

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 16 DECEMBER 2025



<b>Title of Report</b>	<b>GENERAL FUND FINANCE UPDATE - 2025/26 QUARTER 2</b>	
<b>Presented by</b>	Councillor Keith Merrie Finance and Corporate Portfolio Holder <div style="text-align: right;">PH Briefed <input type="checkbox"/> Yes</div>	
<b>Background Papers</b>	<b>Council 20 February 2025:</b> <a href="#">General Fund Budget and Council Tax 2025/26</a>	<b>Public Report:</b> Yes
	<b>Cabinet 26 August 2025:</b> <a href="#">2025/26 Quarter 1 General Fund Finance Update</a>	<b>Key Decision:</b> Yes
<b>Financial Implications</b>	Any financial implications of this report are detailed in the body of the report and the attached appendices.	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	No legal implications arising from this report.	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	Any staffing implications of this report are detailed in the body of the report and the attached appendices.	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	To provide Cabinet with an update on the financial position on the General Fund as at Quarter 2 2025/26.	
<b>Reason for Decision</b>	The Council's Financial Procedure Rules state that the S151 Officer must monitor and control expenditure against budget allocations and report to Cabinet on the overall position on a regular basis.	
<b>Recommendations</b>	<b>CABINET IS RECOMMENDED TO:</b> <ol style="list-style-type: none"> <li>1. <b>NOTE THE FORECAST UNDERSPEND ON GENERAL FUND FOR 2025/26 OF £496K BASED ON QUARTER 2 INFORMATION.</b></li> <li>2. <b>NOTE THE SPECIAL EXPENSES FORECAST OUTTURN FIGURES FOR 2025/26 BASED ON QUARTER 2 INFORMATION.</b></li> <li>3. <b>NOTE THE GENERAL FUND CAPITAL PROGRAMME DETAILED IN APPENDIX 5.</b></li> </ol>	

## 1.0 INTRODUCTION

- 1.1 This report updates Cabinet on the General Fund spending from 1 April to 30 September 2025, with a focus on significant variances from approved budgets. Due to finance system backlog and delays in closing the 2024/25 accounts, detailed analysis was not possible; therefore, only major variances are reported based on available information and discussions with Finance and budget holders. The finance team is prioritising completion of the 2024/25 Statement of Accounts, scheduled for release in the coming weeks.
- 1.2 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.

## 2.0 GENERAL FUND REVENUE

- 2.1 Table 1 below summarises the second quarter position summarised by Directorate. The current projections are that an underspend of £496k on the overall General Fund budget is expected for 2025/26.

**Table 1 – General Fund Revenue 2025/26 Quarter 2 Forecast Outturn Position**

Directorate	Revised Budget £'000	Forecast £'000	Variance £'000
Chief Executive Directorate	3,013	3,080	67
Place Directorate	2,247	2,359	112
Community Services Directorate	7,951	8,514	563
Resources Directorate	5,432	5,863	431
Corporate & Democratic Core & Other Budgets	506	303	(203)
<b>NET COST OF SERVICES</b>	<b>19,150</b>	<b>20,120</b>	<b>970</b>
Net Recharges from General Fund	(1,714)	(2,055)	(341)
<b>NET COST OF SERVICES AFTER RECHARGES</b>	<b>17,436</b>	<b>18,065</b>	<b>629</b>
Total Corporate Items and Financing	1,638	979	(659)
<b>NET REVENUE EXPENDITURE</b>	<b>19,074</b>	<b>19,044</b>	<b>(30)</b>
Contribution to/(from) Balances/Reserves	(0)	(0)	0
<b>NET EXPENDITURE (AFTER RESERVE CONTRIBUTIONS)</b>	<b>19,074</b>	<b>19,044</b>	<b>(30)</b>
<b>FUNDING TOTAL</b>	<b>(19,074)</b>	<b>(19,540)</b>	<b>(466)</b>
<b>FORECAST (UNDERSPEND) / OVERSPEND</b>	<b>(0)</b>	<b>(496)</b>	<b>(496)</b>

- 2.2 Cabinet should note that the position is a forecast and could change by 31 March 2026. The forecast underspend will be transferred to the Medium-Term Financial Plan (MTFP) Reserve at year-end.
- 2.3 There are several variances that make up the forecast outturn detailed above. Appendix 1 provides a detailed analysis of the forecast outturn variances by service.

