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# **Executive Decision- Revenue Budget Monitoring Outturn 2025/26**

Overview Select Committee

Decision to be taken by: City Mayor

Date of decision: 17 July 2026

Lead director/ officer: Amy Oliver, Director of Finance

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### Useful information

- Ward(s) affected: All
- Report author: Claire Gavagan
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- Report version number: 1

## 1. Summary

- 1.1. This report is the final one in the monitoring cycle for 2025/26 and reports performance against budget for the year.
- 1.2. The final outturn is a £5.1m saving against the budget for the year (1% variance compared to the final budget). The amount saved has increased since period 9 and reflects vacancies across the organisation as well as work done to both reduce spending and constrain cost growth.
- 1.3. However, it is positive to note that we have remained in budget for 25/26, the Council continues to see pressures in the following areas and as part of the budget strategy set for 26/27 needs to continue to achieve savings constrain growth in areas such as social care and homelessness.
- 1.4. The Council continues to monitor the impact of inflationary pressures and global economic uncertainty, including the ongoing conflict in the Middle East. Further updates will be provided as any impacts on the 2026/27 budget become clearer.
- 1.5. The following areas continue to see pressures:
  - Homelessness required £4.5m of the contingency, this is a £0.9m increase from period 9. However, we must remember this cost was forecast to have been £20m higher if it had not been for the £45m investment in temporary accommodation.
  - We continue to see the cost to provide supported accommodation exceed the amount we can recover from the DWP.
  - Placement costs within children have a pressure of £2.1m, due to an increase in numbers and the complexity cases.
- 1.6. The overspends are being offset by:
  - Corporate services were holding savings as part of a planned approach to achieving their savings targets. Following the recent budget decision at Council, the division will be looking at how they reinvest back into services.
  - Adult Social care overachieved its income budget and continues to have difficulties in filling posts across the division, this is leading to most of their underspend. This is offset by a small overspend in package costs.

- An underspend in Children's services related to staffing vacancies and SEND home to school transport linked to the retendering of the council's dynamic purchasing system.
- 1.7. As previously reported, the BIFFA Leicester waste contract is a long-standing agreement that has been in place since 2003 and is valued at £405m over its lifetime. A protracted commercial dispute arose that was eventually settled with a payment to BIFFA of £10m after mediation, less than 2.5% of the contract value. There have been no disruptions to waste collections in Leicester during this period.
  - 1.8. Appendix D sets out the impact of management actions taken to deliver savings against the targets established within the 2025/26 budget strategy. Whilst £9.7m of the £12.3m in-year savings target has been achieved to date, continued focus will be required to ensure outstanding targets of £4.9m are achieved by 2027/28.
  - 1.9. The report includes proposed transfers of funding into reserves, as requested in Appendix B, with changes summarised in Appendix C. All earmarked reserves have been reviewed as part of this process, resulting in the release of £3.6m to support the Council's future budget strategy.
  - 1.10. The cumulative Dedicated Schools Grant (DSG) deficit has increased to £37.9m at 31 March 2026. Whilst the deficit remains a significant financial issue, the Government has confirmed within the 2026/27 settlement that it will fund 90% of the deficit accrued to 2025/26, significantly reducing the financial impact on the Council. This support has been reflected within the 2026/27 Budget Strategy and is expected to continue for a further two years, subject to approval of the Council's SEND reform plan. The Government contribution is also forecast to reduce Council borrowing costs by £0.6m in 2026/27, increasing to £1.2m in 2027/28.

## **2. Recommended actions/decision**

- 2.1. The Executive is recommended to:
  - Note the outturn position detailed in the report
  - Approve the following earmarked reserve changes:
    - a) transfer the amounts in Corporate Resources and Support, as detailed in Appendix B, para 2.2 to reserves.
    - b) transfer the amounts in City Development and Neighbourhoods, as detailed in Appendix B, paras 4.10, 5.4, 6.8, 7.3, 9.4 to reserves.
    - c) transfer the amounts in Adult Social Care as detailed in Appendix B, para 11.6.
    - d) transfer the amounts in Education and Children's Services as detailed in Appendix B, para 12.5.
    - e) transfer the amounts to the Public Health as detailed in Appendix B, paras 13.3, 13.4.
    - f) transfer the amounts in Corporate Items as detailed in Appendix B, para 14.2.
    - g) transfer the amounts to support the Council's future budget strategy as detailed in Appendix C, para 2.1.

- Approve the transfers between departmental budgets requested in Appendix B, and transfer the total underspend to the budget reserve
- Note the savings achieved to support the budget strategy in Appendix D.

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

### **3. Scrutiny / stakeholder engagement**

N/A

### **4. Background and options with supporting evidence**

- 4.1. The General Fund budget set for the financial year is £438.6m, before the use of managed reserves. Following savings identified since the budget was set, this has been updated to £436.5m.
- 4.2. Appendix A summarises the original budget, current budget and amount spent in 2025/26.
- 4.3. Appendix B provides more detailed commentary on the outturn position for each area of the Council's operations.
- 4.4. Appendix C summarises the latest forecasts for managed reserves.
- 4.5. Appendix D summarises the savings achieved to support the budget strategy.

