
General Fund Revenue Budget 2025/26

Decision to be taken by: Council

Date of meeting: 19 February 2025

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Catherine Taylor/Mark Noble
- Author contact details: amy.oliver@leicester.gov.uk
- Report version number: 1

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 2025/26. The strategy includes the use of one-off money, additional borrowing to pay for committed capital spending, savings in previously approved capital programmes and reductions in annual service spending. It is designed to ensure we remain financially sustainable until at least 2027/28. Some of the necessary approvals are included in the capital programme report, which is elsewhere on your agenda; the rest are contained in this report.
- 1.2 Whilst the strategy is intended to keep us sustainable until 2027/28, we will need to make further, deep spending reductions after this unless the Government finds sufficient additional resources to rescue the sector from its current plight. The City Mayor will continue to make these points to the Government.
- 1.3 The proposed budget for 2025/26 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 medium-term financial outlook is the most severe we have ever known. Like many authorities, we face increasing difficulties in being able to balance our budget. Some authorities have already reached this position and been forced to issue a formal report under section 114 of the Local Government Finance Act 1988. In previous years, we have used a "managed reserves policy", by which specific reserves have been set aside to support budgets and buy us time to make cuts. The available resources for this are rapidly running out.
- 2.2 The background to this severe outlook is set out in section 4 of this report, as well as actions that have already been taken in response.
- 2.3 The provisional local government finance settlement for 2025/26 was published in December. While it provides for some welcome additional support, this is not sufficient to bridge the underlying budget shortfall, and we will still have a substantial gap between our annual spending and income. At the time of writing, the settlement is not yet final but is unlikely to change significantly. There is less

clarity over funding levels from 2026/27 when we expect funding to be constrained.

- 2.4 The overarching strategy to ensure financial sustainability is outlined in section 5. It is aimed at maximising one-off resources to buy time, controlling costs in demand led services and making savings to other services. If it succeeds, we will not face a section 114 report in the next 3 years. There are, nonetheless, risks which are set out in paragraph 16. Given the savings we have had to make in the last decade, the task of finding more is becoming increasingly difficult.
- 2.5 The report proposes a council tax increase of just under 5%, which is the maximum we are allowed to set without a referendum or special dispensation from the Government (which is unlikely to be given in our circumstances).
- 2.6 The medium-term outlook is attached at Appendix 4 and shows the escalating scale of the financial pressures facing the council.

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 2025/26, 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 budget ceilings for each service shown at Appendix 1 to this report;
- (d) approve the scheme of virement described in Appendix 2 to this report;
- (e) approve the use of the £90m capital fund to support the revenue budget strategy (dependent on decisions taken in respect of the capital programme for 2025/26, which is elsewhere on your agenda);
- (f) approve the changes to earmarked reserves to support the overall strategy as described in Appendix 5;
- (g) note my view on the adequacy of reserves and the estimates used in preparing the budget;
- (h) note the equality implications arising from the proposed tax increase, as described in paragraph 15 and Appendix 3;
- (i) note the medium-term financial strategy and forecasts presented at Appendix 4, and the significant financial challenges that lie ahead;

- (j) in relation to council tax for empty properties:
- Thank those who responded to our consultation, the results of which are described at Appendix 6;
 - Note the equality implications arising from a decision to change council tax payable in respect of empty properties, as described at Appendix 6A;
 - Change the current policies as described at Appendix 6, specifically to commence charging Council Tax on empty, unfurnished property as soon as it becomes empty; and to apply exemptions introduced by the Government.
- (k) approve the capital receipts flexibility policy at Appendix 7, to come into force if and when a government direction is received.

4. **Background**

4.1 The background to our financial predicament is:

(a) a “decade of austerity” between 2010 and 2020 in which services other than social care had to be reduced by 53% in real terms. This has substantially reduced the scope to make further cuts;

(b) the covid-19 pandemic where we set “stop gap” budgets whilst we dealt with the immediate emergency. Budgets in 2021/22 to 2022/23 were therefore supported by reserves;

(c) recent 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 after the invasion of Ukraine. The budgets for 2023/24 and 2024/25 were supported by a further £34m and £61m of reserves respectively;

(d) an anticipated new round of funding constraint. Figures in the Chancellor’s October budget imply unprotected services such as local government will be subject to cuts (after allowing for inflation) although we won’t get detail about the position for 2026/27 and 2027/28 until spring 2025;

4.2 The previous Government’s chosen measure of a council’s ability to spend was “core spending power.” In 2025/26, core spending power will increase by £32.2m compared to £44m of pressures built into the budget. In 2024/25 by contrast, core spending power increased by £29.1m whilst £71.5m of pressures were built into the budget.

4.3 Core spending power is not the same as Government grant funding. Around half is raised locally, through council tax and business rates.

4.4 It is worth commenting that the previous Government’s “fair funding” review of grant allocation was continuously delayed, and leaves us to provide services to a population far in excess of our last needs assessment (population has grown faster than elsewhere in the country, so an equitable system would ought to give us a greater share of the national pot). The new Government has promised to complete a review in time for the 2026/27 finance settlement, although full implementation is expected to take several years.

4.5 The Council has already made substantial cost savings since 2010/11. Decisions we have already made include:

- (a) reducing senior management numbers (including the post of Chief Executive) by 45, saving over £5m per year;
- (b) investing in environmentally efficient street-lights, saving over £1m per year;
- (c) closure of the Council’s 8 elderly persons’ homes, saving over £3m per year;
- (d) saving £1.5m per year from parks and open spaces, including a reduction in maintenance frequency and sale of some sites;
- (e) a 50% reduction in the youth budget;
- (f) remodelling children’s early help, closing or transferring 11 buildings, saving £3.5m per year;
- (g) reduction in opening hours of libraries, relocation of libraries with the least use, and cessation of the library minibuss service;
- (h) a rolling programme of closures and transfers of community centres;
- (i) increases in car parking and leisure centre charges; and
- (j) introduction of bus lane enforcement.

4.6 Since 2010/11, some 2,000 staff have been made redundant, largely as a consequence of spending cuts.

4.7 The overall impact of changes between 2010/11 and 2020/21 (the decade of austerity), and then subsequently, can be seen from the tables below:

<i>Budgeted Spending in cash terms</i>	2010/11 £m	2020/21 £m	2024/25 £m
Spending on children’s and adults’ social care	128.5	197.2	295.8
Spending on other services	192.3	108.7	157.0
Centrally held budgets	37.2	10.1	11.2
TOTAL	358.0	316.0	464.0

<i>Budgeted Spending in real terms*</i>	2010/11 £m	2020/21 £m	2024/25 £m
Spending on other services	282.7	132.3	157.0
Cumulative Cuts since 2020/21		53.2%	44.5%

*Prices updated using CPIH indices

4.8 Whilst spending on other services has increased since 2020/21, in no small part due to pressures on the homelessness service, it is important to recognize that this additional spending has had to be funded from our own reserves. Minimal reserves were used in 2010/11 or 2020/21. **Without the £61m reserves budgeted for use in 24/25, funding available for other services would have fallen to £96m, a real terms cut of two thirds since 2010/11.**

4.9 We have reached a stage where any further cuts are bound to be painful and leave discretionary services stretched to the limit.

5. Financial Strategy for 2025/26 to 2027/28

5.1 As noted above, the medium-term financial outlook is the most severe we have ever known.

5.2 The budget approved by the Council in February contained the following projections of income and expenditure:

	2024/25 £m	2025/26 £m	2026/27 £m
Expenditure	429.0	462.3	490.7
Minus income	(368.0)	(371.9)	(378.8)
Budget gap	61.0	90.4	111.9

5.3 The previous Government did not publish any spending plans for periods beyond 2024/25, so the figures for 2025/26 and 2026/27 were necessarily based on assumptions. The new Government has published (provisional) funding allocations for 2025/26, which are reflected in this budget: they include some limited redirection of resources to deprived areas such as Leicester which were hardest hit by the previous Government's funding cuts. The government is expecting to publish more detailed 3 year plans in spring, but the indications are that there will be a continuation of spending restraint in 2026/27 and beyond. We do, though, expect the measures to support deprived authorities introduced for 2025/26 to continue in some form. Nonetheless, it is highly unlikely that we will see the substantial additional support we require from the Government in the next 3 years. Indeed, the Government itself has stated (28/11/24): *"Our fiscal inheritance means that there will be tough choices on all sides to get us back on the path to recovery, and it will take time. There is no magic wand. It will be a*

long, hard slog to work with councils to rebuild from the ground up, to deliver the services taxpayers need and deserve.”