- 2.4 The 2025/26 budget incorporated savings totalling £573k. 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). The detailed proposals are in Appendix 2.
- 2.5 While there is an underspend, the Council has incorporated mitigations in the budget proposals for 2026/27 to address some of the financial challenges. The challenges the Council faces are significant and common across all local authorities, indicating that the Council is not unique in this regard. The Council's focus will be on mitigating overspends in specific areas, for example, utilising market supplements for the difficult to recruit to posts.
- 2.6 Whilst suboptimal, the Council remains committed to ensuring financial sustainability over the medium term. The Council's transformation programme will aid in developing proposals that ensure that services deliver value for money. Departments will continue to review budgets to achieve necessary savings, despite the challenging and volatile climate and the rising demand for our services.

### **3.0 SECTION 106 AGREEMENTS**

- 3.1 Section 106 agreement funds of £6.5m were held by the Council as at 31 March 2025. During the financial year, the Council has received an additional £456k contributions and £91k has been spent so far by the Police Authority, Healthcare, River Mease and Recreations/Parks. A breakdown of the £6.9m balance as at 30 September 2025 is provided at Appendix 3.

### **4.0 GENERAL FUND RESERVES**

- 4.1 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. The reserves are monitored alongside the budget as part of budget monitoring.
- 4.2 Assuming that reserves are utilised in line with the timescales agreed as part of their approval, reserves represent an effective means of utilising surpluses and underspends whilst also ensuring delivery of projects. There is a significant reduction in the business rates reserve, this is due to the Council's strategy of utilising reserves to fund the capital programme. Whilst the balance reduced to approximately £1m at the end of the year, a contribution to the reserve is expected to support future years capital investments.
- 4.4 Table 2 below summarises the forecasted position in respect of earmarked reserves and other reserves held by the Council. Full details by service can be found in Appendix 4.
- 4.5 The balance of the business rates reserve is forecast to be £11.8m by the 31 March 2026. Most of this balance (£10.3m) has been committed within the approved capital programme for 2026/27 and 2027/28 and an additional £0.8m in revenue one off proposals.

**Table 2 – General Fund Usable Revenue Reserves Quarter 2 Forecast**

	Provisional Balance as at 01/04/25 £'000	In Year Movements £'000	Forecasted Balance as at 31/03/26 £'000
Service Earmarked Reserves	4,142	(548)	3,593
Business Rates	9,269	(8,332)	937
MTFP	6,716	(722)	5,993
Special Expenses	99	(35)	64
<b>Total Earmarked Reserves</b>	<b>20,226</b>	<b>(9,638)</b>	<b>10,587</b>
General Fund Balance	1,544	-	1,544
Special Expenses	83	-	83
<b>Total Reserves</b>	<b>21,853</b>	<b>(9,638)</b>	<b>12,214</b>

**5.0 GENERAL FUND CAPITAL**

5.1 The revised budget for the General Fund Capital Active Programme for 2025/26 is £10.9m. The actual spend from April to September 2025 was £905k, representing 8% of the revised budget. The forecast outturn is £3m representing 27% of the revised budget and £7.9m of the budget will slip into future years. The majority of the slippage, £7.5m, into 2026/27, is due to the long lead time in procuring specialist vehicles within the fleet replacement programme.

5.2 Table 3 shows the expenditure and forecast against the budget at quarter two, with a more detailed information in Appendix 5.

