This document is intended as a response to, and comment upon, Leicester City Council's proposed revenue budget for 2026/27. It does not attempt to substantively comment upon the proposed Capital Programme. However, given the potential significance of capitalisation to the Council's short-to-medium-term financial planning, there may be some crossover in this specific regard.

## 1. Political context

We echo the warning we delivered last year: failure to prevent further cuts will carry both social and political costs. Given the national political context, the severity of those potential costs is on the increase. As we have done in response to the last two budget reports, we remind the City Mayor, Executive, and Labour Elected Members of this pledge from the 2023 local manifesto, on which they were all elected:

> *Pay and household income is too low in the city. We have to intervene.* ***We will use our clout as employers and purchasers to support the city economy. We will invest*** *and attract investment.* ***We will take the lead to ensure the city economy provides secure, well paid work.***[1]

This remains an accurate assessment of the city's economy. And it remains equally true that cuts to services, such as redundancies and salary reductions, coming from one of the city's largest employers will have exactly the opposite effect – perhaps even more so than the Council realises. Even where its employment decisions are not directly applicable, those decisions carry significant moral authority in related sectors. In other words, job cuts and/or salary cuts made by the Council have a ripple effect, emboldening other employers (especially, but not limited to, the public and voluntary sectors) to consider redundancies, pay cuts, and other attacks on employees' terms and conditions. This, in turn, worsens the very problem identified in the manifesto: that household income in Leicester is too low. This further reduces the Council's own local taxation revenue streams, since council tax is a much more reliable source of income than business rates[2], creating a vicious cycle in which cuts make the city poorer, necessitating further cuts.

We warned last year of the potential political ramifications of failing to protect local services. Sadly, our warning was not heeded, and the ever-worsening decline of the public sector has continued to fuel the rise of far-right forces, both here and in neighbouring authorities. Our city has a proud tradition of resisting the encroachment of such forces; however, the continuing damage wrought on public services by falling budgets is eroding public confidence in the efficacy of all levels of government, thus fuelling the false narratives peddled by far-right political figures – emboldened as they are by their increasing electoral performances. We reiterate last year's warning: this is a danger that the Council must not underestimate.

## 2. The Council's financial position

UNISON understands and acknowledges that there remain major funding challenges facing the local government sector. It is deeply disappointing that the Government has yet to provide the substantial sector-wide funding boost that is clearly needed, given the vital

---

[1] Labour 2023 Leicester Manifesto, p.19 (emphasis added)

[2] Council tax continues to produce significantly more income than (retained) business rates. The budget report (para 11.1) projects £179m in council tax income for 2025/26; the provisional local government finance settlement gives a retained business rates income figure of £141m.

nature of the services we provide. That said, the specific financial position and future outlook of Leicester City Council is better than it was at this point last year. Indeed, the budget report itself acknowledges that:

> *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.* [3]

The numbers certainly bear out this conclusion.

The most obvious reason, as the above-cited paragraph makes clear, is that the Government has now completed the long-delayed Fair Funding Review. While the Review does not, in and of itself, substantially increase the funding for the local government sector as a whole, it does reallocate the resources already apportioned to local government between different authorities. As was expected, the outcome of the Review provided a sizable uplift for urban, higher-deprivation authorities such as ours.

Calculating the exact impact of the Fair Funding Review changes is complex, given the shifting nature of the various funding streams. A useful comparative measure for doing so is Core Spending Power. This is a measure published by the Government which includes all elements of the local government finance settlement (including rolled-in grants), plus projected receipts from local taxation (both council tax and the retained income from business rates); but excluding income that falls outside of the finance settlement and/or is granted separately for a specific purpose (such as capital funding, and the Dedicated Schools Grant). The Government has published final figures for Core Spending Power from 2026 to 2029, showing us the overall impact (insofar as it can be reasonably predicted) of the Fair Funding Review[4]. The figures show that:

- The City Council's Core Spending Power for 2025/26 was £450.3m.
- Core Spending Power will increase to:
  - £489.1m in 2026/27 (+£38.8m on previous year)
  - £522.1m in 2027/28 (+£33m)
  - £555.2m in 2028/29 (+£33.1m)

While Core Spending Power is an important contextual factor, the figures are somewhat notional. The Lead Officer responsible for drafting the budget has advised us that some of the income included in the Core Spending Power estimates is composed of specific – effectively ringfenced – grants, and is therefore treated in the budget as service income rather than general income. The Executive's projections for local taxation income also differ from the Government's estimates. Our specific proposals (see Section 4 below) take account of these differences by using the budget report's figures for 2026-27 income, and not the Government's.

