual orientation?

Gay men and Lesbian women are disproportionately more likely to be in poverty than heterosexual people and trans people even more likely to be in poverty and unemployed. This would mean they are more likely to be on benefits.

What is the risk of disproportionate negative impact on sexual orientation?

Household income being lowered wages and reducing levels of benefit income.

What are the mitigating actions?

Lower-income households will be have access to the Council Tax Support Scheme, providing up to 100% support for “vulnerable” households and up to 80% for other low income households.

In addition, households will have access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.

7. Summary of protected characteristics

a. Summarise why the protected characteristics you have commented on, are relevant to the proposal?

Some protected groups are more likely to be in poverty or have low disposable income, and therefore a council tax increase may have a more significant impact.

b. Summarise why the protected characteristics you have not commented on, are not relevant to the proposal?

For some groups no disproportionate impact has been identified. Individuals in these groups will still be able to access CTSS and discretionary support based on their specific circumstances.

8. Armed Forces Covenant Duty

The Covenant Duty is a legal obligation on certain public bodies to 'have due regard' to the principles of the Covenant and requires decisions about the development and delivery of certain services to be made with conscious consideration of the needs of the Armed Forces community.

When Leicester City Council exercises a relevant function, within the fields of healthcare, education, and housing services it must have due regard to the aims set out below:

a. The unique obligations of, and sacrifices made by, the Armed Forces

These include danger; geographical mobility; separation; Service law and rights; unfamiliarity with civilian life; hours of work; and stress.

b. The principle that it is desirable to remove disadvantages arising for Service people from membership, or former membership, of the Armed Forces

A disadvantage is when the level of access a member of the Armed Forces Community has to goods and services, or the support they receive, is comparatively lower than that of someone in a similar position who is not a member of the Armed Forces Community, and this difference arises from one (or more) of the unique obligations and sacrifices of Service life.

c. The principle that special provision for Service people may be justified by the effects on such people of membership, or former membership, of the Armed Forces

Special provision is the taking of actions that go beyond the support provided to reduce or remove disadvantage. Special provision may be justified by the effects of the unique obligations and sacrifices of Service life, especially for those that have sacrificed the most, such as the bereaved and the injured (whether that injury is physical or mental).

Does the service/issue under consideration fall within the scope of a function covered by the Duty (healthcare, education, housing)? Which aims of the Duty are likely be relevant to the proposal? In this question, consider both the current service and the proposed changes. Are members of the Armed Forces specifically disadvantaged or further disadvantaged by the proposal/service? Identify any mitigations including where appropriate possible special provision.

No specific impacts have been identified on members, or former members, of the Armed Forces.

Individuals facing a significant impact will have access to a range of mitigating measures as above.

9. Other groups

Other groups

Impact of proposal:

Describe the likely impact of the proposal on children in poverty or any other people who we may consider to be vulnerable, for example people who misuse substances, care leavers, people living in poverty, care experienced young people, carers, those who are digitally excluded. List any vulnerable groups likely to be affected. Will their needs continue to be met? What issues will affect their take up of services/other opportunities that meet their needs/address inequalities they face?

Risk of disproportionate negative impact:

How likely is it that this group of people will be negatively affected? How great will that impact be on their well-being? What will determine who will be negatively affected?

Mitigating actions:

For negative impacts, what mitigating actions can be taken to reduce or remove this impact for this vulnerable group of people? These should be included in the action plan at the end of this EIA. You may also wish to use this section to identify opportunities for positive impacts.

a. Care Experienced People

This is someone who was looked after by children's services for a period of 13 weeks after the age of 14', but without any limit on age, recognising older people may still be impacted from care experience into later life.

What is the impact of the proposal on Care Experienced People?

No disproportionate impact is attributable specifically to this characteristic. Indeed, many pay no council tax at all as a result of a specific discount and will therefore not be affected by the increase.

What is the risk of negative impact on Care Experienced People?