- 5.4 Past budgets have been supported by our “managed reserves strategy” under which we planned permanent reductions and used reserves to buy time, avoiding crisis cuts. More recently, the amount of reserves required to balance the budget has grown significantly so that £61m was required to balance 2024/25 when we set the budget in February.
- 5.5 Like many authorities, we face the real prospect of not being able to balance our budget in future years, necessitating a formal report under section 114 of the Local Government Finance Act 1988. If such a report is issued, we run the risk of Government intervention with the running of the Council being effectively determined in Whitehall.
- 5.6 The size of the problem is so severe that bridging the gap in one year is an impossibility. The proposed strategy is therefore as follows:

(a) **Strand One** - Releasing one off monies of £110m to buy time:

- All the Council’s earmarked reserves have been reviewed, and it is recommended to release £20.1m on the basis that maintaining the Council’s solvency takes precedence over most of the reasons for which money has previously been set aside.
- (As described in the capital programme report elsewhere on your agenda) it is proposed to release a £90m revenue reserve held to support capital (the “capital fund”). This, however, will leave a gap in the funding for previously approved capital schemes, requiring borrowing to fill it.

(b) **Strand Two** – Reductions of £13m in the approved capital programme, as described in the capital programme report, which will reduce the borrowing required. The additional borrowing will nonetheless increase the size of the annual budget gap by an estimated £5m per year from 2026/27 (in effect, we would be borrowing money to provide short term support to the revenue budget, which can only be considered because the situation is so dire);

(c) **Strand Three** - Embark on an ambitious programme to sell property, with the aim of securing an additional £60m of one-off monies. The receipts cannot be used to support the revenue budget without permission from the Secretary of State (such permissions are being used by the Government as a tool to deal with immediate budget challenges). Current projections now suggest that we will not need to seek consent within the three-year timescale of this strategy, but receipts can be retained until they are required – there remains a

substantial gap between our annual income and expenditure in 2028/29 and (if these receipts are available) we would have the option of seeking a direction in that year. This is further discussed at para. 14 below. **The Government will expect a credible savings plan before a permission will be granted;**

(d) **Strand Four** – Continue taking 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). As a consequence of work already done, the budget for adult social care services in 2025/26 is £18m less than envisaged last February;

(e) **Strand Five** - Make ongoing savings to the revenue budget of £23m per year. Expected savings have been built into the budget ceilings for each department. The new council tax support scheme, approved by Council in January, saves a further £1.3m. These savings do not come close to balancing the budget on a recurrent basis. **The level to be achieved has been deliberately set at a low level to provide scope to respond to Government plans as they emerge.** Nevertheless, we still expect to have to make considerable additional savings after the three year plan has expired.

5.7 If successful, implementation of the strategy would result in revised budget projections of:

	2025/26 £m	2026/27 £m	2027/28 £m
Expenditure	434.2	459.9	494.2
Plus prudential borrowing costs:			
- to release the capital fund	3.0	5.0	5.0
- for the 2025/26 capital programme	1.4	2.5	2.6
Minus income	(408.5)	(421.2)	(433.8)
Equals Recurring Budget Gap	30.1	46.2	68.1

Revised projections of reserves are:

	2025/26 £m	2026/27 £m	2027/28 £m
At the beginning of the year	53.5	139.5	93.3
Plus earmarked reserves	20.1		
Plus capital fund	90.0		
Other	6.0		
Minus budget gap	(30.1)	(46.2)	(68.1)
At the end of the year	139.5	93.3	25.2

5.8 Detailed medium term forecasts are provided at Appendix 4. Members are asked to note that forecasts assume the Council will continue to set the maximum council tax permitted by the Government's referendum rules – currently assumed to be 3% from 2026/27.

5.9 Clearly, as expenditure will continue to exceed income, further action will be needed to balance the budget in 2028/29 unless the Government has provided substantial additional resources by that time. To eliminate the budget gap in 2027/28, all other things being equal and assuming all the required savings are achieved, government grant income would need to increase by a further £70m, over and above current projections.

6. **2025/26 Budget Overview**

6.1 The table below summarises the proposed budget for 2025/26 (projections for a full three-year period are included in the medium-term strategy at Appendix 4):

	2025/26 £m
Expenditure:	
Net service budget (before savings)	474.8
Less savings (see para. 10.5)	-61.3
Net service budget	413.5
Provisions for pay inflation	6.0
Corporate budgets (including capital finance)	3.2
Plus additional prudential borrowing	4.4
Demographic contingency	2.0
Waste costs contingency	1.5
Homelessness contingency	6.0
General contingency for risk	2.0
Expenditure total	438.6
Income:	
Council tax	165.4
Business rates (including top-up grant)	141.4
Revenue Support Grant	36.3
Recovery Grant	11.7
National Insurance funding (assumed)	2.5
Social Care Grant	43.5
EPR funding	7.0
Other grants	0.8
Income total	408.5
Recurring budget gap	(30.1)

6.2 The budget gap to be met from reserves has reduced by some £16.6m from the draft budget published in December, although it is still a substantial shortfall. The main reason for this is a better-than-expected finance settlement released by the government after the publication of our draft budget.

7. **Construction of the 2025/26 Budget and Council Tax**

7.1 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;

7.2 In line with Finance Procedure Rules, the Council must also approve the scheme of virement that controls subsequent changes to these ceilings. The proposed scheme is shown at Appendix 2.

7.3 The budget is based on a proposed Band D tax for 2025/26 of £2,020.84, an increase of just under 5% compared to 2024/25. This is the maximum which will be permitted without a referendum. It is noted that some taxpayers will experience a different increase as a result of changes to the council tax support scheme.

7.4 The tax levied by the City Council constitutes only part of the tax Leicester citizens have to pay (albeit the major part – 84% in 2024/25). 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.

7.5 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.

7.6 The Police and Crime Commissioner and Combined Fire Authority will set their precepts in February 2025. The formal resolution will set out the precepts issued for 2025/26, together with the total tax payable in the city.

8. **Departmental Budget Ceilings**

8.1 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). This includes the impact of the 2024/25 pay award;
- (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 9 below.
- (d) An adjustment for increased employers' National Insurance contributions taking effect from April 2025. Additional funding is expected towards these costs, but is likely to cover only around 60% of the £4.1m cost (see paragraph 12.2 below).
- (e) Savings being sought, totaling £11.1m in 2025/26, are deducted from budget ceilings; we also propose to allocate a further £1.2m of savings to budget ceilings to make up the shortfall between the saving arising from the new council tax support scheme and the original budget assumption. The total expected figure for savings rises to £22.6m by 2027/28.

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

8.3 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 2025/26 pay award, forecast at 3%. Additional provisions have been set aside for demographic changes affecting social care costs, increased waste costs and homelessness, which will only be released if needed.

8.4 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.

9. Constraining Growth in Service Demand (Strand 4 of the Budget Strategy)

9.1 As can be seen from the background section, 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.

9.2 The budget for **adult social care** approved in February 2024 provided for substantial growth, both in 2024/25 and 2025/26. This can be seen from the following table:

	2024/25 £m	2025/26 £m
Underlying budget	155.9	155.9
Growth	17.5	34.4
TOTAL	173.4	190.3

9.3 Growth in the cost of adult social care arises from growth in the numbers of people needing support (who can be older or working age people), together with cost increases arising from increased packages of support to those already receiving care. The budget also included an additional “demographic contingency” of £8m per year to cater for volatility of demand – not exclusively for adult care.

9.4 The department has embarked on a comprehensive savings delivery programme, coupled with enhanced operational control mechanisms. Underlying the programme are measures aimed at creating a new culture, with more focus on supporting independent living and less reliance on expensive care packages. The department sought to secure savings of £30m per year by 2025/26, but has succeeded in making savings estimated at £48m. Some of these savings were anticipated when the 2024/25 budget was set; some will reduce the budget further.

9.5 The savings delivery programme includes 4 workstreams:

(a) **Reducing growth in the costs of care** (minimising “double handed” care; reducing reliance on taxis; reducing residential costs to the levels of comparator authorities; finding alternatives to existing low level care packages; increased technology enabled care; new approaches to falls management; reviewing the use of direct payments; and a dedicated team to review the quality and cost of high-cost packages);

(b) **Reducing new entrants, and management of demand** (developing the preventative care offer; enhancing digital support; and reviewing our information and guidance);

(c) **Improving efficiency** (increasing the number of occupational therapy assessments; reducing duplication and overlaps in provision of care; and increasing capacity to manage overdue reviews of clients' needs);

(d) **Partnership working** (addressing imbalances between LCC & NHS contributions to packages of care; retendering the model of delivery of the Approved Mental Health Practitioner service; more effectively supporting transitions from childhood to adulthood; and advertising the passenger transport fleet to generate income).

9.6 Tightening operational control mechanisms include:

(a) **Better management of the commissioning cycle** from initial needs analysis through to market management, procurement and ultimately contract management;

(b) new tools and mechanisms for **improving social work practice**, in order to prioritise alternatives to care packages and to ensure consistency of approach.

9.7 Whilst it is difficult to say which changes have resulted in the majority of savings (which would involve asking the counterfactual question of what would have happened if they hadn't been made) it is believed that tightening operational control mechanisms has been the most significant contributor.

9.8 An external review was commissioned from Catherine Underwood, former strategic director of people at Nottingham City Council. The review provides assurance that Adult Social Care are optimising opportunities for cost reductions.

9.9 The department has made savings over and above those expected last February of:

	£m
2024/25	17.1
2025/26	22.5

9.10 The budget provides for cost increases expected as a consequence of the Autumn budget, including part of the increase in providers' NI costs. The Government has now been very clear that they will not reimburse any additional NI costs other than those of our direct employees.