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

### **5.1 Financial implications**

This report is solely concerned with financial issues.

Signed: Claire Gavagan – Assistant Director of Finance  
Dated: 8 May 2026

### **5.2 Legal implications**

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

Signed: Kevin Carter– Head of Law - Commercial, Property & Planning  
Dated: 27 April 2026

### **5.3 Equalities implications**

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

This report presents a financial forecast and performance against budget for the year and does not propose any policy or service delivery changes. However, several areas under financial pressure such as homelessness, adult social care, and SEND transport—serve residents who may share protected characteristics. These areas should continue to monitor any emerging equality impacts. Where future cost-saving or service proposals are developed, Equality Impact Assessments should be completed to ensure equality considerations inform decision-making.

Protected characteristics under the Equality Act 2010 are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. There are no direct equality implications arising out of this budget monitoring report.

Signed: Equalities Officer, Surinder Singh, Ext 37 4148

Dated: 24 April 2026

#### 5.4 Climate Emergency implications

There are no climate emergency implications directly associated with this report, as it is a budget monitoring report.

However, where proposals are brought forward to make additional savings required, any climate emergency implications should be considered and addressed while proposals are being developed and should be identified in the appropriate decision reports at the time. The Sustainability service may be able to help departments with assessing implications as part of the evaluation of proposals ahead of report preparation.

Where any necessary capital funding can be identified or secured, the potential role of invest-to-save energy efficiency and renewable energy projects in helping to address revenue budget pressures while also reducing carbon emissions is also worth noting.

Signed: Phil Ball, Sustainability Officer, Ext 372246

Dated: 24 April 2026

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

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

**6. Background information and other papers:**

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

Revenue Outturn Report presented to OSC on 09 July 2025

Revenue Budget Monitoring April – June 2025/26 presented to OSC on 24 September 2025

Revenue Budget Monitoring July – September 2025/26 presented to OSC 3 December 2025

Revenue Budget Monitoring October – December 2025/26 presented to OSC 18 March 2026

**7. Summary of appendices:**

Appendix A – Outturn (April 2025 -March 2026) Budget Monitoring Summary.

Appendix B – Divisional Narrative – Explanation of Variances.

Appendix C – Updated reserves position.