N/A

What are the mitigating actions?

Qualifying care experienced people up to the age of 25 can apply for a 100% discount on their council tax.

b. Children in poverty**What is the impact of the proposal on children in poverty?**

Even a relatively small increase in the amount payable may

What is the risk of negative impact on children in poverty?

A relatively small increase in the amount payable may have a more significant impact among households with a low disposable income.

What are the mitigating actions?

Lower-income households will be have access to the Council Tax Support Scheme, providing up to 100% support for "vulnerable" households and up to 80% for other low income households.

In addition, households will have access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.

c. Other (describe)**What is the impact of the proposal on any other groups?**

N/A

What is the risk of negative impact on any other groups?

N/A

What are the mitigating actions?

N/A

10. Other sources of potential negative impacts

Are there any other potential negative impacts external to the service that could further disadvantage service users over the next three years that should be considered? For example, these could include:

- other proposed changes to council services that would affect the same group of service users;
- Government policies or proposed changes to current provision by public agencies (such as new benefit arrangements) that would negatively affect residents;
- external economic impacts such as an economic downturn.

Government policy on welfare benefits (including annual uprating) will also have an impact, although it is not yet possible to predict what this will be.

11. Human rights implications

Are there any human rights implications which need to be considered and addressed (please see the list at the end of the template), if so, please outline the implications and how they will be addressed below:

N/A

12. Monitoring impact

You will need to ensure that monitoring systems are established to check for impact on the protected characteristics and human rights after the decision has been implemented. Describe the systems which are set up to:

- monitor impact (positive and negative, intended and unintended) for different groups
- monitor barriers for different groups
- enable open feedback and suggestions from different communities
- ensure that the EIA action plan (below) is delivered.

If you want to undertake equality monitoring, please refer to our [equality monitoring guidance and templates](#).

Click or tap here to enter text.

13. EIA action plan

Please list all the equality objectives, actions and targets that result from this assessment (continue on separate sheets as necessary). These now need to be included in the relevant service plan for mainstreaming and performance management purposes.

| Equality Outcome | Action | Officer Responsible | Completion date |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|------------------------|
| Ensure residents are aware of available financial help. | Clearly signpost support available about the Council Tax Support Scheme (CTSS) and Discretionary Relief funds. | Cory Laywood, Head of Revenues & Benefits and Transactional Finance | ongoing |
| | | | |
| | | | |
| | | | |
| | | | |

Human rights articles:

Part 1: The convention rights and freedoms

Article 2: Right to Life

Article 3: Right not to be tortured or treated in an inhuman or degrading way

Article 4: Right not to be subjected to slavery/forced labour

Article 5: Right to liberty and security

Article 6: Right to a fair trial

Article 7: No punishment without law

Article 8: Right to respect for private and family life

Article 9: Right to freedom of thought, conscience and religion

Article 10: Right to freedom of expression

Article 11: Right to freedom of assembly and association

Article 12: Right to marry

Article 14: Right not to be discriminated against

Part 2: First protocol

Article 1: Protection of property/peaceful enjoyment

Article 2: Right to education

Article 3: Right to free elections

APPENDIX 4

MEDIUM TERM PROJECTIONS

1. Summary Forecasts

The table below shows our central forecasts of the position for the next three years, assuming the recommendations in this report are approved.