**Table 3 – Quarter 2 2025/26 Outturn on the General Fund Capital**

Project	Revised Budget £'000	Actual Expenditure £'000	Forecast Outturn £'000	Variance £'000	Slippage to 2026/27 £'000
Coalville Regeneration Projects	1,061	81	875	-186	250
UK Shared Prosperity Investment Plan	146	146	146	-	-
Zero Carbon	300	0	250	-50	-
Systems/ICT Systems	220	95	220	-	-
Vehicles, Plant and Equipment	7,736	37	237	-7,499	7,499
New Construction or Renovation	1,441	545	1,277	-164	164
<b>Total Active Programme</b>	<b>10,904</b>	<b>905</b>	<b>3,020</b>	<b>-7,883</b>	<b>7,913</b>
<b>Total REFCUS</b>	<b>2,255</b>	<b>222</b>	<b>978</b>	<b>-1,276</b>	<b>1,276</b>
<b>Total Special Expenses</b>	<b>22</b>	<b>-</b>	<b>20</b>	<b>2</b>	

## 6.0 CAPITAL PRUDENTIAL INDICATORS

6.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Capital Prudential Indicators are a set of forward-looking measures required under the Prudential Code for Capital Finance in Local Authorities, designed to ensure that local authority capital investment plans are affordable, prudent, and sustainable. They form part of the statutory framework under the Local Government Act 2003 and are closely linked to Treasury Management indicators. They provide transparency and accountability for capital investment decisions, support strategic planning and risk management and ensure borrowing and investment decisions are taken in accordance with good professional practice.

6.2 The key Capital Prudential Indicators are:

### 1. Estimates of Capital Expenditure

- Forecast of planned capital spending for the forthcoming and following years.
- Shows the scale of investment and its impact on resources.

### 2. Capital Financing Requirement (CFR)

- Represents the underlying need to borrow for capital purposes.
- Increases when capital expenditure is financed via borrowing and decreases as debt is repaid, via Minimum Revenue Provision (MRP).

### 3. External Debt Indicators

- **Operational Boundary:** The expected maximum level of external debt during the year (borrowing + long-term liabilities).
- **Authorised Limit:** The statutory upper limit on external debt that must not be breached without Council approval.
- **Actual External Debt:** The real position at a point in time.

### 4. Affordability Indicator

- **Ratio of Financing Costs to Net Revenue Stream:** Shows the proportion of revenue budget used for debt charges.

6.3 It is a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis. The Capital Prudential Indicators for quarter two can be found in Appendix 6.

## 7.0 SPECIAL EXPENSES

7.1 Table 6 below summarises the forecast outturn position for the Special Expense areas. Further information is contained within Appendix 7 which provides a more detailed analysis.

**Table 6 - Special Expenses 2025/26 Quarter 2 Monitoring and Forecast Outturn Position**

	Approved Budget £'000	Forecast Outturn £'000	Variance
Expenditure Requirement	646	656	10
Precept	(639)	(639)	-
Transfer to/(from) reserves	(7)	(17)	(10)

- 7.2 At the end of the second quarter, Coalville special expenses are forecast to be £4k under budget, Hugglescote special expenses £10k over budget and Whitwick special expenses £3k over budget, with other special expense areas forecasting minor variances. It is forecast that budget shortfalls will be funded from balances where available or if not recovered through future years budget setting process.
- 7.3 The major variances are summarised in table 7 below:

**Table 7 – Special Expenses Major Variances**

<b>Special Expenses - Major Variances</b>		<b>£'000</b>
<b><u>Coalville</u></b>		
Cemetery – increased income from burial and monument fees		(1)
Parks, Recreational Grounds, Open Spaces - increased repairs and maintenance		2
Events – reduced salaries and overtime		(5)
<b><u>Hugglescote</u></b>		
Cemetery – increased repairs and maintenance		3
Cemetery – reduced income from burial fees		7
<b><u>Whitwick</u></b>		
Cemetery – increased repairs and maintenance		2
Cemetery – increased water charges		2
Cemetery – increased income from burial and monument fees		(2)

- 7.4 The provisional balances as at 1 April 2025 and the forecast outturn as at 31 March 2026 are shown in Table 8 below. Two of the current Special Expense areas are forecast to be in a deficit position. The deficits for current special expenses will be recovered over future years to ensure that a minimum of 10% balances are retained.

