

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL
CABINET – TUESDAY, 26 AUGUST 2025**



Title of Report	QUARTER 1 GENERAL FUND FINANCE UPDATE	
Presented by	Councillor Keith Merrie Finance and Corporate Portfolio Holder <div>PH Briefed <input type="checkbox"/> Yes</div>	
Background Papers	Council 20 February 2025: General Fund Budget and Council Tax 2025/26	Public Report: Yes
		Key Decision: Yes
Financial Implications	Any financial implications of this report are detailed in the body of the report and the attached appendices.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	No legal implications arising from this report.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	Any staffing implications of this report are detailed in the body of the report and the attached appendices.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To provide Cabinet with an update on the financial position on the General Fund as at quarter one 2025/26.	
Reason for Decision	Cabinet is responsible for making all of the necessary arrangements to ensure that the priorities identified by the Council are delivered within the Budget and Policy Framework and therefore financial reporting is brought to Cabinet to ensure that oversight is carried out. To update Cabinet on the financial position as at quarter one 2025/26, as detailed in the recommendations below.	
Recommendations	THAT CABINET: 1. NOTES THE FORECASTED UNDERSPEND ON GENERAL FUND REVENUE 2025/26 OF £113K BASED ON QUARTER ONE INFORMATION. 2. NOTES THE GENERAL FUND CAPITAL PROGRAMME POSITION. 3. NOTES THE TREASURY MANGEMENT POSITION.	

1. PURPOSE OF THE REPORT

- 1.1 The General Fund Budget 2025/26 report was approved by Full Council at its meeting held on 20 February 2025.
- 1.2 This monitoring report presents a high-level financial forecast as of the end of quarter one 2025/26. Finance officers have collaborated closely with individual service areas to gain a comprehensive understanding of the key financial pressures affecting each service. This collaborative approach has enabled the production of a provisional forecast, designed to inform and support further decision-making. Whilst the forecast set out pertains to quarter one, it is pertinent to note that the Council received updated information regarding the pay award and the Extended Producer Responsibility Payment following the end of the quarter. Given the significance of these values, it is considered prudent to present Members with a forecast which incorporates this most recent data.
- 1.3 The finance team is prioritising the completion of the Statement of Accounts 2023/24, which is scheduled for submission to the external auditor at the end of August 2025, hence the reason for the high-level review. Detailed forecasting is planned for the quarter two position.
- 1.4 A series of meetings have taken place with portfolio holders, providing an opportunity to discuss the financial positions relevant to their respective portfolios in detail. These discussions have been instrumental in refining the overall understanding of both current and anticipated pressures across the Council.
- 1.5 The provisional forecast set out in this report reflects the latest available information and should be regarded as an early indication of the financial outlook for the remainder of the year. It is expected that forecasts will be further developed and refined as the year progresses and more detailed information becomes available.
- 1.6 In setting the budget for 2025/26, the Council took into account ongoing cost pressures identified during 2024/25, and has allocated additional funding to support service areas facing these challenges.
- 1.7 In light of recent pay awards, careful consideration was given to ensuring that the budget provision is sufficient to meet increased staffing costs and maintain financial resilience.

2.0 GENERAL FUND

2.1 General Fund Revenue

- 2.1.1 Table 1 below summarises the first quarter position by Directorate. The current forecasted outturn is a net underspend of £113k on the overall General Fund budget.
- 2.1.2 Whilst there is currently an overspend on individual service areas, this is offset by additional grant income received by the Council. It should be noted that there is no intention at this stage to vire this funding to the individual services concerned. Maintaining this approach is important for transparency, as it ensures that the true cost of delivering each service is properly reflected. Despite the service-level overspends, the overall financial position for the Council at this time is one of underspend.

Table 1 – General Fund Revenue 2025/26 Quarter 1 Forecast Outturn Position

Service	Revised Budget 2025/26	Forecast Outturn	Total Variance	Total Variance to Budget
	£'000	£'000	£'000	%
Chief Executive Directorate	2,825	2,867	42	1.5%
Place Directorate	1,951	1,977	26	1.3%
Community Services Directorate	6,990	7,360	370	5.3%
Resources Directorate	4,953	4,954	1	0.0%
Corporate & Democratic Core & Other Budgets	2,863	2,431	(432)	(15.1%)
NET COST OF SERVICES	19,150	19,157	7	0.0%
Net Recharges from General Fund	(1,714)	(1,714)	0	0.00%
NET COST OF SERVICES AFTER RECHARGES	17,868	17,875	7	0.0%
Corporate Items and Financing	1,638	1,518	(120)	(7.3%)
NET REVENUE EXPENDITURE	19,506	19,393	(113)	0.0%
FUNDING TOTAL	(19,506)	(19,506)	0	0.0%
FORECAST (UNDERSPEND) / OVERSPEND	0	(113)	(113)	