9.11 The table below shows the ASC budget for 2025/26 as it is now, compared with the expectation when we set the budget for 2024/25. The reduction is after allowing for pay awards and National Insurance changes:

	Estimate in Feb. 2024 (£m)	Now (£m)	Change (£m)
ASC budget	190.3	178.3	
Contingency (also available for children's care)	8.0	2.0	
TOTAL	198.3	180.3	18.0

9.12 The budget for **Education and Children's Services** approved in February 2024 also provided for cost growth, both in 2024/25 and 2025/26. This can be seen from the following table:

	2024/25 £m	2025/26 £m
Underlying budget (including SEN transport)	98.1	98.1
Growth	17.5	21.1
TOTAL	115.6	119.2

9.13 The budget reflected growth in the cost of children's care placements in 2023/24 and assumed further cost growth in 2024/25 and beyond. The majority of the increase reflects growth in the number of extremely high-cost individual residential placements rather than an increase in numbers per se. This can be seen in the average cost of a placement:

- (a) In the 4 years from 2019/20 to 2022/23, average costs for new entrants reduced from £44,000 to £40,000.
- (b) In 2023/24, average new entrant costs rose to £78,000 per annum.

9.14 The total budget assumed completion of work to deliver early help differently (including the outcome of a children's centres consultation, a youth services resource review, and mental health post reductions). This work is on course to save £2m per year.

9.15 Action continues to take place to reduce placement costs:

- (a) Work is taking place to develop a **placement strategy**. There is no indication that the Council is an outlier in the number of children in the care system, or in the weekly cost – rather, high cost is an indicator of a broken market with a small number of large providers making profits significantly higher than would be the case if the market was working well. Work will take place to secure sufficiency of supply which will seek alternatives to the current suppliers. Work will also take place to address a perceived shortfall in contributions to placement costs received from the NHS;

- (b) Work is taking place to reduce our reliance on **agency social workers** by developing multi-disciplinary teams (where staff who are not registered can play a greater role); implementing plans to grow our own social workers; and improving what we can offer to social workers joining the council (improving conditions and professional development opportunities).

9.16 The department has made savings in the costs of children's care (compared to last year's expectations) of:

	£m
2025/26	2.4
2026/27	1.4

9.17 The delivery of savings in social care will be monitored through a suite of management information dashboards, which can also be shared with the scrutiny function. We are already seeing results in 2024/25 with reductions in average placement costs.

9.18 Work has also taken place to reduce pressure on budgets for **transport** of children with education, health and care plans, including proposals to change the policy for post 16 children (subject to consultation) and to encourage the use of personal transport plans. Demand for transport is already falling for post 16 children, but costs and demand continues to rise for other children. A pressure of £0.8m is built in to the 2025/26 budget, rising to £1.8m by 2027/28.

9.19 A further increase to the budget of £1m per year has been made in respect of other pressures – legacy costs from the city catering service and cost pressures in the disabled children's service.

9.20 As a consequence of the above measures, the demographic contingency has been reduced to £2m per year. This does carry some risk in the event of an unexpected rise in demand.

9.21 The budget for **homelessness** is under severe pressure due to increased numbers of households presenting as homeless. This national issue arises from a shortage in the availability of affordable housing, compounded by housing benefit not having kept pace with rising rents, and the impact of the previous Government accelerating asylum decisions. The Council has invested in new housing in order to provide better (and cheaper) alternatives to hotel accommodation; as this work is ongoing, there is some uncertainty around the growth that will be required. £5.9m has been added to the departmental budget, and a further £6m is held as a central provision to be released only if required. Activity to date is estimated to have avoided £40m of additional cost by 2027/28.

10. Savings Programme (Strand Five of the Strategy)

10.1 The strategy will require achievement of savings totalling £24m by 2027/28:

	2025/26 £m	2026/27 £m	Full Year £m
Departmental savings	12.3	21.0	22.6
Council Tax Support Scheme*	1.3	1.3	1.3
TOTAL SAVINGS	13.6	22.3	23.9

*Changes to the CTSS were approved by Council in January. The effect on the budget is to increase council tax income via a higher taxbase.

10.2 The departmental savings can be achieved from efficiency savings and income generation which directors can action under delegated authority (indeed it is believed a significant proportion can be found in this way); or following an Executive decision on conclusion of a service review. Service reviews may require a public consultation in some cases.

10.3 The savings targets are the same as those proposed in the draft budget report discussed at Overview Select Committee, except for:

(a) An additional saving of £1.2m per year to be achieved, to reflect the difference between the saving assumed from changing the council tax support scheme, and the savings achievable from the approved scheme. This has not yet been allocated to a department;

(b) A saving expected from Education and Children's Services.

10.4 The budget ceilings at Appendix 1 include the reductions implied by these savings, apart from the saving at paragraph 10.3 (a) above. The savings required are summarised in the table below:

	2025/26 £m	2026/27 £m	Full Year £m
Estates & Building Services	2.3	2.8	2.8
Housing	0.7	1.0	1.0
Neighbourhoods & Environmental Services	3.0	6.7	7.2
Planning, Development and Transportation	1.9	3.9	4.0
Tourism, Culture & Inward Investment	1.5	1.9	2.3
Children's Services	0.4	1.0	1.0
Corporate Services	0.9	1.6	2.0
Financial Services	0.4	0.9	1.1
To be allocated	1.2	1.2	1.2
TOTAL	12.3	21.0	22.6

- 10.5 It is worth noting the scale of savings activity which has taken place since the budget was set in February. This can be seen in the table below:

	2025/26	2026/27	2027/28
	£m	£m	£m
Savings in provisions for cost growth in Adult Social Care	22.5	22.5	22.5
Reduction in provisions for cost growth in children's placements	2.4	1.4	1.4
Cost reduction measures in homelessness services	23.0	40.0	40.0
Savings approved prior to this report	1.1	1.1	1.2
Savings proposed in this report	12.3	21.0	22.6
Savings shown in service lines	61.3	86.0	87.7
Add savings shown elsewhere in the budget:			
Reductions in amount required for unbudgeted growth in social care	6.0	6.0	6.0
Savings proposed in council tax support	1.3	1.3	1.3
TOTAL	68.6	93.3	95.0

11. **Corporately held Budgets and Provisions**

- 11.1 In addition to the services' budget ceilings, some budgets are held corporately. These are described below.
- 11.2 A provision has been set aside for **pay awards** from 2025/26 onwards. The 2024/25 pay award has now been agreed, and this provision has been added to service budget ceilings.
- 11.3 The budget for **capital financing** represents the cost of interest and debt repayment on past years' capital spending, less interest received on balances held by the council. The net budget has improved recently due to increasing interest rates leading to better returns on balances (while the majority of our borrowing is on fixed rates and is not affected by interest rate variations in the short term). As we spend our reserves, however, interest on balances will fall and we will need to borrow money. Decisions to borrow money to fund capital expenditure (elsewhere on your agenda) have led to an increase in the budget (£5m in a full year through refinancing the 2024/25 programme to release the capital fund; £2.6m to fund the 2025/26 capital programme).
- 11.4 **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 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 accounts of the Council (such as the Housing Revenue Account).

- 11.5 Contingencies have been set aside for **demographic pressures, waste and homelessness**, which will be allocated only if necessary.

12. Resources

12.1 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.

12.2 This report is based on the government's provisional settlement published in December, and estimates have been revised from those published in the draft budget. The key differences include:

- A new Recovery Grant has been announced, targeted at deprived authorities (such as Leicester);
- Funding for Waste Packaging - Extended Producer Responsibility (EPR) has been announced, and is higher than estimated. Additional costs are anticipated, although the amounts are uncertain;
- We expect additional funding intended to meet the costs of National Insurance changes to fall short of the costs for our employees by some 40% (£1.6m), in addition to the indirect costs.

Business rates and core grant funding

12.3 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).

12.4 Government decisions in recent years have reduced the amount of rates collected from businesses, by limiting annual increases in the multiplier used to calculate rates and by introducing reliefs for various classes of business. The government's practice is to compensate authorities for lost income due to changes to the scheme. So many changes have been made in recent years that by 2024/25 compensation made up around a third of the "rates" income received by the Council. The complexity of these changes, and the fact that a single ratepayer may be affected by several overlapping changes, makes it difficult to accurately estimate rates income; the estimates in this draft report are the best we can make at present. In practice, we believe that the system of business rates is becoming unsustainable in its current form.

- 12.5 The figures in the budget assume no significant growth or decline in “rates” from the current position, apart from inflationary increases. The largest element of uncertainty in the forecasts relates to the impact of appeals by businesses against the ratable values determined by the Valuation Office, although this is now reducing as the outstanding appeals (often backdated to 2017) are resolved. As required by law, we consulted representatives of business ratepayers on the preparation of the budget – no comments were received.
- 12.6 The distribution of Revenue Support Grant (RSG) has been frozen for over a decade; a planned review has been repeatedly delayed, and we believe that our RSG does not fairly reflect our population or taxbase, compared to wealthier areas of the country. The government is now consulting on reforms, which will also affect top-up grant: these may take several years to be fully implemented.