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

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

No

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

No

## Revenue Budget at Outturn, 2025-26

Table A

| <b>2025-2026</b>                                     | <b>Original Budget<br/>£000's</b> | <b>Current Budget<br/>£000's</b> | <b>Outturn<br/>£000's</b> | <b>Variance<br/>£000's</b> | <b>Variance<br/>%</b> |
|------------------------------------------------------|-----------------------------------|----------------------------------|---------------------------|----------------------------|-----------------------|
| Financial Services                                   | 10,783.5                          | 10,900.3                         | 10,651.8                  | (248.5)                    | (2.3%)                |
| Information Services                                 | 11,432.3                          | 11,429.5                         | 11,429.5                  | 0.0                        | 0.0%                  |
| Corporate Services                                   | 9,044.2                           | 9,786.8                          | 8,350.9                   | (1,435.9)                  | (14.7%)               |
| Legal Services                                       | 6,094.8                           | 6,529.7                          | 6,188.1                   | (341.6)                    | (5.2%)                |
| <b>Corporate Resources &amp; Support</b>             | <b>37,354.8</b>                   | <b>38,646.3</b>                  | <b>36,620.3</b>           | <b>(2,026.0)</b>           | <b>(5.2%)</b>         |
| Planning, Development & Transportation               | 14,765.3                          | 14,980.3                         | 14,924.2                  | (56.1)                     | (0.4%)                |
| Tourism Culture & Inward Investment                  | 3,232.0                           | 3,515.0                          | 3,620.1                   | 105.1                      | 3.0%                  |
| Neighbourhood & Environmental Services               | 41,694.5                          | 42,799.3                         | 53,134.7                  | 10,335.4                   | 24.1%                 |
| Estates & Building Services                          | 3,964.6                           | 4,724.1                          | 5,347.1                   | 623.0                      | 13.2%                 |
| Departmental Overheads                               | 590.4                             | 597.8                            | 625.2                     | 27.4                       | 4.6%                  |
| Housing Services                                     | 20,533.3                          | 25,308.9                         | 25,292.1                  | (16.8)                     | (0.1%)                |
| <b>City Development &amp; Neighbourhoods</b>         | <b>84,780.1</b>                   | <b>91,925.4</b>                  | <b>102,943.4</b>          | <b>11,018.0</b>            | <b>12.0%</b>          |
| Adult Social Care & Safeguarding                     | 209,673.2                         | 209,814.1                        | 206,545.3                 | (3,268.8)                  | (1.6%)                |
| Adult Social Care & Commissioning                    | (30,713.4)                        | (30,511.6)                       | (32,745.8)                | (2,234.2)                  | 7.3%                  |
| <b>Sub-Total Adult Social Care</b>                   | <b>178,959.8</b>                  | <b>179,302.5</b>                 | <b>173,799.5</b>          | <b>(5,503.0)</b>           | <b>(3.1%)</b>         |
| SEND and Education                                   | 27,403.6                          | 28,527.6                         | 26,291.7                  | (2,235.9)                  | (7.8%)                |
| Children's Social Work and Early Help                | 93,180.1                          | 91,354.9                         | 90,507.9                  | (847.0)                    | (0.9%)                |
| <b>Sub-Total Education &amp; Children's Services</b> | <b>120,583.7</b>                  | <b>119,882.5</b>                 | <b>116,799.7</b>          | <b>(3,082.8)</b>           | <b>(2.6%)</b>         |
| <b>Total Social Care &amp; Education</b>             | <b>299,543.5</b>                  | <b>299,185.0</b>                 | <b>290,599.2</b>          | <b>(8,585.8)</b>           | <b>(2.9%)</b>         |
| <b>Public Health</b>                                 | <b>23,448.5</b>                   | <b>25,402.7</b>                  | <b>25,402.7</b>           | <b>0.0</b>                 | <b>0.0%</b>           |
| <b>Total Operational</b>                             | <b>445,126.9</b>                  | <b>455,159.4</b>                 | <b>455,565.6</b>          | <b>406.2</b>               | <b>0.1%</b>           |
| Corporate                                            | 7,161.2                           | 1,417.4                          | 1,613.8                   | 196.4                      | 13.9%                 |
| Capital Financing                                    | 6,719.0                           | 6,719.0                          | 5,833.1                   | (885.9)                    | (13.2%)               |
| Contingencies Budgets                                | 10,000.0                          | 5,500.0                          | 640.0                     | (4,860.0)                  | (88.4%)               |
| <b>Total Corporate &amp; Capital Financing</b>       | <b>23,880.2</b>                   | <b>13,636.4</b>                  | <b>8,086.8</b>            | <b>(5,550.5)</b>           | <b>(40.7%)</b>        |
| Public Health Grant                                  | (30,402.3)                        | (32,331.0)                       | (32,331.1)                | (0.0)                      | 0.0%                  |
| <b>TOTAL GENERAL FUND</b>                            | <b>438,604.8</b>                  | <b>436,464.8</b>                 | <b>431,321.4</b>          | <b>(5,144.3)</b>           | <b>(1.2%)</b>         |

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

|                                     | <b>Total General Fund<br/>£000's</b> |
|-------------------------------------|--------------------------------------|
| <b>Original budget</b>              | <b>438,605</b>                       |
| Savings approved - Outturn 2024/25  | <b>(1,140)</b>                       |
| Savings approved - Period 6 2025/26 | <b>(1,000)</b>                       |
| <b>Latest budget</b>                | <b>436,465</b>                       |

1.2 The original budgets split between employees, running costs and income are available at: [Budget summaries](#)

**Divisional Narrative – Explanation of Variances**

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

Corporate Resources Department spent £36.6m, £2.0m less than the budget. The majority of this relates to staffing vacancies due to challenges in recruiting permanent staff and holding vacancies ahead of achieving savings that were originally planned and are now no longer required.

**Finance (Director – Amy Oliver)**

1.1. The Financial Services Division spent £10.7m, which is £0.2m under budget. The underspend relates to vacancies and additional income received during the year.

**2. Corporate Services (Director - Andrew Shilliam)**

2.1. Taken together, Corporate Services spent £19.8m which is £1.4m under budget, after the planned use of reserves in IT. The underspend was the result of staffing vacancies across the service. Work continues to try and fill vacancies for example HR has introduced new career graded posts to attract candidates.

2.2. This report requests that £0.4m is transferred to reserves, in respect of grant funding from the Pride in Place Programme for which expenditure will be incurred in future years.

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

3.1. Taken together, these services spent £6.2m, which is £0.3m under budget. Members' and Governance Services underspent by £0.1m, resulting mainly from staffing vacancies in Governance Services. The remaining £0.2m underspend relates to vacancies within legal services resulting from difficulties in recruiting permanent qualified staff; the additional cost of agency staff being used to maintain service delivery is being funded from the staffing underspend.