The forecasts are volatile, and the key risks are described at paragraph 2 below. In particular, a change in annual spending requirement will have a multiplicative effect on available reserves (e.g. an increase in spending of £5m per year from 2026/27 will lose us £15m from reserves by the end of 2028/29, all other things being equal).

| | 2026/27 | 2027/28 | 2028/29 |
|-----------------------------------------------|----------------|----------------|----------------|
| | £m | £m | £m |
| Net service budget | 438.2 | 481.8 | 504.7 |
| Provision for pay inflation | 6.6 | 13.2 | 19.8 |
| Corporate budgets (including capital finance) | 7.8 | 6.8 | 10.5 |
| Housing Benefits | 2.5 | 2.5 | 2.5 |
| Costs of new waste contract | | | 2.5 |
| General contingency for risk | 2.0 | 2.0 | 2.0 |
| Planning Total | | 2.0 | 4.0 |
| Expenditure total | 457.1 | 508.3 | 546.0 |
| | | | |
| Income: | | | |
| Council tax | 178.0 | 187.9 | 198.5 |
| Collection Fund surplus | 0.2 | | |
| Retained business rates | 145.1 | 148.4 | 151.4 |
| Revenue Support Grant | 117.0 | 153.7 | 168.9 |
| Recovery Grant | 11.7 | 11.7 | 11.7 |
| Extended Producer Responsibility for Waste | 7.4 | 6.0 | 5.2 |
| Income total | 459.4 | 507.6 | 535.7 |
| | | | |
| Recurring budget gap | 2.2 | (0.7) | (10.3) |

Based on these forecasts, our budget strategy reserves position is expected to be:

| | 2025/26 £m | 2026/27 £m | 2027/28 £m | 2028/29 £m |
|--------------------------------------|---------------|---------------|---------------|---------------|
| At the beginning of the year | 193.8 | 65.8 | 65.3 | 61.8 |
| Add: Forecast rates pool surplus | 7.1 | | | |
| <i>Reserve restatements:</i> | | | | |
| Transfer to capital fund | (90.0) | | | |
| Set aside for DSG deficit | (4.5) | (2.7) | (2.8) | |
| Set aside for LGR transitional costs | (14.0) | | | |
| Budget surplus / (gap) | (26.6) | 2.2 | (0.7) | (10.3) |
| At the end of the year | 65.8 | 65.3 | 61.8 | 51.5 |

2. Assumptions and Risks

The assumptions in the forecast, and the inherent risks, are explained below.

| <u>Spending</u> | Assumptions – central scenario | Risks |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pay costs | We assume a pay award averaging 3% each year | Inflation has fallen since its peak of 11.1% in 2022, although it remains above the 2% target. It stood at 3.4% in the year to December 2025. |
| Non-pay inflation | It is assumed that departments will be able to continue absorbing this. The exceptions are independent sector care package costs, fostering allowances, and the waste management contract; an allowance is built in for these increases. | |
| Adult social care costs | Demographic pressures and increasing need lead to cost pressures which are reflected in the forecasts. The effect of the mitigation measures is also reflected in the forecasts. | Adult Social Care remains the biggest area of Council expenditure, and is demand led. Small variations have a significant impact on the Council's overall budget. |
| Costs relating to looked after children | Mitigation work is able to reduce the annual cost increase to 6.5% (lower than the trend in recent years) | Further increase in demand and associated costs. Projections can be volatile as there are a small number of very high-cost placements. |
| Support to homeless families | Growth in the budget assumes the successful implementation of cost control measures, including a £50m investment in properties for use as temporary accommodation. | Further increase in the number of households presenting as homeless requiring the use of expensive hotel accommodation |
| Housing Benefit costs | The proposed budget includes £2.5m per year to meet the net subsidy loss on supported housing elements of Housing Benefit. | Will require powers expected under the Supported Housing Act to deliver savings against current trends. |
| Waste contract | The current contract for waste collection expires in 2028. The tender process for a new contract is underway; it is expected that the new contract will involve an increase in costs from 2028/29 onwards. The central assumption is that this can be restricted to £2.5m per year. | Difficult to predict costs of new contract at this stage. |
| Other service cost pressures | A £2m contingency budget has been built into the forecasts to provide some cushion against uncertainty. Aside from this, it is assumed that departments are able to find savings to manage cost pressures within their own areas. A planning provision of £2m has been included for 2027/28 rising to £4m by 2028/29. | Costs assume the delivery of proposed savings for which delivery plans will be vital. Some are subject to consultation, which may result in a different decision to that currently proposed. |