Council tax

- 12.7 Council tax income is estimated at £167m in 2025/26, 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 £3m per year.
- 12.8 The estimated council tax base, before premiums and exemptions, has remained largely flat since last year’s budget; this appears to be the result of slower housebuilding numbers, and a growing number of exempt properties (mostly student accommodation).
- 12.9 The budget includes the impact of extended council tax premiums on long-term empty property and second homes, as set out in Appendix 6. This report also seeks approval for a change to premiums charged on unfurnished empty properties, which will no longer receive a discount for a calendar month from when they become vacant. This brings them into line with furnished properties, and – to the extent that it doesn’t have the hoped for impact of speeding up the turnaround of properties – should raise an estimated £0.6m per year. A change is also sought in respect of premiums for empty, furnished properties (“second homes”) and unfurnished (“long term empty”) properties to provide exemptions in line with Government regulations and guidance received in November 2024.
- 12.10 The taxbase takes account of the Council’s decision on 16th January to introduce a revised Council Tax Support Scheme. This is reflected in an estimated additional £1.3m of council tax income.

Other grants

- 12.11 The majority of grant funding is treated as income to the relevant service departments and is not shown separately in the table at paragraph 6. The most

substantial grant held corporately is the **Social Care Grant**, which has been provided each year since 2016/17 to reflect national cost and demographic pressures. It has been increased several times since 2016 and is now a significant amount. For 2025/26, our share of this funding is £43.5m.

12.12 A new “Recovery Grant” will be paid for 2025/26. This has been specifically targeted at authorities with relatively low taxbases and high deprivation, which includes Leicester. This is a welcome step towards reversing previous years’ funding cuts, which disproportionately affected areas of high deprivation. Our provisional allocation is £11.7m and we assume this will be built into any new funding arrangements from 2026/27.

12.13 The New Homes Bonus will continue for 2025/26, expected to be the final year of the scheme.

Other corporate income

12.14 From 2025/26, a new funding stream relating to Extended Producer Responsibility (EPR) for waste packaging will be received; our expected allocation is almost £7m. Work is still ongoing to assess any additional costs we will incur under this new national policy. A provision of £1.5m per year has been included in the budget for any costs, which will only be released if required. 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.

Collection Fund surplus / deficit

12.15 Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true.

12.16 The Council has an estimated **council tax collection fund deficit** of £1.5m, after allowing for shares to be paid by the police and fire authorities. This largely relates to numbers of exempt properties (such as those occupied by students) being higher than expected when the budget was set.

12.17 The Council has an estimated **business rates collection fund deficit** of £0.1m. This has deteriorated from previous estimates, in part because of some significant back-dated appeals.

13. **Earmarked Reserves (Strand One of the Financial Strategy)**

13.1 Earmarked reserves have been set aside for specific purposes by departments. These have been reviewed, with the aim of maximising resources for the budget strategy. This has been far reaching, starting with the presumption that the Council’s continued financial sustainability will take precedence over most of the purposes for which money was previously set aside. Appendix 5 shows the

outcome of the review, which will increase resources for the strategy by £20.1m. This report includes a recommendation to put these changes into place.

14. **One-Off Resources (Strands One and Three of the Financial Strategy)**

- 14.1 Since 2013, the Council has employed a managed reserves strategy, contributing money to reserves when savings are realised and drawing down reserves when needed. This policy bought time to more fully consider how to make the cuts which have been necessary in nearly every budget year.
- 14.2 In the last few years, the amount of reserves required to balance the budget has grown significantly so that £61m was required to balance 2024/25 when we set the budget (although ongoing work to control costs and identify savings has since reduced this figure).
- 14.3 The forecast amount available at 1st April 2025 is £53.5m. The review of earmarked reserves is contributing a further £20.1m, and the capital programme report for 2025/26 (elsewhere on your agenda) proposes to release a further £90m (**strand one**).
- 14.4 It is intended to further increase our one off money by selling property (**strand three**). Monies received from property sales are capital receipts, and can normally only be used for capital expenditure, or to repay debt. They cannot be used to support the revenue budget. However, the Secretary of State has power to give directions such that capital receipts can be used to support the revenue budget. The Government is using directions as a tool to deal with the most pressing budget problems in local government, and informal discussions have taken place with civil servants – we will not be seeking a direction just yet, but this does not prevent us from selling property now (we will be able to use the receipts once we have the direction). On present forecasts, we will no longer need a direction for 2027/28, as had originally been anticipated by the draft budget report. Forecasts are, however, volatile and a direction in 2027/28 may still be required. If not, we will use the money to help manage the next budget strategy, which may include seeking a direction in 2028.
- 14.5 **The Secretary of State will not give a direction unless we have a credible savings programme.** We may be advised that further savings are required, over and above those anticipated in the current plan.
- 14.6 A sales programme has been identified, focussed on assets with a ready market, with low public impact, low strategic importance and which currently secure low returns. We are seeking to achieve £60m (net of costs of sale).
- 14.7 The total use of one-off money to support the budget strategy is shown at paragraph 5 above, and at Appendix 4.

14.8 The Secretary of State has issued a general permission to all authorities enabling them to capitalise revenue expenditure which generates savings (this is quite separate from the £60m). A condition of using it is the submission of a strategy, a draft of which is included at Appendix 7 for your approval. This is not an integral part of our budget strategy, and has been prepared solely to give us another tool to manage the budget during 2025/26. We may, for instance, use it to capitalise some revenue costs in 2025/26 and 2026/27: this would reduce the size of the direction we would otherwise have to seek from the Government (when the time comes). It does not give us any new resources.

14.9 The Council has long held a £15m minimum working balance of reserves. This remains available as a “last resort” to fund future budget shortfalls.

15. **Budget and Equalities**

15.1 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.

15.2 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.

15.3 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.

15.4 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.

15.5 The budget does not propose any service changes which will have an impact on residents. Where appropriate, an individual equalities impact assessment for any service changes will be undertaken when these decisions are developed.

- 15.6 The budget does recommend a proposed council tax increase for the city's residents. The City Council's proposed tax for 2025/26 is £2,020.84, an increase of just below 5% compared to 2024/25. As the recommended increase could have an impact on those required to pay it, an assessment has been carried out to inform decision makers of the potential equalities implications. This includes the potential impacts of alternative options.
- 15.7 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.

Surinder Singh, Equalities Officer

30th January 2025

16. **Risk Assessment and Estimates**

- 16.1 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.
- 16.2 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.
- 16.3 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. Furthermore, the cost of SEN transport is met from the General Fund and has been under pressure due to increasing numbers of children with education, health and care plans; and prices charged by taxi providers.
- 16.4 In addition to the above, we have a negative balance of £9.7m on the schools' "high needs" block reserve, which we have not had to write off against general fund reserves due to a special dispensation given by the Government. This represents cumulative overspending, and is expected to continue increasing – the estimated balance at March 2025 is minus £26m. It is a common national issue. The dispensation is time limited, and currently due to expire on 31st March 2026. If this happens, we will have an immediate "hit" on the reserves required for this strategy, though the deadline has previously been extended and the risk of it being allowed to expire does not appear to be high.
- 16.5 Like many housing authorities, we run the risk of further cost pressures from homelessness. These costs are vulnerable to Government decisions about affordable rents which can be supported from the local housing allowance,

national decisions about asylum policy, and continued increases in market rents. We are mitigating this risk with a budget contingency of £6m in 2025/26.

- 16.6 We are also exposed to any further inflationary cost pressures, which may result from world events.
- 16.7 Finally, we are at risk if we fail to deliver the savings in this strategy – a key task over the coming months will be to progress these to the point of decision, and then ensure we have robust delivery and monitoring plans. As stated in paragraph 1, even if implemented the plan is only intended to balance the budget as far as 2027/28 (on current estimates). Unless the Government finds significant additional money by then, we will face major cuts in subsequent years: at present, we do not have a plan which is sustainable in the long term. If income in excess of our forecasts is received in 2026/27 and 2027/28 as a consequence of the Government's funding review, it is not going to fundamentally change our plans. We have a substantial and increasing recurrent budget gap, forecast to be £30.1m in 24/25 rising to £68m by 27/28 if all the savings are achieved. We are not going to come close to bridging this.
- 16.8 The Overview Select Committee will clearly play an important role in monitoring the plan. At each stage of monitoring during the year (at periods 3, 6, 9 and the outturn) savings decisions made in the previous quarter will be reported and an update on progress provided. Any areas of concern will be brought to the committee's attention. Individual service scrutiny commissions may wish to receive the same information for their own portfolios.
- 16.9 It is also worth noting that, because of the key role of one-off monies in this strategy, 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 2027/28.
- 16.10 Subject to the above comments, I believe the estimates made in preparing the budget are sufficiently robust to allow the budget to be approved.
- 16.11 The risks are mitigated in 2025/26 by the substantial level of our reserves, once the capital fund has transferred. This means that for this one year I would regard our reserves as adequate: there is limited risk of being unable to balance the budget in 2025/26 even if reserves are used in substitution for any savings which cannot be made, including those where consultation has provided reasons to pursue alternative courses of action. However, this would make it even more difficult to balance future years of the strategy, and would bring forward the point at which we would have to make further deep cuts. It is noted that there is also a £2m contingency in the 2025/26 budget and an additional contingency for demographic pressures.