3.2. Coronial and Registrar Services spent £0.8m in line with the budget.

### **City Development and Neighbourhoods (Strategic Director – Richard Sword)**

The department spent £102.9m, representing an overspend of £11.0m after the use of £5.1m corporate provision towards homelessness costs and other pressures. The position for each division is as follows:

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

- 4.1. The division spent £14.9m, resulting in an underspend of £0.1m. This compares to a forecast break-even position at period 9.
- 4.2. Concessionary fares' reimbursement to bus operators was £0.4m under budget. This is a smaller underspend than previous years as passenger numbers continue to rise.
- 4.3. Supported bus services (including Park and Ride) underspent by £0.5m, largely due to the receipt of DfT bus grant which enables continued support for bus services and other bus-related measures.
- 4.4. The increased cost of maintenance of rising bollards resulted in an over-spend of £0.2m on the city centre Pedestrian Priority Zone.
- 4.5. The Planning Service overspent by £0.8m mostly due to a continuing shortfall of planning fee income. National development market conditions are weak and the relaxation of government policy on greenfield land is not expected to have the same benefits in constrained cities like Leicester.
- 4.6. City Highways generated additional income of £0.8m from increased works carried out by utilities companies. Highways repairs to footways and carriageways over-spent by £0.6m, which was largely offset by an underspend on street lighting energy of £0.5m.
- 4.7. Income generated through penalty charge notices for moving traffic offences under-achieved against budget by £0.4m, due to a reduction in contravention and cameras being out of action during road maintenance works.
- 4.8. Off-street car parking income was £0.2m below budget. As reported previously, this reflects tariff increases introduced part-way through the year, rather than the full year as anticipated in the budget.
- 4.9. The division has over-achieved on their planned savings of £0.3m, which is helping to offset the pressures above and also to offset a combination of smaller net overspends amounting to £0.2m.

- 4.10. This report requests that £1.0m of government grant income is transferred to reserves, to finance expenditure which will be incurred in future years. This is for Levelling up, Electric Vehicle infrastructure, Bus Services Improvement Programme (BSIP) and the Spatial Development Strategy.

## **5. Tourism, Culture & Inward Investment (Director – Peter Chandler)**

- 5.1. The division spent £3.6m, resulting in an overspend of £0.1m, after the use of corporate contingency budgets of £0.6m.
- 5.2. A shortfall in income of £0.4m arose at the market, as stall holders pay reduced charges during the redevelopment works. There was an overspend of £0.2m within Adult Skills & Learning as the service transitions to manage costs within the annual grant. These pressures were covered by £0.6m of corporately held contingency budgets for risks and pressures emerging during the year.
- 5.3. A combination of smaller variances resulted in a modest £0.1m overspend.
- 5.4. This report requests that £0.4m of income from De Montfort Hall ticket sales designated for future restoration works is transferred to reserves, to finance expenditure which will be incurred in future years.

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

- 6.1. The division spent £53.1m, resulting in a £10.3m overspend.
- 6.2. Waste services underspent by £1.7m. This is an improvement from the £1.2m underspend forecast at period 9 and reflects a reduction in the level of bad debt provision required. As previously reported, a protracted commercial dispute arose that was eventually settled with a payment to BIFFA of £10m after Mediation, less than 2.5% of the contract value. There have been no disruptions to waste collections in Leicester during this period. This cost was funded by a transfer from the budget strategy reserve.
- 6.3. Regulatory services overspent by £0.5m, mainly due to an increase in building control costs.
- 6.4. Parks and Open Spaces overspent by £0.7m, due to the cost of additional tree works to manage the spread of ash die back, an income deficit on landscaping, additional grounds maintenance at parks, and essential maintenance at Gilroes crematorium and Western Park golf course.

- 6.5. Sports services have underspent by £0.2m. This reflects strong performance on increased leisure centre membership and swimming lessons as well as improved casual income resulting in increased revenues.
- 6.6. Neighbourhood services are underspent by £0.4m, a further improvement of £0.3m from forecast at period 9. This is due to ongoing staff vacancies and additional income from community room hire and public printing charges.
- 6.7. The budget for 2025/26 included the delivery of £3m of savings across the division. Whilst extensive work is underway, with consultations undertaken where appropriate, it is taking longer to achieve these than planned and as a result these were not achieved in full this year, creating a pressure of £1.3m. However, they were largely offset by underspends across the division noted above. The budget strategy for 2026/27 has re-profiled the savings and reduced the savings target for the division, to reflect the ongoing pressures within the area.
- 6.8. This report requests that £1.1m is transferred to reserves, to finance expenditure which will be incurred in future years. £0.9m of this relates to ringfenced licensing funds, £0.1m for committed ward funding to be spent in 2026/27, and £0.1m of government grants.

## **7. Estates & Building Services (Director - Matt Wallace)**

- 7.1. The division spent £5.3m, resulting in a £0.6m overspend. This compares to a forecast break even reported at period 9.
- 7.2. The overspend has arisen on the Corporate Estate. Additional costs have been faced in year to assist with maintaining the lease income in future years.
- 7.3. This report requests that the £0.54m revenue surplus generated by the Haymarket Shopping Centre is transferred to reserves, in line with the approach adopted in previous years, to support capital maintenance and reinvestment in the centre.