| | | |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Departmental savings | <p>The budget strategy assumes savings totalling £20m by 2027/28, of which £14m has been achieved to date.</p> | <p>The savings forecasts have been reduced to reflect areas where the original targets now appear unrealistic. A risk remains that savings are not achieved or are delayed, leading to a greater call on reserves to balance the budget.</p> <p>Costs assume the delivery of proposed savings for which delivery plans will be vital. Some are subject to consultation, which may result in a different decision to that currently proposed.</p> |
| DSG deficit | <p>The cumulative deficit is forecast to reach £100m by March 2028. These projections assume that government funding will be received to cover 90% of the deficit in 2026/27 and 2027/28 (in line with the arrangements for deficits up to March 2026).</p> | <p>The level of funding available for deficits arising in 2026/27 and 2027/28 has not yet been confirmed. A lower level of funding would increase the amount we have to fund from our own resources.</p> |

| <u>Income</u> | Assumptions – central scenario | Risks |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Council Tax | <p>Band D Council Tax will increase by 5.0% per year in line with expected referendum limits.</p> <p>Council taxbase (the number of properties that pay tax) will increase by 500 Band D properties per year.</p> | <p>Further economic downturn leading to increased costs of council tax support to residents on a low income.</p> <p>The government may make changes to the council tax banding system or to discounts and exemptions,</p> |
| Business rates | <p>The net impact of the current revaluation and rates reset will be neutral, i.e. any gain or loss in rates income is balanced by government support.</p> <p>No significant movements in the underlying baseline for business rates.</p> <p>Government changes to business rates (e.g. new reliefs) will continue to be met by additional government grant, in line with recent years.</p> | <p>Significant empty properties and / or business liquidations reduce our collectable rates.</p> <p>The response to current changes to rateable values and reliefs is difficult to predict.</p> <p>Risks are limited by a government safety net in 2026/27, although the level of protection will reduce in future years.</p> |
| Government grant | Allocations are based on the settlement published in February 2026. | <p>We do not expect any significant changes, but the final confirmed settlement has not yet been received (at the time of writing).</p> <p>Other grant funding streams outside the main settlement may change, particularly in future years of the strategy</p> |
| Extended Producer Responsibility funding | The provisional allocation for 2026/27 (£7.4m) is included in the budget. It is assumed that income from the scheme falls thereafter as producers take steps to reduce their charges payable. | Income in future years is highly uncertain, and partly depends on the response from producers to the new charges. |

Earmarked Reserves

1. As part of the overall budget strategy described in the main report, all earmarked reserves are reviewed to release funds where possible. General Fund reserves are set aside for specific purposes; the forecast amounts at the beginning of the 2026/27 financial year are set out below:

| Description of Reserve(s) | Forecast balance at 31/3/26 £m | Notes |
|------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Departmental ring-fenced resources | 7.7 | Grant funding, with conditions attached. |
| Partnership funding | 9.4 | 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 | 3.4 | 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 | 5.7 | 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 | 6.2 | 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. |
| Waste procurement strategy | 9.4 | To prepare for a new contract, to take effect from May 2028, and to provide funds for necessary capital investment. |

| | | |
|---------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------|
| Local Government reorganisation | 14.0 | To meet the transitional costs associated with moving to a new structure of local government. |
| DSG deficit reserve | 4.5 | Funding set aside to meet the costs of the cumulative DSG deficit balance once the current statutory override ends. |
| TOTAL | 76.0 | |

2. The forecasts above include setting aside funds to meet future liabilities on the DSG high needs deficit and the transitional costs of local government reorganisation (see para. 9 of the main report).