2.1.3 There are several variances that make up the forecast outturn detailed above. Cabinet should note that the forecast is an early indication of the financial position which could change during the financial year as new information becomes available. Appendix 1 gives a more detailed analysis of the forecast outturn variances by service. The major factors that are contributing to the overspend are as detailed below:

Staffing £213k overspend

- £10k agency overspend- There is a national issue for recruiting and retaining appropriately experienced staff into local government, North West Leicestershire is no different. To ensure the Council meets its duties, interim resource is being procured at generally a much higher cost than permanent staff. Agency staff are employed across a range of council services to maintain continuity, particularly in roles that are persistently challenging to recruit for. While agency costs are inevitable under these circumstances, it is important to note that these expenditures are offset by budgets previously agreed and by supplementary estimates that have already received Cabinet approval. This approach enables service delivery to remain resilient, despite recruitment pressures, and ensures that financial controls are maintained.
- £203k overspend – pressure due to not meeting the 3% vacancy control factor, across the Council but specifically on front line services. This will be reviewed in quarter two.

Income (£381k) underspend

- £51k overspend – pressure due to a combination of voids within the commercial leasehold property portfolio, units and market stalls are reducing the Council's income, along with agreed rent-free periods due to unsuitable building conditions. Officers are making every effort to promote the Council's commercial units and the market to ensure the Council is maximising its income and supporting the local economy.
- (£432k) underspend - Extended Producer Responsibility Payment grant income advised of £2m, an increase of £0.432m on 2025/26 budget which will be transferred to contingency to meet any in-year cost pressures.

Other Major Items £165k overspend

- £160k overspend - Repairs and maintenance of Council vehicles is increasing due to an aging fleet. The commitment made by Cabinet and Council to purchase new vehicles will reduce this pressure in the future.
- £5k overspend on discretionary housing payments, which is a demand led budget and is, therefore, volatile.

2.1.4 To provide a clearer understanding of the pressures mentioned above, the following paragraphs offer detailed context.

Recruitment and Retention

Local authorities are increasingly facing rising costs due to their reliance on agency workers, as they struggle to fill permanent positions. According to a report by the Local Government Association (LGA), this trend is driven by a shortage of qualified candidates for essential roles, leading councils to depend on more expensive temporary staff.

The inability to fill essential posts has significant implications for the services provided by local authorities. For instance, if key positions in waste management are not filled, waste collection and disposal services could be disrupted, leading to public health concerns and environmental issues.

Pay Award 2025/26

Local government employers recently announced, as confirmed at the end of July 2025 that a pay award of 3.2% will be implemented for 2025/26. The Council had prudently budgeted for a 3% pay award as part of its financial planning for the year. The difference between the agreed pay award and the budgeted figure equates to an additional cost of approximately £40k. The value of 2023/24 and 2024/25 pay awards in excess of the budgeted figures, are also funded from contingency and the budget will be transferred to services shortly.

In setting the budget, the Council included a contingency allocation of £479k to address unforeseen or above-forecast costs such as this. Consequently, the anticipated additional expenditure arising from the pay award will be absorbed within the existing contingency budget. This approach ensures that the Council can fulfil its obligations to staff without adversely impacting planned service delivery or necessitating adjustments elsewhere in the budget.

Extended Producer Responsibility Payment

In addition, the Government has now announced the final allocations for the Extended Producer Responsibility (EPR) payment for 2025/26. The EPR scheme is a government initiative designed to ensure that producers bear the full financial responsibility for the

collection and recycling of packaging waste, thereby supporting local authorities in managing waste more effectively.

When setting the budget in February, the Council prudently included a provisional estimate of £1.5 million in anticipation of EPR funding. Following the Government's announcement last week, the final allocation has now been confirmed at approximately £2 million. This represents an uplift of £0.432 million compared to earlier expectations. The additional funding will be used to offset any overspends by departments, further strengthening the Council's financial resilience for the remainder of the year.

Vacancy Control Factor

The Council has operated a vacancy control factor for several years as part of its approach to effective financial management. In local government, a vacancy control factor is an assumed level of staff turnover or delayed recruitment factored into service budgets. It reflects the expectation that not all positions will be filled continuously throughout the year, thereby generating salary savings. This mechanism is commonly used by local authorities to help manage staffing costs and to contribute to overall budget efficiency.

The rationale behind applying a vacancy control factor is to recognise that, due to the natural cycle of staff leaving and recruitment processes, there will almost inevitably be periods where positions remain unfilled. By budgeting for these anticipated gaps, councils can more accurately forecast their staffing expenditure and direct resources where they are most needed.

However, the Council is aware that in certain service areas, the application of vacancy control is not appropriate. In these cases, factors such as specialised skills, statutory obligations, or service delivery imperatives mean that posts must be filled continuously, leaving little or no scope for vacancy-related savings. The result has been overspends in some departments, as the vacancy factor does not align with operational realities.