## **8. Departmental Overheads**

- 8.1. This area holds budgets for added years' pension costs and departmental salaries. Expenditure for the year was £0.6m and achieved a break-even position.

## **9. Housing General Fund (Director – Chris Burgin)**

- 9.1. The division spent £25.3m, resulting in a break-even position after the use of £4.5m corporate provision to cover the continued growth in spend on

homelessness services. Without the additional £5.9m added to the departmental budget for 2025/26, the overspend would have been £10.4m.

- 9.2. The increased costs of provision for homeless households is a national issue. The growth in presentations of homelessness cases in the city continues to put significant demand on the service, whilst grant funding and housing benefit are insufficient to cover the rising costs of temporary accommodation.
- 9.3. The overspend would have been in the region of £20m had it not been for the £45m investment into temporary accommodation. This area is subject to frequent reviews, and the 2026/27 revenue budget includes further proposals to help manage this nationally recognised issue.
- 9.4. This report requests that £2.3m of Asylum grant income is transferred to reserves, to finance expenditure which will be incurred in future years.

## **10. Housing Revenue Account (Director – Chris Burgin)**

- 10.1. The Housing Revenue Account (HRA) is a ring-fenced income and expenditure account relating to the management and maintenance of the Council's housing stock. The HRA underspent by £0.7m for the year, a positive improvement from the £0.2m overspend reported at period 9. This reflects the use of £2.2m of reserves which was approved in the period 3 report. Revenue is also used for capital spending, and this is reported separately within the capital outturn report.
- 10.2. Income from core rent and service charges exceeded the budget by £2m, arising from higher levels of affordable rents during the year. This offsets £0.2m of rental loss at the Bridlespur flats during their refurbishment.
- 10.3. The HRA incurs the cost of interest on its debt and receives income from interest on the cash balances which it holds. Interest payable by the HRA on its borrowing was below budget by £1m due to a reduction in short-term interest rates over the year as a whole, alongside lower levels of HRA debt. This more than offsets a £0.3m shortfall in investment interest due to the reduced rates generating less interest on the HRA's cash balances.
- 10.4. The repairs and maintenance service overspent by £3.6m. Vacant posts generated underspends of £0.7m, but this is more than offset by a £2.2m overspend on external contractors, materials and running costs. This relates to increased works as a result of legislation changes for electrical regulations and compliance with updates to Awaab's Law. A further £2.2m of expenditure is being funded from reserves, as approved at period 3. There have been continued disrepair claims and associated costs driven by law firms before the introduction of fixed recoverable costs, creating a pressure of £1.8m, much of which relates to legal representation and disrepair works being allocated to contractors.

- 10.5. Management and landlord services underspent by £1.2m, mainly attributable to staffing vacancies across various administrative and support teams. A further £0.3m underspend is the result of charges between the general fund and the HRA being slightly lower than the budget.

### **Adult Social Care (Strategic Director – Laurence Jones)**

#### **11. Adult Social Care (Service Directors – Ruth Lake & Kate Galoppi)**

- 11.1. Adult social care spent £173.8m against a budget of £179.3m, £5.5m less than the budget, which is a variance of 3.1%. As previously reported the underspend of £5.5m can be mainly attributed to vacancies and securing additional income against package costs.
- 11.2. Approximately £1.7m of the underspend is as a result of vacancies throughout the year. There have been difficulties recruiting to social worker posts, as well as recruiting to commissioning teams. This position has improved since period 9, where the forecast vacancy underspend was £2.1m. The service continues to undertake recruitment campaigns to attract and retain staff.
- 11.3. The Adult Social Care Gross package cost budget has overspent by £3.6m or 1.5% (against a budget of £233.3m). The increased costs against budget reflect growth in numbers of people in receipt of a package of care. Throughout the year, 5,650 people were supported with a formal package of care against a budgeted position of 5,634. The higher numbers reflected people of a working age (i.e. up to the age of 65) who on average, generally cost more than the average cost to support an older person (aged 65+). Growth in need of people whose existing care and support needs have increased in the year. This is due to people having additional health conditions or a worsening in their existing health conditions.
- 11.4. Whilst the gross package costs have overspent as explained above, many of the increased costs have been met through additional income. For instance, people contributed more towards their costs of care than forecast. This resulted in higher income of £1.2m being received. However, more significantly, Adult Social Care have worked to increase the funding contributions received through NHS Continuing Healthcare (CHC) funding. The higher levels of income generated is due to a combination of more income directly attributable to associated increases in gross package costs and partly due to securing agreement of shared funding responsibilities through multi-disciplinary evaluation of people's care needs. Income from health received was £5.5m more than the budget set.

11.5. The remainder of the underspend £0.7m is as a result of additional income from health and local authority partners towards adult social care projects.

11.6. This report requests £0.18m of partnership income to be transferred to reserves to support expenditure on shared projects.

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

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

12.1. The department underspent by £3.1m, on a budget of £120m which equates to 2.6%. As reported throughout the year the underspend relate to vacancies across the department and reduced costs on transport despite increases in placement costs.