Council Tax Premiums - Empty Property and Second Homes

1. This appendix sets out our policy on charging council tax premiums on empty properties.
2. In general, our policy is to use premiums to help bring empty properties back into use, as owners take steps to avoid the extra charges. There is a shortage of housing in Leicester. We want to see as many empty homes as possible made available for occupation. The changes will also raise additional revenue for the Council (to the extent that properties remain empty).

Substantially Unfurnished Empty Properties (referred to as long term empty properties)

3. Since 2013, councils have had considerable discretion over the levels of tax payable on unfurnished empty properties (Local Government Finance Act, 1992 and associated regulations). Our policy seeks to use this discretion to support our empty homes policy by charging the maximum permitted premiums for these homes, subject to any applicable exemptions.
4. Our policy for charging council tax on substantially unfurnished empty properties from 1st April 2026 will be:

| Description | Tax charge as a percentage of the standard tax (inclusive of premium) |
|-------------------------------|------------------------------------------------------------------------------|
| Empty for less than one year | 100% |
| Empty for at least one year | 200% |
| Empty for at least five years | 300% |
| Empty for at least ten years | 400% |

Substantially Furnished Empty Properties (referred to as second homes)

5. The Levelling Up and Regeneration Act 2023 permits authorities to charge a council tax premium of up to 100% on substantially furnished homes, only occupied periodically, and which are no one's main residence, often referred to as second homes.
6. Our policy for charging council tax on substantially furnished empty properties from 1st April 2026 is:

| Description | Tax charge as a percentage of the standard tax (inclusive of premium) |
|---------------------------------|------------------------------------------------------------------------------|
| Empty (substantially furnished) | 200% |

Exemptions to premiums

7. From 1st April 2025, the Government has introduced the following mandatory exemptions to premiums, in addition to those already in place for unoccupied properties under the Council Tax (Exempt Dwellings) Order 1992. A local policy has been published on our website to give further guidance on how each premium exemption will be applied in practice.

| Classes of Dwellings | Applies to | Exemption |
|-----------------------------|-------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Class E | Already applies to long term empty homes but extended to second homes from 1 st April 2025 | Dwelling which is or would be someone's sole or main residence if they were not residing in job-related armed forces accommodation. |
| Class F | Already applies to long term empty homes but extended to second homes from 1 st April 2025 | Annexes forming part of, or being treated as part of, the main dwelling |
| Class G | Long term empty homes and second homes | Dwellings being actively marketed for sale (12 months' limit) |
| Class H | Long term empty homes and second homes | Dwellings being actively marketed for let (12 months' limit) |
| Class I | Long term empty homes and second homes | Unoccupied dwellings which fell within exempt Class F and where probate has recently been granted (12 months from grant of probate/letters of administration) |
| Class J | Second homes only | Job related dwellings |
| Class K | Second homes only | Occupied caravan pitches and boat moorings |
| Class L | Second homes only | Seasonal homes where year-round, permanent occupation is prohibited, specified for use as holiday accommodation or planning condition preventing occupancy for more than 28 days continuously |
| Class M | Long term empty homes | Empty dwellings requiring or undergoing major repairs or structural alterations (12 months limit) |

Council Tax Support Scheme

1. The Council is required to maintain a Council Tax Support Scheme (CTSS) in respect of dwellings occupied by persons we consider to be in financial need. A new scheme was approved by Full Council in January 2025.
2. No substantive changes to the scheme are proposed for 2026/27. The only revision proposed is to uprate thresholds by 3.8% in line with the majority of welfare benefits (and the CPI measure of inflation from September 2025) (and used to uprate the majority of benefit rates from April 2026). The previous scheme maintained between 2013 and 2024 was also uprated annually on the same basis. The new bands including this uprating will be as shown:

| | | Vulnerable | | | | | Other | | | | |
|------|----------|---------------|-------------------------|----------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------------|---------------|-------------------------|----------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------------|
| Band | Discount | Single Person | Couple with no children | Couple or Lone Parent with one child/ young person | Couple or Lone Parent with two children / young persons | Couple or Lone Parent with three or more children / young persons | Single Person | Couple with no children | Couple or Lone Parent with one child/ young person | Couple or Lone Parent with two children / young persons | Couple or Lone Parent with three or more children / young persons |
| | | | | | | | | | | | |