Happily, the budget report predicts that for the first time in recent memory, the Council will receive surplus income. The structural budget gap, the justification given for years of devastating job and service cuts, has finally been addressed. Under the strategy proposed by the budget report, income will exceed expenditure by £2.2m to £2.3m.[5] This is a

---

[3] Budget report, para. 1.2
[4] Core Spending Power table: final local government finance settlement 2026-27 to 2028-29 - GOV.UK
[5] Budget report, para. 10.1. The table gives the surplus figure as £2.2m, but the difference between total income and total expenditure is £2.3m. The difference may be attributable to rounding.

drastically better position than was expected when the *draft* budget report was produced in early December, at which time a deficit of £14.7m was expected – all of which would have needed to be met from reserves.[6]

Elected Members should consider the remaining planned service cuts in the context of this unexpected surplus. The report proposes continuing the planned savings programme, albeit with a reduced overall target of £19.5m – after subtracting the savings already achieved (£13.8m), this constitutes £5.7m of further cuts.[7]

The reserves which *would* have been used to fund the previously projected deficit can instead be repurposed to avoid the need to make those cuts. Our calculations are given in detail below (see Section 4), but in summary: the cost of cancelling the remainder of the planned savings programme would be approximately £5.7m. The unexpected budget surplus provides £2.3m in headroom which can be put towards this cost, meaning that a balanced budget without further cuts can now be constructed with a fraction of the draw on reserves that was proposed in the December draft report – only £3.4m of reserves, less than a quarter of the £14.7m that the December draft report recommended be spent – would be required.

**<u>The better-than-expected financial position therefore renders the planned savings programme unnecessary. We urge the Executive and Elected Members to cancel the remainder of the savings programme, and use all available resources to protect vital local services from further cuts.</u>**

It should be noted that any projections – of either income or costs – beyond 2027/28 are largely notional, given that local government reorganisation is expected to be implemented with effect from 1st April 2028.[8] The medium-term financial picture may change radically when a decision on reorganisation is made; however, the city is not going to shrink, so *reduced* funding is not a foreseeable risk, and therefore does not need to factor into Elected Members' decision-making. Indeed, the report itself acknowledges that the financial impact of reorganisation is likely to be positive.[9]

## 3. The budget strategy

The strategy outlined in the budget report is essentially a continuation, with some minor alterations, of the three-year strategy approved by full Council last year. The strands, and their proposed alterations, are all summarised below.

- ***Strand One****:* Releasing additional funds (totalling £110m) to add to the reserves on hand to meet budget deficits. This sum was to be achieved by liquidating the capital reserves, as well as the department-specific reserves carried over from previous years.

  The budget report confirms that the total reserve balance actually increased by more than the expected figure of £110m – via "…subsequent reviews and additional one-off income," an additional £12m has been added to reserves, along with a "forecast in-year underspend," for 2025/26 that will further add to available reserves.[10] Such is the improvement in the financial position that the Executive feels comfortable reversing the liquidation of the capital reserves, and re-ringfencing the £90m that liquidation produced

[6] Draft budget report (Dec 2025), para. 11.1
[7] Budget report, paras 7.2 and 7.3
[8] Summary of the local government reorganisation process - GOV.UK
[9] Budget report, para. 2.9
[10] Budget report, para. 5.1

(with the effect that the capital programme will not now require borrowing, reducing longer-term revenue costs)[11].

The budget report also confirms that the projected life of the Council's reserves has been significantly extended. While last year's report projected that reserves would be exhausted by the end of 2028/29, this year's report projects that, even without the £90m being returned to the capital reserve, revenue reserves are now expected to exceed £50m at that point (i.e. a full year after reorganisation is scheduled to take effect).[12]

- ***Strand Two****:* Reductions in the capital programme to minimise borrowing costs (as liquidating the capital reserves will require borrowing to meet the costs of already-approved capital projects).

  As noted above, the budget report proposes reversing the liquidation of the capital reserves. This measure should eliminate the future borrowing costs that Strand Two was designed to limit. This is positive news for the medium-term outlook, as it will lessen the impact on future revenue budgets.

- ***Strand Three****:* A property-sale programme which will raise £60m in one-off funds, which can then (with Secretary of State sign-off) be used to support the revenue budget.