16.12 If a departmental savings project fails, we would expect alternative savings to be found from within the overall departmental budget. Under the scheme of virement, the City Mayor is able to increase the relevant budget if this is not perceived to be acceptable at the time.

17. **Financial, Legal and Other Implications**

17.1 **Financial Implications**

This report is exclusively concerned with financial issues.

17.2 **Legal Implications**

17.2.1 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.

17.2.2 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.

17.2.3 As well as detailing the recommended council tax increase for 2025/26, the report also complies with the following statutory requirements:-

- (a) Robustness of the estimates made for the purposes of the calculations;
- (b) Adequacy of reserves;
- (c) The requirement to set a balanced budget.

17.2.4 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.

17.2.5 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. 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. An additional analysis has been prepared in respect of a proposed change to empty property discounts, and is at Appendix 6A.

17.2.6 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.

Kamal Adatia, City Barrister & Head of Standards

4th February 2025

17.3 **Climate Change Implications**

17.3.1 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.

17.3.2 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.

17.3.3 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.

17.3.4 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.

Duncan Bell, Change Manager (Climate Emergency). Ext. 37 2249

03.02.25

Budget Ceilings

	2024/25 latest budget £000's	Savings package £000's	Savings previously agreed £000's	Grants rolled in £000's	National Insurance £000's	Other changes in budget report £000's	Non-Pay Inflation £000's	25/26 budget ceiling £000's
<u>1. City Development & Neighbourhoods</u>								
<u>1.1 Neighbourhood & Environmental Services</u>								
Divisional Management	273.9	(3,000.0)			4.1			(2,722.0)
Regulatory Services	2,027.4				69.4			2,096.8
Waste Management	23,682.0		(20.0)		9.5		476.9	24,148.4
Parks & Open Spaces	5,726.2		(237.0)		347.3			5,836.5
Neighbourhood Services	6,510.6				103.4			6,614.0
Standards & Development	1,706.4				98.5			1,804.9
Community Safety	384.3				15.7			400.0
Sports Services	3,335.8				180.1			3,515.9
Divisional sub-total	43,646.6	(3,000.0)	(257.0)	0.0	828.0	0.0	476.9	41,694.5
<u>1.2 Tourism, Culture & Inward Investment</u>								
Arts & Museums	4,204.3				64.8			4,269.1
De Montfort Hall	803.2				54.9			858.1
City Centre	27.2				0.0			27.2
Place Marketing Organisation	47.7				0.0			47.7
Economic Development	326.0				28.4			354.4
Markets	(176.7)				7.9			(168.8)
Adult Skills	(821.4)				0.0			(821.4)
Divisional Management	163.9	(1,500.0)			1.8			(1,334.3)
Divisional sub-total	4,574.2	(1,500.0)	0.0	0.0	157.8	0.0	0.0	3,232.0

Budget Ceilings (cont.)

	2024/25 latest budget £000's	Savings package £000's	Savings previously agreed £000's	Grants rolled in £000's	National Insurance £000's	Other changes in budget report £000's	Non-Pay Inflation £000's	25/26 budget ceiling £000's
<u>1.3 Planning, Transportation & Economic Development</u>								
Transport Strategy	11,296.4				79.4			11,375.8
Highways	3,499.5				206.9			3,706.4
Planning	1,365.0				62.9			1,427.9
Divisional Management	152.8	(1,900.0)			2.4			(1,744.8)
<i>Divisional sub-total</i>	16,313.7	(1,900.0)	0.0	0.0	351.6	0.0	0.0	14,765.3
<u>1.4 Estates & Building Services</u>	6,055.9	(2,300.0)			208.7			3,964.6
<u>1.5 Housing Services</u>	15,384.8	(700.0)	(224.0)	33.2	139.3	5,900.0		20,533.3
<u>1.6 Departmental Overheads</u>	588.0				2.4			590.4
DEPARTMENTAL TOTAL	86,563.2	(9,400.0)	(481.0)	33.2	1,687.8	5,900.0	476.9	84,780.1

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

Other Management & support	925.7				12.7			938.4
Safeguarding	440.3				7.1			447.4
Preventative Services	5,974.0				114.1			6,088.1
Independent Sector Care Package Costs	166,754.1				0.0	17,042.0	3,481.3	187,277.4
Care Management (Localities)	14,678.2				243.7			14,921.9
<i>Divisional sub-total</i>	188,772.3	0.0	0.0	0.0	377.6	17,042.0	3,481.3	209,673.2

Budget Ceilings (cont.)

	2024/25 latest budget £000's	Savings package £000's	Savings previously agreed £000's	Grants rolled in £000's	National Insurance £000's	Other changes in budget report £000's	Non-Pay Inflation £000's	25/26 budget ceiling £000's
<u>2.2 Adult Social Care & Commissioning</u>								
Enablement & Day Care	1,657.1				36.8			1,693.9
Care Management (LD & AMH)	6,226.3				101.9			6,328.2
Preventative Services	363.2				2.4			365.6
Contracts, Commissioning & Other Support	(2,407.4)				154.6			(2,252.8)
Departmental	(36,854.3)				6.0			(36,848.3)
<i>Divisional sub-total</i>	<i>(31,015.1)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>301.7</i>	<i>0.0</i>	<i>0.0</i>	<i>(30,713.4)</i>
<hr/>								
DEPARTMENT TOTAL	157,757.2	0.0	0.0	0.0	679.3	17,042.0	3,481.3	178,959.8
<hr/>								
<u>3. Education & Children's Services</u>								
<u>3.1 Strategic Commissioning & Business Support</u>								
	2,214.1			39.7	60.7	800.0		3,114.5
<u>3.2 Learning Quality & Performance</u>								
Raising Achievement	644.5				4.1			648.6
Learning & Inclusion	1,658.0				34.9			1,692.9
Special Education Needs and Disabilities	20,208.1				179.2	600.0		20,987.3
<i>Divisional sub-total</i>	<i>22,510.6</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>218.2</i>	<i>600.0</i>	<i>0.0</i>	<i>23,328.8</i>

Budget Ceilings (cont.)

	2024/25 latest budget £000's	Savings package £000's	Savings previously agreed £000's	Grants rolled in £000's	National Insurance £000's	Other changes in budget report £000's	Non-Pay Inflation £000's	25/26 budget ceiling £000's
<u>3.3 Children, Young People and Families</u>								
Children In Need	16,991.3				215.2			17,206.5
Looked After Children	62,958.8				223.9	1,200.0	222.9	64,605.6
Safeguarding & QA	2,513.4				43.3			2,556.7
Community Safety	336.4				4.5			340.9
Early Help Targeted Services	3,923.2				95.9			4,019.1
Early Help Specialist Services	4,369.4				81.9			4,451.3
<i>Divisional sub-total</i>	91,092.5	0.0	0.0	0.0	664.7	1,200.0	222.9	93,180.1
<u>3.4 Departmental Resources</u>	955.3	(400.0)			5.0	400.0		960.3
DEPARTMENTAL TOTAL	116,772.5	(400.0)	0.0	39.7	948.6	3,000.0	222.9	120,583.7
<u>4. Health and Wellbeing</u>								
Adults' Services	9,370.3		(200.0)	126.1	0.0			9,296.4
Children's 0-19 Services	9,467.5			444.1	0.0			9,911.6
Lifestyle Services	1,402.3				27.9			1,430.2
Staffing & Infrastructure & Other	2,769.7				40.6			2,810.3
DEPARTMENT TOTAL	23,009.8	0.0	(200.0)	570.2	68.5	0.0	0.0	23,448.5

	2024/25 latest budget £000's	Savings package £000's	Savings previously agreed £000's	Grants rolled in £000's	National Insurance £000's	Other changes in budget report £000's	Non-Pay Inflation £000's	25/26 budget ceiling £000's
<u>5. Corporate Resources Department</u>								
<u>5.1 Corporate Services</u>	9,751.4	(900.0)		0.0	192.8			9,044.2
<u>5.2 Financial Services</u>								
Financial Support	6,434.1	(400.0)	(450.0)		167.7			5,751.8
Revenues & Benefits	5,068.7		(163.0)		126.0			5,031.7
<i>Divisional sub-total</i>	11,502.8	(400.0)	(613.0)	0.0	293.7	0.0	0.0	10,783.5
<u>5.4 Data, Digital & Technology</u>	11,305.3				127.0			11,432.3
<u>5.5 Legal Services</u>	5,947.5				147.3			6,094.8
DEPARTMENTAL TOTAL	38,507.0	(1,300.0)	(613.0)	0.0	760.8	0.0	0.0	37,354.8
TOTAL -Service Budget Ceilings	422,609.7	(11,100.0)	(1,294.0)	643.1	4,145.0	25,942.0	4,181.1	445,126.9
<i>less public health grant</i>								<i>(30,402.3)</i>
<i>less savings to be allocated</i>								<i>(1,200.0)</i>
Net service expenditure	392,777.6							413,524.6

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 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. 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. The DoF may also allocate the £1.2m unallocated savings target to reflect savings decisions taken.
8. 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 the corporate reserve for future budget pressures.