12.2. £3.7m of the underspend is due to staffing vacancies across the department where posts such as social workers and educational psychologists proved difficult to recruit. The department continues to promote Leicester as an employer of choice by highlighting professional support, career pathways, and employee benefits. Initiatives such as the international recruitment drive has led to an additional 20 social workers, and we expect to have all posts covered by April 2026.

12.3. There was an underspend on SEND home to school transport of £1.5m. This is attributable to the slippage in implementing a new system, which means the costs will follow in 26/27, this is following a change to the council's dynamic purchasing system which has resulted in a reduction in average taxi journey costs. The service continues a programme of reconfiguration, and the planned procurement of the new system will now take place in August 2026. However, rising fuel prices are expected to have an adverse impact next financial year.

12.4. Looked after children and other placement costs were £2.1m over the budget. This is due to an increase in numbers of 717 children experiencing a care episode through the year, compared to 643 last year and a small number of expensive complex cases. The council is aiming to build and run two new children's homes to provide better quality provision for children in Leicester at a more effective cost than independent providers. These are planned to be opened from 2027 and will be part funded by the Department of Education.

12.5. This report requests £0.9m be transferred to reserves to fund future expenditure including £0.4m of Family Hub grant, £0.2m of Domestic abuse grant and £0.1m of wraparound funding, £0.1m change programme and £0.1m Turnaround.

12.6. As a result of the factors above, the outturn position Education and Children's Services is an underspend of £3.1m.

- 12.7. The in-year high needs block deficit for 2025/26 is £18.9m. This represents the fact that the current funding levels within the Dedicated Schools Grant (DSG) is inadequate for the cohort of young people that are being supported. The number of new Education, Health and Care Plans (EHCPs) issued from March 2025 to now is 457 up from 317 last year. In the current year, the service has put in place a range of strategies to mitigate the cost impact of the growth in demand for and complexity of SEND support as part of the HNB Management Recovery Plan and Transformation Project. Leicester is also part of the DfE's SEND and alternative provision change programme, alongside Leicestershire and Rutland for the East Midlands.
- 12.8. There is an underspend of £2.7m in the Early Years Block across all age groups. An underspend of £1.9m relates to a decline in 3-year-old universal claims from 207 in January 2026 compared to the previous year and the cohort of 2-year-old children receiving additional support reduced by 103 over the same period. An underspend of £1.8m is because providers have claimed for lower numbers of hours based on attendance. The funding provided by the Department of Education is on the basis that children will claim the maximum number of hours, but this is not the case. The DfE have reduced the 2025/26 allocation paid by £1m to reflect actual hours of childcare last year as per the January 2025 census.
- 12.9. There are small underspends totalling £0.5m within the schools' block and central services block. Including this, the in-year DSG deficit is therefore £15.7m. The brought forward DSG deficit from last year stood at £22.2m so will increase to £37.9m at the end of 2025/26.
- 12.10. Government have announced that 90% of the deficit accrued to the end of 2025/26 will be funded through the High Needs Stability Grant. However, this will be subject to a SEND reform plan being submitted and approved by the Department of Education. Details of this plan and confirmation about 2026/27 and 2027/28 funding were published in the White Paper earlier this year. From 2028/29, SEND spending is expected to be covered by Government and not from local authority funds.

### **Public Health (Director – Rob Howard)**

## **13. Public Health**

- 13.1. The Public Health service underspent by £1m in 25/26.
- 13.2. The underspend is attributable to a combination of factors. £0.2m relates to one-off additional income received within the Sexual Health service. A further £0.4m as a result of the delayed commissioning of new services, which took longer than anticipated to implement. The remaining £0.4m reflects staffing vacancies where recruitment was delayed during the year.

13.3. It is proposed that this one-off underspend be transferred to a designated Public Health Grant reserve at year-end to support future Public Health service priorities.

13.4. The Public Health department are also requesting to transfer £0.9m of partnership funds into reserves for spend in future years. This includes £0.5m to support mental wellbeing and £0.4m to support suicide prevention projects.

## **Corporate Items & Reserves**

### **14. Corporate Items**

14.1. The corporate budgets cover the Council's capital financing costs, items such as audit fees, bank charges, contingencies and levies. This budget has underspent by £5.5m, which is mainly due to contingencies that were not required in year.

14.2. As previously reported, we continue to see a net shortfall on housing benefit subsidy of £4.1m. This largely relates to supported accommodation where rents can be significantly higher than the maximum amount of subsidy paid by the government. This report also requests the transfer of £1m into reserves, to be used for repayments of subsidy relating to prior years, that cannot yet be finalised because of delays in the claim audit process.

14.3. The budget for capital financing represents the cost of interest and debt repayment for capital spend, less the interest received on balances held by the Council. During 2025/26, the Council's cash flow position improved and, as a result, it has been able to push back further borrowing into 2026/27. This has further reduced the amount of interest paid in 2025/26, resulting in an overall underspend of £0.9m.