Recognising this, the Council has agreed to undertake an in-year review of the vacancy control assumption within specific services. This review will assess where vacancy factors should be adjusted or removed to ensure that budgets more accurately reflect service needs. An update on the outcomes of this review will be provided in the quarter two monitoring report.

2.1.5 In summary, the forecasted outturn is based on the latest available information and is subject to change as more detailed information becomes available during the financial year. Whilst the forecasted net underspend of £113k is favourable, this is mainly due to additional one-off government grant income netting off recurrent service pressures.

2.1.6 The challenges the Council faces are significant and common across all local authorities. The Council's focus will be on mitigating overspends in specific areas, for example, on staffing costs by becoming an employer of choice to attract appropriately skilled talent, specifically reviewing the vacancy control factor and managing recurrent funding implications; updating the Council's vehicles to minimise costs as well as improving safety and continuing with the efforts being made to minimise voids in order to maintain income levels.

2.2 Savings Programme

2.2.1 Savings proposals included in the medium-term financial plan (MTFP) totalled £599k in 2025/26. These have been reviewed to establish delivery against set targets and

updated according to a rag rating system as follows: green achieved, amber on track to be achieved, red at risk of non-delivery. £19k savings have been achieved (green) whilst £527k savings are on track to be achieved (amber). One saving totalling £53k in relation to the deletion of Community Focus post will not be achieved in 2025/26. The post has been filled on a three year fixed term contract. The performance against detailed proposals is shown in Appendix 2.

2.3 General Fund Reserves

- 2.3.1 The Council holds reserves that are earmarked for a particular purpose and are set aside to meet known or predicted future expenditure in relation to that purpose. These reserves are in the process of being updated as part of the finalisation of the 2023/24 and 2024/25 financial accounts. The updated position will be reported at quarter two.

2.4 General Fund Capital

- 2.4.1 The 2025/26 active programme approved capital budget for the General Fund is £9.2m and expenditure for the first quarter is £78k which is less than 1% of the budget. At this early stage of the financial year and being mindful of the high-level monitoring approach adopted at quarter one, the forecasted outturn is per budget. A more refined forecast will be provided at quarter two.

2.5 Prudential Indicators

- 2.5.1 The prudential Indicators for quarter one can be found in Appendix 3.

2.6 Treasury Management

- 2.6.1 The following outlines the Treasury position and variance to budget of the Council's Treasury Management function. The Council's Treasury Management Strategy for 2025/26 was approved at the Council meeting on 20 February 2025. The Council has invested substantial sums of money and is, therefore, exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's Treasury Management Strategy.
- 2.6.2 There are no changes to the borrowing interest expenditure, nor borrowing principal repaid forecasts as no new borrowing has taken place or loans repaid early during the quarter.
- 2.6.3 Investment interest income for the General Fund investments is forecast at £270k, an additional £120k. A review of all the General Fund investments is being undertaken, the outcome of which will be reported at quarter two, taking account of the financial implications of the latest Bank of England decision to reduce interest rates.
- 2.6.4 Table 2 shows a summary of the Council's external investments and borrowing along with the rate of return/borrowing of both.

Table 2 – Treasury Summary

	31.3.25 Balance £m	Movement £m	30.06.25 Balance £m	30.06.25 Rate %
Long-term borrowing	53.84	0.00	53.84	3.52%
Short-term borrowing	1.30	-0.63	0.67	2.24%
Total borrowing	55.13	-0.63	54.51	3.49%
Long-term investments	0.00	0.00	0.00	0.00%
Short-term investments	25.00	-8.50	16.50	5.11%
Cash and cash equivalents	5.00	19.50	24.50	3.26%
Total investments	30.00	11.00	41.00	4.00%
Net borrowing	25.13	-11.63	13.51	

Policies and other considerations, as appropriate	
Council Priorities:	A well run Council.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	The Council plans to invest up to £1.1m in town centre regeneration and public realm works in the current financial year.
Environment and Climate Change:	Up to £0.5m is forecast to be spent on purchasing environmentally friendly vehicles and installing electric vehicle charging points throughout the district in the current financial year.
Consultation/Community/Tenant Engagement:	This report will be considered by Corporate Scrutiny Committee on 4 September 2025.
Risks:	<p>Consumer Price Inflation (CPI) is the highest at 3.6% since January 2024 which means the real purchasing power of the Council's reserves steadily erodes, meaning the same amount of money can purchase progressively fewer goods and services. This erosion of value poses a challenge to the organisation's ability to maintain financial stability and achieve its long-term financial objectives.</p> <p>The budgets will continue to be monitored throughout the year to ensure the Council remains within its funding envelope.</p> <p>Work is continuing to ensure the ledger is up to date for 2023/24 and 2024/25. As the 2023/24 and 2024/25 data is yet to be finalised, this places a risk on the 2025/26 data, and any brought forward balances from 2023/24.</p>
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