Corporate Budgets

9. 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. The capital finance budget is spent as a consequence of borrowing and investment decisions which result from the treasury strategy;

- (b) the Director of Finance may allocate the provision for pay awards and other inflation;
- (c) The City Mayor may determine how the demographic pressures contingency, the waste packaging provision and the homelessness provision can be applied.

Earmarked Reserves

- 10. Earmarked reserves may be created or dissolved by the City Mayor. In creating a reserve, the purpose of the reserve must be clear.
- 11. Directors may spend earmarked reserves on the purpose for which they have been created.
- 12. When an earmarked reserve is dissolved, the City Mayor shall determine the use of any remaining balance.
- 13. The City Mayor may transfer any sum between earmarked reserves.

Other

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

Equality Impact Assessment

1. **Purpose**

- 1.1 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 most vulnerable and the investment required to ensure the effective delivery of universal 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.
- 1.2 The alternative option for comparison is a freeze on council tax at 2024/25 levels. It would of course be possible to set a council tax increase between these two levels, or indeed to *reduce* the Band D tax.

2. **Who is affected by the proposal?**

- 2.1 As at November 2024, there were 132,614 properties liable for Council Tax in the city (excluding those registered as exempt, such as student households).
- 2.2 Changes to the Council Tax Support Scheme (CTSS) were approved in January, following a public consultation exercise.
- 2.3 Under the new 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.
- 2.4 Council tax support for pensioner households follows different rules. Low-income pensioners are eligible for up to 100% relief on the total amount payable.

3. **How are they affected?**

- 3.1 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 those working-age households who are not classed as vulnerable.
- 3.2 The table does not show the differences between the amounts payable in 2024/25 and 2025/26. It compares the 2025/26 proposed amount payable with the alternative option of a council tax freeze, in order to reflect the effect of the new CTSS scheme .

Band	No. of Properties	Weekly increase (£)	Minimum Weekly Increase under CTSS (£)
A-	385	1.03	0.21
A	78,060	1.23	0.25
B	26,688	1.44	0.29
C	15,356	1.64	0.49
D	6,550	1.85	0.70
E	3,394	2.26	1.11
F	1,531	2.67	1.52
G	610	3.08	1.93
H	40	3.69	2.54
Total	132,614		

3.3 In most cases, the change in council tax (around £1.44 per week for a band B property with no discounts; and just 29p per week if eligible for the maximum CTSS reduction) 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.

3.4 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.

3.5 A 1.7% uplift to most working-age benefits, in line with inflation, will come into effect from April 2025, while the State Pension and pension-age benefits will increase by 4.1%. The main exceptions are Local Housing Allowance rates which will be maintained at their 2024/25 levels. [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. **Alternative options**

4.1 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 in our income unless we hold a council tax referendum in a future year, or the Government provides us with a special dispensation to avoid “bankruptcy.” In my view, a referendum is unlikely to support a higher tax rise. A tax rise of less than 5% would require more cuts to services than presently anticipated in later years (it would increase the scale of the recurrent budget gap).

4.2 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.

5. **Mitigating actions**

5.1 The Council has a range of mitigating actions for residents. These include: funding through the Household Support Fund (now extended until March 2026), Discretionary Housing Payments, direct support through Council Tax Discretionary Relief (funds for which are increasing by 50% from £500,000 to £750,000 per year 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. The "BetterOff Leicester" online tool includes a calculator to help residents ensure they are receiving all relevant benefits.

6. **What protected characteristics are affected?**

6.1 The table below describes how each protected characteristic, as well as care experienced young people, are likely to be affected by the proposed council tax increase. The table sets out anticipated impacts, along with mitigating actions available to reduce negative impacts.

6.2 Some protected characteristics are not, as far as we can tell, disproportionately affected (as will be seen from the table) because there is no evidence to suggest they are affected differently from the population at large. They may, of course, be disadvantaged if they also have other protected characteristics that are likely to be affected, as indicated in the following analysis of impact based on protected characteristic.

7. **Armed Forces Covenant Duty**

7.1 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.

7.2 We have considered the duty and have not identified any direct impacts on armed forces or their families; but will continue to monitor this.

Analysis of impact based on protected characteristic

Protected characteristic	Impact of proposal:	Risk of negative impact:	Mitigating actions:
Age	<p>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.</p> <p>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.</p>	Working age households and families with children – incomes squeezed through reducing real-terms wages.	Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.
Care Experienced Young 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.		Qualifying care experienced people up to the age of 25 can apply for a 100% discount on their council tax.
Disability	<p>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.</p> <p>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.</p>	Further erode quality of life being experienced by disabled people.	<p>The new 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.</p> <p>Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing budgets.</p>

Protected characteristic	Impact of proposal:	Risk of negative impact:	Mitigating actions:
Gender Reassignment	No disproportionate impact is attributable specifically to this characteristic.		
Pregnancy & Maternity	No disproportionate impact is attributable specifically to this characteristic (although see below for childcare costs; and the impacts on lone parents).		
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.	Household income being further squeezed through low wages and reducing levels of benefit income.	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 will be provided to remove barriers in accessing support.
Religion or Belief	No disproportionate impact is attributable specifically to this characteristic.		
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.	Incomes squeezed through low wages and reducing levels of benefit income. Increased risk for women as they are more likely to be lone parents.	If in receipt of Universal Credit or tax credits, a significant proportion of childcare costs are met by these sources. Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets.
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.	Household income being further squeezed through low wages and reducing levels of benefit income.	Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets.

MEDIUM TERM PROJECTIONS

1. Summary Forecasts

The table below shows our central forecasts of the position for the next three years, based on the information we have at the time of writing. As funding allocations for future years have not yet been announced, this is necessarily based on some broad assumptions. The 2025/26 figures are based on the provisional settlement received in December; the position for future years should become clearer once the government's Spending Review is published in the spring.

The forecasts remain volatile, and the key risks are described at paragraph 2 below. In particular, because we are relying on one off money to see us through to 2027/28, a change in annual spending requirement will have a multiplicative effect (e.g. an increase in spending of £5m per year from 2025/26 will lose us £15m from reserves by the end of 2027/28, all other things being equal).

	2025/26 £m	2026/27 £m	2027/28 £m
Expenditure:			
Net service budget (before savings)	474.8	512.6	537.3
Less savings (see para. 10.4)	(61.3)	(86.0)	(87.7)
Net service budget	413.5	426.6	449.6
Provisions for pay inflation	6.0	12.0	18.0
Corporate budgets (including capital finance)	3.2	5.7	7.1
Plus additional prudential borrowing	4.4	7.5	7.6
Demographic contingency	2.0	4.0	6.0
Waste costs provision	1.5	1.5	1.5
Homelessness provision	6.0	6.0	6.0
General contingency for risk	2.0	4.0	6.0
Expenditure total	438.6	467.4	501.9
Income:			
Council tax	165.4	173.0	179.2
Business rates (including top-up grant)	141.4	143.7	146.0
Revenue Support Grant	36.3	36.3	36.3
Recovery Grant	11.7	11.7	11.7
National Insurance funding	2.5	2.5	2.5
Social Care Grant	43.5	48.5	53.5
EPR funding	7.0	5.6	4.6
Other grants	0.8	0.0	0.0
Income total	408.5	421.2	433.8
Recurring budget gap	(30.1)	(46.2)	(68.1)

Reserves:	2025/26 £m	2026/27 £m	2027/28 £m
Balance forecast on 1st April	53.5	139.5	93.3
Capital Fund transfer	90.0		
Earmarked reserves review	20.1		
Required to balance budget	(30.1)	(46.2)	(68.1)
Other (Business Rates Pool)	6.0		
Balance forecast on 31st March	139.5	93.3	25.2

2. Assumptions and Risks

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

Spending	Assumptions – central scenario	Risks
Pay costs	We assume a pay award averaging 3% each year (in addition to the recently announced award for 2024/25), as general inflation is expected to continue reducing.	Inflation has fallen since its peak of 11.1% in October 2022. It stood at 3.5% in the year to December 2024. Underlying inflation is expected to fall further, although there remains a risk that global events will affect this significantly.
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. Projected growth in social care costs includes further provision for cost increases.	Increases in employers' national insurance will add to our pressures, both directly for our own employees and indirectly from our suppliers' prices. The Government only intends to reimburse the former in 2025/26 and we expect the amount to be insufficient. Although energy costs have reduced, a future spike in costs could further impact our budgets.
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. Underlying package costs in 2025/26 are below the amount assumed when we set the budget for 2024/25.
Homelessness service costs	Growth of £5.9m for 2025/26, rising to £6.1m in future years, has been included in the service budget – costs are volatile, but it is believed unlikely that costs will be less than this. A further £6m per year has been included as a contingency and will be released if needed.	Homelessness remains particularly volatile and a significant overspend is forecast in 2024/25. Demand for homeless services will reflect the availability of affordable housing, and government policy on housing benefit and on asylum. Growth in costs can be constrained if mitigation measures (e.g. increasing supply to avoid the use of expensive temporary accommodation) are successful.
Other service cost pressures	A contingency of £2m per year (increasing over time) for demographic growth has been built into the forecasts to provide some cushion against uncertainty, over and above growth	Costs relating to children who are looked after have been increasing nationally, and are a particular risk for future years.