14.4. Other variances within corporate budgets remain similar to those previously reported and include:

- The council has allocated £0.75m to fund discretionary (hardship) relief for council taxpayers outside the main CTSS. This support was funded from government grant received via the household support fund, so this budget was not required;
- The pay award was higher than the budgeted provision, with an additional cost of £0.7m;
- The budget included £1.5m for additional costs arising from new national policies for waste collection and disposal, the Council saw no significant additional costs during the year.
- Additional funding of £0.7m relating to national insurance costs and £0.3m for the Extended Producer Responsibility scheme for waste packaging, in excess of the amounts included in the budget, as full

details of funding were not available when the budget was set in February 2025;

- Various additional provisions not required and miscellaneous income have also contributed to the underspend.

14.5 Contingencies are held corporately to manage any unexpected cost pressures in the year. After funding the additional costs of services to homeless households (see paragraph 9.2) and other pressures, £4.9m of contingency budgets have not been required.

### Reserves Position

1.1. When the 2025/26 budget was set, an estimated £164m was available to support the budget strategy. In the 2024/25 outturn reported to committee in July, additional savings and reserves transfers had increased the amount available to £194m. The table below shows the money available in the budget strategy following the changes approved at council in February 2026 and recommended in this report:

|                                                        | £m      | £m          |
|--------------------------------------------------------|---------|-------------|
| Resources available 1 April 2025                       |         | 194.0       |
| Required for 2025/26 budget:                           |         |             |
| As set (February 2025)                                 | (30.1)  |             |
| Savings identified                                     | 2.1     |             |
| Budget 2026/27 adjustments                             | (103.4) |             |
|                                                        |         | (131.4)     |
| Transfers from earmarked reserves                      |         | 3.6         |
| Underspend as forecast in this report                  |         | 5.1         |
| <b>Balance to support 2026/27 &amp; future budgets</b> |         | <b>71.3</b> |

1.2. The reserves balance is a key element of the budget strategy agreed at Council in February 2026. Members are asked to note that this projection is highly volatile, and the forecast of reserves is even more volatile than assumptions about income and expenditure due to the multiplicative effect (e.g. if there are additional pressures in homelessness and social care amounting to £15m per year, then reserves would fall by £45m over the medium term).

## 2. Earmarked Reserves

2.1 All earmarked reserves are periodically reviewed to ensure they are still required for their original purposes. A further review has been undertaken at outturn, which has identified an additional £3.6m to support the budget strategy (reflected in the tables at para. 1 above). This includes:

- £0.5m from Education and Children's services reserves;
- £1.3m from Adult Social Care reserve balances;
- £0.5m from Health & Wellbeing reserves;
- £1.3m from the welfare reserve, which was held to continue welfare support schemes as the previous Household Support Grant was time-limited. As we now have certainty on funding through the Crisis and Resilience grant for at least the next three years.

This report seeks approval to transfer these amounts to the budget strategy reserve.

2.2 It is also proposed to move £0.8m from the technology development fund to the capital fund, for implementation costs of a new financial management system.

2.3 The table below shows the reserve balances as at the 31<sup>st</sup> March 2026, assuming the transfers detailed in this report are approved.

| <b>Description of Reserve(s)</b>                           | <b>Balance at<br/>31<sup>st</sup> March<br/>2025<br/>£m</b> | <b>Total in<br/>Year<br/>Transfers<br/>£m</b> | <b>Transfers<br/>Between<br/>Reserves<br/>£m</b> | <b>Balance at<br/>1<sup>st</sup> April<br/>2026<br/>£m</b> |
|------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------|--------------------------------------------------|------------------------------------------------------------|
| Departmental ring-fenced resources                         | 12.1                                                        | 4.3                                           | (1.0)                                            | 15.4                                                       |
| Partnership funding                                        | 10.0                                                        | 0.1                                           | (1.3)                                            | 8.7                                                        |
| Public Health                                              |                                                             | 1.1                                           | -                                                | 1.1                                                        |
| <b>Total Ring-Fenced Resources</b>                         | <b>22.1</b>                                                 | <b>5.5</b>                                    | <b>(2.3)</b>                                     | <b>25.5</b>                                                |
| Insurance Fund                                             | 2.2                                                         | (0.3)                                         | -                                                | 1.9                                                        |
| Severance Fund                                             | 4.7                                                         | -                                             | -                                                | 4.7                                                        |
| Workforce development                                      | 4.0                                                         | (0.2)                                         | -                                                | 3.8                                                        |
| Service transformation fund                                | 6.0                                                         | (0.3)                                         | -                                                | 5.7                                                        |
| DSG deficit offset                                         | -                                                           | 4.5                                           | -                                                | 4.5                                                        |
| Local government reorganisation                            | -                                                           | 14.0                                          | -                                                | 14.0                                                       |
| Adventure playgrounds                                      | -                                                           | 2.0                                           | -                                                | 2.0                                                        |
| Building Schools for the Future                            | 6.1                                                         | -                                             | -                                                | 6.1                                                        |
| Welfare Reserve                                            | 1.3                                                         | -                                             | (1.3)                                            | -                                                          |
| <b>Total Corporate Resources</b>                           | <b>24.4</b>                                                 | <b>19.7</b>                                   | <b>(1.3)</b>                                     | <b>42.7</b>                                                |
| Cost of technology                                         | 8.0                                                         | (0.4)                                         | (0.8)                                            | 6.8                                                        |
| Elections fund                                             | 1.4                                                         | -                                             | -                                                | 1.4                                                        |
| Leicester & Leicestershire Business and Skills Partnership | -                                                           | 3.7                                           | -                                                | 3.7                                                        |
| Housing Benefit subsidy repayments                         | -                                                           | 1.0                                           | -                                                | 1.0                                                        |
| Ward Committees                                            | 0.1                                                         | -                                             | -                                                | 0.1                                                        |
| Waste re-procurement strategy                              | 8.4                                                         | 0.8                                           | -                                                | 9.2                                                        |
| <b>Total other reserves</b>                                | <b>17.9</b>                                                 | <b>5.1</b>                                    | <b>(0.8)</b>                                     | <b>22.2</b>                                                |
| <b>TOTAL (non-schools)</b>                                 | <b>64.3</b>                                                 | <b>30.3</b>                                   | <b>(4.4)</b>                                     | <b>90.2</b>                                                |