**Table 8 - Forecasted Special Expense Balances 2025/26**

	<b>Provisional Balances 01.04.25 Surplus/ (Deficit) £</b>	<b>Forecast Contribution to/(from) Balances £</b>	<b>Forecast Balances 31.03.26 Surplus/ (Deficit) £</b>
<b><u>Current</u></b>			
Coalville	46,655	34,508	81,163
Whitwick	(4,934)	(16,280)	(21,214)
Hugglescote/Donington Le Heath	44,645	(42,965)	1,680
Coleorton	348	583	931
Oakthorpe, Donisthorpe and Acresford	(10,578)	7,015	(3,563)
Ravenstone	1,520	(39)	1,481
<b><u>Previous</u></b>			
Lockington/Hemington	2,286	-	2,286
Measham	1,940	-	1,940
Stretton	(1,719)	-	(1,719)
Appleby Magna	2,608	-	2,608

7.5 A list of the Special Expense earmarked reserves as at the end of September 2025 are shown in table 9 below. Appendix 8 gives a more detailed analysis.

**Table 9 - 2025/26 Special Expenses Earmarked Reserves**

	<b>Balances 01.04.25 £</b>	<b>Spend to date £</b>	<b>Forecast Spend £</b>	<b>Forecast Balance as at 31.03.26 £</b>
Coalville	97,480	12,300	21,272	63,908
Oakthorpe, Donisthorpe and Acresford	1,660	-	1,660	-
	<b>99,140</b>	<b>12,300</b>	<b>22,932</b>	<b>63,908</b>

## 8.0 TREASURY MANAGEMENT

8.1 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 a 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.

- 8.2 Table 10 shows the progression of investment income and borrowing interest as at 30 September 2025.

**Table 10 – Treasury Management Forecast Outturn 2025/26**

	<b>Budget £'000</b>	<b>Forecast £'000</b>	<b>Variance £'000</b>
Investment Interest Income:			
General Fund	(150)	(809)	(659)
Housing Revenue Account	(294)	(436)	(142)
S106 Deductions	-	(271)	(271)
<b>Total</b>	<b>(443)</b>	<b>(1,515)</b>	<b>(1,071)</b>
Borrowing:			
Interest Expenditure	1,920	1,920	-
Principal Repaid	1,297	1,297	-
<b>Total</b>	<b>3,217</b>	<b>3,217</b>	<b>-</b>
<b>Net Financing Costs</b>	<b>2,774</b>	<b>1,702</b>	<b>(1,071)</b>

- 8.3 Investment interest income is forecast to increase from £0.4m to £1.24m (excluding S106 deductions) due to the authority holding higher than forecast balances, which have been mainly invested in well-paying Money Market Funds.
- 8.4 Borrowing interest expenditure is forecast be in line with budget.
- 8.5 Table 11 shows a summary of the Council's external investments and borrowing along with the interest rate of return/borrowing.

**Table 11 – Treasury Summary**

	<b>Balance 01.04.25 £'m</b>	<b>Movement £'m</b>	<b>Balance 31.03.25 £'m</b>	<b>Rate at 30.09.25 £'m</b>
Long-Term borrowing	53.8	-	53.8	3.54%
Short-term borrowing	1.3	(0.6)	0.7	2.24%
<b>Total borrowing</b>	<b>55.1</b>	<b>(0.6)</b>	<b>54.5</b>	<b>3.51%</b>
Long-term investments	-	-	-	0.00%
Short-term investments	10.0	8.0	18.0	4.20%
Cash and Cash Equivalents	19.5	(6.5)	13.0	4.27%
<b>Total investments</b>	<b>29.5</b>	<b>1.5</b>	<b>31.0</b>	<b>4.23%</b>
<b>Net borrowing</b>	<b>25.6</b>	<b>(2.1)</b>	<b>23.5</b>	

- 8.6 Further information on the Council's borrowing and investments can be found in Appendix 9.
- 8.7 During the reporting period the Council has paid back £0.6m in principle on its Public Works Loan Board (PWLb) loans. It is forecast to repay £1.29m in PWLB loan principle by the end of the year. There is no intention to borrow to replace these loans as the Council currently has the resources to absorb this.



<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	A well-run council The spending from the budget provides funding for the Council to deliver against all its priorities.
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment, Climate Change and Zero Carbon:	None.
Consultation/Community/Tenant Engagement:	None.
Risks:	<p>Although inflation has decreased, the impact of the high inflation 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>
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