	<p>assumptions built into service budgets. Aside from this, it is assumed that departments are able to find savings to manage cost pressures within their own areas.</p> <p>A planning provision/ contingency of £2m has been included for 2025/26 rising to £4m by 2026/27 and £6m by 2027/28.</p>	Costs assume the delivery of proposed savings for which delivery plans will be vital.
Departmental savings	The budget strategy assumes new savings totalling £22.6m by 2027/28. See section 10 of the budget report for more details.	Risk that savings are not achieved or are delayed, leading to a greater call on reserves to balance the budget.

<u>Income</u>	Assumptions – central scenario	Risks
Council Tax	<p>Band D Council Tax will increase by 5.0% in 2025/26, then by 3.0% 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>	Further economic downturn leading to increased costs of council tax support to residents on a low income. Conversely, we may be permitted to set a higher tax in 2026/27 and 2027/28 – 5% was permitted in recent years for authorities with social care responsibilities. In future years with lower inflation however, it may not be tenable.
Business rates	<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>We believe that the national business rates system in its current form is becoming unsustainable. The local government business rates retention system is being “patched up” considerably as a result, and the new government is considering options for updating and reform – it is not yet clear whether we would gain or lose from these. Long term stability seems unlikely.</p> <p>The Government proposes to “reset” the business rates retention system in 2026/27, but this timescale will be challenging.</p>
Government grant	<p>Government funding allocations continue to remain broadly flat, with little real-terms growth.</p> <p>The government is currently consulting on a review of the distribution of funding, to take effect from 2026, “to ensure that it reflects an up- to-date assessment of need and local revenues”. We do not yet have details of what this might mean in practice and in practice expect damping of authorities’ gains and losses will be required. Our forecast implicitly assumes that</p>	<p>As very little information is available on the outcome of the funding review, the final allocations may be substantially different.</p> <p>The latest government figures imply that unprotected departments will suffer real terms cuts in budgets of 1.4% per year from 2025/26, according to analysis by the Institute for Fiscal Studies.</p>

	<p>our gains are in line with the £11m received for the Recovery Grant in 2025/26.</p> <p>An additional £5m per year, each year, from 2026/27 is assumed for social care. Whilst this has not been promised by the Government, it is in line with increases in funding received in previous years.</p>	<p>Local government may (as has frequently been the case in previous years) be treated less favourably than other unprotected departments.</p>
Waste Packaging - Extended Producer Responsibility	<p>It is assumed that income from the scheme falls by a third by 2027/28 as producers take steps to reduce their charges payable. The Government may also take this income into account in the forthcoming national spending review. A £1.5m per year provision is provided for additional costs.</p>	<p>Both the income and costs in future years are highly uncertain, and partly depend on the response from producers to the new charges.</p>

Earmarked Reserves

- As part of the overall budget strategy described at paragraph 5.6 of the main report, all earmarked reserves have been reviewed to release funds where possible. This is part of strand one of the budget strategy. It is recommended that earmarked reserves are consolidated, leaving only the following General Fund reserves set aside for specific purposes:

Description of Reserve(s)	Forecast Balance after spending in 2024/25 (£m)	Notes
Departmental ring fenced resources	2.6	Grant funding, with conditions attached.
Partnership funding	10.9	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	3.8	Meets costs of our self-insured insurance claims. Needs to be sufficient for this purpose and is periodically reviewed by actuaries.
Severance Fund	4.7	Meets staff redundancy and other termination costs
Workforce development	4.0	A new reserve, proposed 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	7.0	Likely to play a more prominent role in achieving savings through service modernisation. The review has identified additional funds of £1.8m in view of the scale of change required.

Building Schools for the Future	6.4	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	7.2	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 reprourement strategy	8.7	To prepare for a new contract, to take effect from May 2028
TOTAL	58.0	

2. The proposals above have identified £20.1m for the budget strategy. In addition we have added £1.8m to the service transformation fund and created a new £4m workforce planning reserve. This will enable departments to access one-off monies to support transformation work, budget savings and support investment in our workforce. A lot of this would have previously been funded from departmental reserves that have now been released to support the corporate budget strategy.

3. Members are reminded that we have a significant negative earmarked reserve. As with most authorities, we spend more than our income on the “high needs” schools’ block. There is a special government dispensation for all authorities to maintain a negative balance, and not write it off to the general fund. Currently, the balance at the end of the year is expected to be minus £26m. The dispensation is expected to come to an end in March 2026. It is difficult to see how the Government would allow this to happen, but it remains a risk.

4. As a result of the review the following reserves will be available to support the budget strategy:

	Forecast (£m)	
Former Managed Reserve	73.6	
Release from capital programme	90.0	See capital programme report.

Council Tax Premiums - Empty Property and Second Homes

1. This appendix sets out our policy on charging council tax premiums on empty properties. Changes which will take effect from 1st April 2025 are:
 - The extension of premiums to substantially furnished empty properties (“second homes”). This was approved by the Council in February 2024 in order to give 12 months’ notice, but we now propose to change the policy to take into account Government guidance on exemptions received in November 2024.
 - Proposed removal of the current policy to fully discount the first month that a property is empty and substantially unfurnished.
2. 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. As part of preparing our local plan, a need for 39,000 new homes was identified for the period 2020 to 2036. We have around 6,000 households approaching the council each year because they are at risk of homelessness. 6,700 households have applied to the council for housing. In this context, 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 exemptions and – until 2025 - a one month fully discounted period).
4. From 1st April 2025, the proposal is to remove the one month discounted period and start to charge full council tax from the point at which a property become vacant. This will make the policy consistent with the policy for furnished homes. The discount has proved complex to administer, and difficult to arbitrate.

5. Assuming the recommendations in this report are approved, our policy for charging council tax on substantially unfurnished empty properties from 1st April 2025 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)

6. 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. As required by law, the Council gave 12 months' notice in February 2024 to start charging this premium from 1st April 2025.
7. Our policy for charging council tax on substantially furnished empty properties from 1st April 2025 is:

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

Exemptions to premiums

8. 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 will be published 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	Dwelling which is or would be someone's sole or main residence if they were not

	second homes from 1 st April 2025	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)

Consultation

9. The Council consulted on the proposed removal of the one-month disregard for empty unfurnished properties. An online consultation was open from 14 November 2024 to 12 December 2024, and 27 people responded. The majority (78%) were Leicester residents; 7% responded as a landlord. 70% of respondents wanted to retain the current one month full discount. 30% wanted to remove it from 1 April 2025.

In practice, firm conclusions from the consultation are difficult to draw because of the response rate. We propose to continue with the change, but will monitor the impact on average times to bring properties back into use.

10. An equality assessment has been completed in respect of the one month discount, and is shown at Appendix 6A.

Equality Impact Assessment (EIA) Tool:

Title of proposal	Removal of the 100% discount currently applied when an empty and unfurnished property becomes vacant – from 1 April 2025
Name of division/service	Revenues & Customer Support / Finance
Name of lead officer completing this assessment	Ashok Thakrar
Date EIA assessment commenced	23 October 2024 Updated 20/12/2024, following consultation
Date EIA assessment completed (<i>prior to decision being taken as the EIA may still be reviewed following a decision to monitor any changes</i>)	
Decision maker	Cory Laywood
Date decision taken	

EIA sign off on completion:	Signature	Date
Lead officer	Ashok Thakrar	22 October 2024 / 20/12/2024
Equalities officer (has been consulted)	Surinder Singh	22 October 2024
Divisional director	Amy Oliver	1 st November 2024

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?

Since April 2013, Councils have had considerable discretion over the level of discounts available on unoccupied properties. This includes unoccupied and substantially unfurnished dwellings, which prior to this date were entitled to a mandatory six-month exemption. Following the changes, we retained a one calendar month discount to help with administration and support lettings between tenancies. It is prudent now to review this discount as many other authorities have done.

The proposal is to remove the one-month full discount applied to empty and unfurnished properties, when they become vacant.

Our current level of council tax charges for empty and unfurnished dwellings are:

Description	Level of tax charge from 1 April 24 (inclusive of premium)
Empty for up to one calendar month	0%
Empty from one calendar month to one year	100%
Empty for at least one year	200%
Empty for at least five years	300%
Empty for at least ten years	400%

The removal of the discount will have the following benefits:

- (a) The charges will be consistent with those for furnished dwellings, where no discount applies.
- (b) It is easier for staff and customers to understand the charges that apply to all types of empty dwellings.
- (c) It will avoid enquiries and disputes saving staff time (for instance where a tenant claims to have vacated prior to the end of a tenancy and therefore they - rather than the landlord - are entitled to some of the discount). Overall, less verification will be required.
- (d) Avoids staff having to make a distinction between a furnished and unfurnished empty dwelling, as no discount will apply irrespective.
- (e) May encourage even quicker lettings of properties by landlords.