2.4 **Ring-fenced reserves** represent amounts held by the Council but for which we have obligations to other partners or organisations. They include:

- **NHS Joint Working Projects:** the government has provided funding for joint working between adult social care & the NHS.
- Other amounts represent unspent grants or where there are other obligations associated with the receipt of funds. This includes the public health grant underspend from section 13 of this report.

2.5 Corporate reserves are those held for purposes applicable to the organisation as a whole and not any specific service and are administered corporately.

- **Insurance Fund:** to meet the cost of self-insured insurance claims; needs to be sufficient for this purpose and is periodically reviewed by actuaries.
- **Severance Fund:** to facilitate ongoing savings by meeting the redundancy and other termination costs arising from budget cuts.
- **Workforce Development:** for investment in the workforce, including trainees and apprentices.
- **Service Transformation Fund:** to fund projects which redesign services enabling them to function effectively at reduced cost.
- **DSG deficit offset:** set up in the 2026/27 budget report to ensure funding is available for the 10% of the DSG deficit not met from government support.
- **Local government reorganisation:** set up in the 2026/27 budget report to provide funding for the transitional costs associated with LGR.
- **Adventure playgrounds:** Support for play associations to make the transition to sustainable funding models
- **Building Schools for the Future:** to manage costs over the remaining life of the Building Schools for the Future scheme and lifecycle maintenance costs of the redeveloped schools.

2.6 The Council also holds a capital fund reserve (not shown in the table above). This originates from revenue funding but, as set out in the budget strategy, is intended to fund capital spending and therefore minimise borrowing (and therefore future revenue costs from borrowing).

2.7 The remaining reserves are held for specific purposes and include:

- **Cost of Technology:** Required for ongoing investment in ICT systems and development work.
- **Elections:** to fund local and mayoral elections.
- **Leicester & Leicestershire Business and Skills Partnership:** held to drive economic growth across Leicester and Leicestershire
- **Housing Benefit subsidy repayments:** Provision for potential subsidy repayments to the Department for Work and Pensions, once delayed audit processes have concluded.
- **Waste re-procurement strategy:** to support the current tender process relating to waste services.

2.8 As previously reported, and discussed elsewhere in this report, there is also a significant negative earmarked reserve relating to DSG overspends. Currently there is a “statutory override” requiring us to retain a negative balance and not charge it to the general fund. The government have now confirmed they will fund 90% of the deficit to date, following the approval of a SEND reform plan.

### **Savings Identified**

- 1.1 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 these quarterly budget monitoring reports.
- 1.2 Since the original target was set, it became clear that some targets were not realistically achievable. The figures for the Budget Strategy reflects a reduced target of £19.5m by 2027/28
- 1.3 The table below shows the savings achieved from the approved savings targets.

|                                          | <b>Target<br/>(full<br/>year) £m</b> | <b>Achieved<br/>to date<br/>£m</b> |
|------------------------------------------|--------------------------------------|------------------------------------|
| Estates & Building Services              | 2.0                                  | 1.1                                |
| Housing                                  | 1.0                                  | 0.9                                |
| Neighbourhoods & Environmental Services  | 6.7                                  | 2.8                                |
| 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                                |
| <b>TOTAL</b>                             | <b>19.5</b>                          | <b>14.6</b>                        |

The Council has achieved £14.6 million of the total £19.5m savings target by 2027/28.