Weekly Net Income

| | | | | | | | | | | | |
|---|------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1 | 100% | £0 to £155.70 | £0 to £155.70 | £0 to £155.70 | £0 to £207.60 | £0 to £259.50 | N/A | N/A | N/A | N/A | N/A |
| 2 | 80% | £155.71 to £233.55 | £155.71 to £233.55 | £155.71 to £311.40 | £207.61 to £363.30 | £259.51 to £415.20 | £0 to £155.70 | £0 to £155.70 | £0 to £155.70 | £0 to £207.60 | £0 to £259.50 |
| 3 | 60% | £233.56 to £285.45 | £233.56 to £285.45 | £311.41 to £363.30 | £363.31 to £415.20 | £415.21 to £467.10 | £155.71 to £233.55 | £155.71 to £233.55 | £155.71 to £311.40 | £207.61 to £363.30 | £259.51 to £415.20 |
| 4 | 40% | £285.46 to £337.35 | £285.46 to £337.35 | £363.31 to £415.20 | £415.21 to £467.10 | £467.11 to £519 | £233.56 to £285.45 | £233.56 to £285.45 | £311.41 to £363.30 | £363.31 to £415.20 | £415.21 to £467.10 |
| 5 | 20% | £337.36 to £389.25 | £337.36 to £389.25 | £415.21 to £467.10 | £467.11 to £519 | £519.01 + £570.90 | £285.46 to £337.35 | £285.46 to £337.35 | £363.31 to £415.20 | £415.21 to £467.10 | £467.11 To £519 |
| 6 | 0% | £389.26 + | £389.26 + | £467.11 + | £519.01 + | £570.91 + | £337.36 + | £337.36 + | £415.21 + | £467.11 + | £519.01 + |

3. The alternative would be to freeze the bandings at their 2025/26 cash levels. This would lead to some households receiving lower levels of support or dropping out of the scheme entirely.

Flexible Use of Capital Receipts policy

1. The law states that capital receipts can only be used for capital expenditure, or to repay debt. They cannot be used to support revenue expenditure. However, the Secretary of State does have the power to issue directions allowing capital receipts to be used for revenue expenditure. There are two areas where this is used:
 - (a) To support councils who cannot balance their budgets. These are issued specifically to the authority concerned (with conditions);
 - (b) To support transformation projects. This is a permission issued to authorities generally, and covers the period until March 2030.
2. This report seeks to provide the Council with the authority to use the general permission.
3. The permission enables us to use receipts to fund expenditure “that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.” Severance costs can also be capitalised.
4. Use of the permission requires a plan to be approved prior to the start of the year and sent to the Secretary of State. Once submitted, it can be updated at any time.
5. This policy is not an integral part of our budget strategy, and has been prepared solely to give us another tool to manage the budget during 2026/27.

The Plan

6. No revenue expenditure has been capitalised using capital receipts prior to 2026/27.
7. Use of the flexibility will have no impact on the Council’s prudential indicators, as the receipts to be used have not been factored into any other plan in 2026/27. Use of the flexibility will not affect the Council’s authorised borrowing limit or operational boundary in the Treasury Strategy (also on today’s agenda).
8. Should funds not be available in the severance fund or the transformation fund, we will consider using capital receipts for the following:
 - (a) Delivery of the savings described in the budget report (see above) – up to £4m.
 - (b) To support transformation work that improves the efficiency of our services – up to £6m
 - (c) Implementation costs of new structures under local government reorganisation arrangements – up to £14m.
9. The scheme of virement (Appendix 2) delegates authority to the City Mayor to make amendments during the year and submit a revised plan to the Secretary of State.