It is difficult to be precise about the number of properties that could be impacted as this is not static position. It is estimated that less than 500 accounts may be affected. The change would raise approximately £0.6m of additional council tax income per year which will need to be collected.

A consultation has been conducted. 27 responses were received, of which 6 were from landlords, local businesses and a local voluntary organisation.

Of the 27 responses, 19 (70.37%) wanted to retain the one calendar month full discount when such properties become vacant from 1 April 2025.

2. Equality implications/obligations

Which aims of the Public Sector Equality Duty (PSED) are likely to 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 change could help to further increase the quick letting of properties and thereby increase the number of properties available for much needed housing in the city at any given time.

The additional charges will affect owners and landlords of properties mainly, but in certain circumstances also tenants who have vacated before the tenancy end date. There will be a charge whilst the property is being prepared to be relet. This could mean the Service having to collect small amounts of council tax from landlords/owners where properties are let within one month of the previous tenancy ending.

Many councils have now moved away from giving any discount on empty and unfurnished dwellings, including Nottingham, Wolverhampton, Rotherham, Sheffield, Manchester, and Hull.

Whilst 70% of respondents were against the removal of the discount, by its very nature those who did participate are more likely to be those who are adversely affected, and further the 27 who took part is a relatively small number from which it is not possible to draw conclusions. The primary objective of the change is to support the quicker letting of properties.

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?

The number of properties this change can affect will fluctuate but is not expected to be more than 500 at any given point. Those most likely to be adversely affected will be landlords of large portfolios of unfurnished properties.

Any tenants who vacate before their tenancy end date, and are subject to this charge, can be supported through discretionary relief if necessary, on a case by case basis.

No information was captured as part of the consultation which assists us to assess whether or not the proposal advances equality of opportunity.

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?

Council tax makes up a high percentage of the council's income and this income pays for many essential services. Cuts in government funding also mean that the council needs to raise additional revenue and make substantial savings. We could raise money by increasing the amount of council tax payable by implementing the changes allowed by legislation. This change may speed up the available lettings of unfurnished properties, which supports the housing process leading to a more cohesive community for Leicester.

A statutory process is followed in the collection of these debts in the same way as at every other council. However, we ensure that there are safeguards in place such as giving the customer every opportunity to contact us for help at every stage of the process. We also always review all collection processes on a regular basis and try to make improvements where possible, such as the issue of better text reminders and reviewing policies, for example we have a council tax discretionary relief for those suffering extreme hardship and have reviewed the vulnerability policy.

No information was captured as part of the consultation which assists us to assess whether or not the proposal helps foster 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.

Landlords, owners and lease holders will be affected as they will be required to pay a charge immediately between lettings. Tenants may be affected if they vacate a property prior to the tenancy end date.

However, those residents looking for unfurnished accommodation may find that the number of properties available for letting at any given time increases.

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.

The Revenues and Customer Support Service use the Civica software system to manage the administration of council tax. Reports from the system allow an analysis of how many properties fall into the categories mentioned above and the effective date of any changes that they apply from. The system also allows progression of the relevant accounts, and any other changes should the property remain unoccupied or is relet.

Council tax regulations do not allow a billing authority to ask whether a resident has any particular characteristics other than the number of liable persons. Many councils have now moved away from giving any discount on empty and unfurnished dwellings, including Nottingham, Wolverhampton, Rotherham, Sheffield, Manchester, and Hull.

However, this change will mainly affect owners and landlords, who could be individuals or companies who may be operating the letting of their property(ies) as a business.

To ensure any impact on individuals who are experiencing difficult circumstances is eliminated or minimised, we consulted residents regarding this change. Discretionary support is available if extreme hardship is experienced.

The number that responded (27) to the consultation was relatively small to make an informed assessment of an equality impact.

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?

A consultation took place, to gain views of residents, local businesses, owners/landlords or any other organisation who may be affected.

The consultation has now concluded, and 27 responses were received, of which 6 were from landlords, local businesses, and a local voluntary organisation.

Of the 27 responses, 19 (70.37%) wanted to retain the one calendar month full discount when such properties become vacant from 1 April 2025.

The number that responded was relatively small, and the primary objective of the proposal to support the quicker lettings of proposal would be beneficial to many priority groups who need support with housing within the rental sector.

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?

Any adults over the age of 18 or organisation who have left a property unoccupied and unfurnished for up to one month would be impacted. Young people looking to rent an affordable property may also be positively affected as more empty properties are made available quicker.

What is the risk of disproportionate negative impact on age?

No disproportionately negative effect identified.

What are the mitigating actions?

None identified, however discretionary support can be considered depending on circumstances.

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?

There are existing statutory exemptions for those who may have a disability and have left their property unoccupied as they are for example living in a care home or receiving care elsewhere.

What is the risk of disproportionate negative impact on disability?

None identified

What are the mitigating actions?

Cases can be reviewed on an individual basis and supported as necessary.

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 impact identified based on data currently available.

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 the under the Public Sector Equality Duty this protected characteristic applies o 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 impact identified based on data currently available

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?

No impact identified based on data currently available.

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

N/A

What are the mitigating actions?

N/A

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?

No impact identified based on data currently available

What is the risk of disproportionate negative impact on race?

N/A

What are the mitigating actions?

N/A

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 impact identified based on data currently available.

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?

No impact identified based on data currently available.

What is the risk of disproportionate negative impact on sex?

N/A

What are the mitigating actions?

N/A

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?

No impact identified based on data currently available.

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

N/A

What are the mitigating actions?

N/A

7. Summary of protected characteristics

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

This proposal applies to any unfurnished property left unoccupied and owners/ landlords, including tenants who vacate prior to the tenancy end date, may be affected since the short-term full discount would be removed. At the outset it is difficult to comment on many of the protected characteristics.

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

There is insufficient data on the system to be able to comment.

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 to 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.

Armed Forces are not specifically disadvantaged or further disadvantaged. Discretionary support can be considered for those that are adversely affected on an individual basis by the changes.

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?

The quicker letting of properties to avoid the council tax charge, should have a positive impact on care leavers in terms of the homes available for letting.

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

None identified

What are the mitigating actions?

N/A

b. Children in poverty

What is the impact of the proposal on children in poverty?

This proposal could have a beneficial impact for such children in that additional housing could be made available if more properties can be brought back into use quicker.

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

None identified

What are the mitigating actions?

N/A

c. Other vulnerable groups

What is the impact of the proposal on other vulnerable groups?

Should the policy achieve its objectives and accommodation in the city is made available quicker, there is the possibility of more positive impacts for vulnerable groups such as the homeless, refugees and care leavers.

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

None

What are the mitigating actions?

None

d. Other (describe)

What is the impact of the proposal on any other groups?

None

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

None

What are the mitigating actions?

None

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.

None have been identified. We are not aware of any other government policies or regulation changes that would impact this proposal. Empty furnished and unfurnished properties would both be treated the same way when they become vacant. Supports overall empty homes strategy.

10. 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:

No impact identified based on data currently available.

11. 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](#).

We will be able to monitor the impact through complaints/challenges to the change, and through analysis of feedback received by the service area.

Monitoring will also will take place through ongoing account management and as part of periodic review of impact on the council's taxbase, which is reported to Central Government and the Director of Finance as part of the council's budget setting process.

The consultation did not highlight any additional areas where monitoring is required.

12. 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
Consultation to notify residents and owners of removal of the full discount when an unoccupied and unfurnished property becomes vacant.	Analyse outcome and include notification as an addendum in the final report.	Ashok Thakrar	30/12/2024 Completed 20/12/2024
Monitor any behaviour changes of owners /residents following implementation of the change.	Monitor via complaints, councillor and MP enquiries. Monitor and report any changes.	Ashok Thakrar / Gita Mistry	From 1/04/2024 onwards
Consider mitigating any disproportionate impacts	Monitor via complaints, councillor and MP enquiries, and general customer contact	Ashok Thakrar /Gita Mistry	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

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 – the last such permission covered the period to 2024/25. A Government policy paper in November confirmed the intention to extend this policy to 2030, but we have not yet seen a new direction.
2. This report seeks to provide the Council with the authority to use the general permission.
3. If the permission is couched in similar terms to previous years' directions, it will enable 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. We have not yet received the new direction so do not know the precise terms, but assume it will operate on similar lines to the previous one. Should updates to this policy be required when the new direction is received, they will be made by the City Mayor.
5. 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.

The Plan

6. This is the first flexible use of receipts plan submitted by the Council. Consequently, no revenue expenditure has been capitalised using capital receipts prior to 2025/26.
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 2025/26.

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) Social care projects to deliver efficiencies and constrain cost growth - up to £4m;
 - (b) Projects to reduce the need to place homeless families in temporary accommodation – up to £4m;
 - (c) Severance costs arising from delivery of the savings described in the budget report (see above) – up to £4m.

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.