  The budget report indicates that property-sale programme is underway and has already raised £16m, with sales at "an advanced stage of discussions" expected to raise a further £30m – for a total of £46m in completed or advanced-negotiation sales[13]. Again, this is positive financial news for the Council, as it will increase reserve balances available for – once a capitalisation directive is obtained – budget management and/or contingency purposes.

  The Strand Three section of the budget report also refers to the cumulative DSG deficit. As Elected Members will be aware, this has largely arisen due to the failure of successive central governments to provide adequate funding for SEND provision in a time of rising demand for such provision – a national problem affecting almost every Local Authority with a DSG allocation. The report correctly notes that the Government, at very late notice, has announced that 90% of cumulative historic SEND deficits will be written off – a welcome, if long overdue, reassurance. Accordingly, the planned creation of a ringfenced reserve to meet this deficit has been limited to 10% of the relevant balance.[14] This is welcome news.

  ***Strand Four****:* Continue work to constrain growth in expenditure in demand-pressured service areas.

  The budget report details the work being done on this – it does appear that good progress is being made. Again, this is positive financial news for the Council. We especially welcome reductions in sums being handed over to the private sector, and increased spending on preventative services that have historically suffered brutal cuts.

- ***Strand Five****:* Make permanent savings (i.e. service cuts) of £23m from the annual revenue budget.

---

[11] Budget report, para. 5.2
[12] Budget report, para. 8.3
[13] Budget report, para. 5.4
[14] Budget report, para. 5.7

As outlined in Section 2 above, the budget report reduces the overall savings target to £19.5m, of which £13.8m has already been found. The savings still to be made, therefore, total £5.7m.[15] The reduction in planned cuts is welcome, but it is not sufficient to avoid the social and political costs outlined in Section 1.

**4. UNISON's proposals**

UNISON is in full support of Strands 1 to 4 of the proposed budget. Indeed, all four are measures we have long urged the Council to enact. Making financial reserves available to support revenue spending, prudential borrowing if required, seeking Government consent to repurpose capital funding, constraining the sums being handed over to unscrupulous private sector profiteers, and increasing spending on preventative services have all been called for in previous UNISON budget responses. We are pleased that the Executive now accepts the wisdom of these proposals, and continues to endorse them into another year of the budget strategy. Indeed, it would appear that those measures have in several respects been more successful than last year's budget report predicted.

Those successes, and the similarly positive outcome of the Fair Funding Review, mean that – as our budget response last year predicted – the Council is in a much stronger financial position now. It is a remarkable turnaround, given the doom and gloom presented by the Executive in last year's budget report, that the Council actually finds itself in a *surplus* position. Even if that surplus does not last beyond this year, the reserve balances are healthy enough to fund any foreseeably-sized deficits at least up to the point of reorganisation – it is clear from the Government's published Core Spending Power figures that reductions, freezes, or sub-inflationary increases in funding are not on the agenda. Given that reality, insisting on imposing further destructive cuts on the city is grossly irresponsible.

That is why we oppose Strand Five in the strongest possible terms. With the long-standing structural deficit having been eliminated to the point of producing a surplus budget, there is clearly no need to proceed with £5.7m of further cuts to services. The unexpectedly strong financial position offsets the need to do so, especially considering that the better-than-expected growth in reserves and the pending reorganisation of local government both make the medium-term financial outlook a far less pressing threat than it has been in the past. Consider these figures:

| | |
|---|---|
| **Total revenue spending (as proposed in budget report)[16]** | **£457.1m** |
| **+ Cost of of cancelling remaining savings programme** | **+ £5.7m** |
| **= Total cost of a zero-cuts budget** | **= £462.8m** |
| | |
| **Total revenue income (as per budget report)[17]** | **£459.4m** |
| **Total draw on reserves to achieve a balanced, zero-cuts budget** | **£3.4m** |

[15] Budget report, para. 7.3
[16] Budget report, para. 10.1
[17] Budget report, para. 10.1

Thus, the £5.7m cost of cancelling the remaining savings programme can be met using a mere £3.4m of reserves – less than a quarter of the draw on reserves that the Executive was willing to recommend in December's draft budget report.

With this budget, Elected Members have a chance to do something historic: to finally end austerity in Leicester. The first step is to cancel the remaining savings programme. It is the right thing to do, economically, morally and politically. It will at last break the cycle of cuts, leading to economic decay, leading to more cuts; and it will dash the hopes of far-right forces attempting to peddle their false narratives in our city. The stakes are enormous, but so is the opportunity. We urge you not to waste it.