

SCRUTINY COMMISSION – 9th JUNE 2025**MINUTE EXTRACT****Provisional Revenue and Capital Outturn 2024/25**

The Commission considered a report and a supplementary report of the Director of Corporate Resources the purpose of which was to set out the provisional revenue and capital outturn for 2024/25 and to seek members views which would be presented to the Cabinet at its meeting on 17 June. A copy of the report and supplementary marked 'Agenda Item 10' is filed with these minutes.

Arising from the discussion the following points were made:

- (i) Members raised concerns regarding the current forecasted gap of £90m in the Council's Medium Term Financial Strategy (MTFS) by 2028/29 and questioned how this would be addressed. It was noted a number of savings initiatives were already being developed but these were not yet sufficiently detailed to be factored into the MTFS. Work to identify further efficiencies and income sources was also taking place across all departments. Once fully developed these would then need to be considered by the Cabinet for inclusion in the next iteration of the MTFS.
- (ii) The Council's budget for 2025/26 had been approved and balanced with the use of some reserves (£4.7m). Immediate action was, however, necessary to identify savings that would ensure delivery of a balanced budget for 2026/27.
- (iii) The Director reported that there was no single solution to address the financial gap, the magnitude of which was not dissimilar to that faced by other councils. The Council's funding position was difficult and complex given the number of statutory services it had to deliver. A varied approach had always been adopted to both reduce demand, lobby government to increase grant funding, as well as locally seeking to increase income including increases in council tax.
- (iv) A Member emphasised that the Council's budget was dictated by demand and growth in demand was caused by factors outside its control. As it had a statutory responsibility to deliver certain services its financial position would not improve significantly without more funding from Government.

- (v) A member commented that recent publications regarding Reform UK's proposed Doge-style scheme had questioned the efficiency of procurement in local government and suggested that improvements in this area could yield further savings. The Director explained that around 75% of Council spend was through contracts with third parties and this would therefore always form part of the Council's future savings plans. However, this would not just be targeted toward procurement efficiencies but also challenging how and why the Council procured those services in the first place.
- (vi) At the request of the Chairman, the Leader commented that he did not think the County Council would receive a visit from Reform UK's Doge-style scheme. He confirmed that careful planning was needed and therefore consideration would be given to involving a professional, external body to assist the Council in identifying future savings opportunities. It was acknowledged that this would come at a cost to the Authority. The Leader provided assurance that he and his Cabinet were working at pace to consider this but said he could not give a specific timeframe for when external consultants would be instructed. However, he undertook to keep members informed.
- (vii) The Government's spending review was expected to provide some insight into the Government's funding priorities. Additional grant funding for local government was, however, looking unlikely. A member raised concern that the Government's focus on deprivation as part of future funding reform proposals would likely further disadvantage Leicestershire.
- (viii) A member questioned the impact local government reorganisation (LGR) and potentially transferring land to the City might have on the County Council's MTFS, suggesting this would be detrimental, reducing the County's council tax base and therefore its financial stability. The Director acknowledged the concern raised and agreed this would be something the Council would need to be mindful of. However, it was noted that despite this challenge, reorganisation would still have the potential to generate significant savings, particularly the option for a single county unitary.
- (ix) The Leader emphasised that the implications of LGR were significant and he would therefore be meeting with the City Council Mayor to discuss this. It would be important for them to look at all options on the way forward and to consider what would be realistic and acceptable to the people of Leicester and Leicestershire. He would also enter into discussions with district councils as appropriate. However, he highlighted that the situation was complex, involving 9 local authorities. In response to further questions raised, the Leader said he would not confirm his preferred view on the best approach for LGR at this time, clarifying that it would not be appropriate until discussions with partners had been held.

- (x) Concerns were raised about how debts and the financial responsibilities of existing authorities would be managed as part of LGR. The Director advised that so far, the Government had confirmed it would not absorb councils existing debts. This would therefore need to be managed locally as part of the reorganisation proposals put forward. It was recognised that the more complicated arrangements became the more costly this would likely be.
- (xi) Members identified the worsening position regarding the High Needs Block (HNB) deficit, and the impact this was having on the Council's overall budget, as an area of serious concern. It was noted that the HNB deficit was in addition to the £90m MTFS funding gap identified. Whilst the Council had been part of a government program aimed at delivering better value in this area the situation continued to deteriorate. It was further highlighted that the Council had itself employed external consultants at cost to identify new ways to bring the deficit down and although considerable savings were being achieved though this, the deficit was still growing due to increased demand.
- (xii) The Director emphasised that this continued to be an area of focus for the Children and Family Services Department through delivery of its Transforming SEND in Leicestershire programme (TSIL) and assured members that savings were being delivered as a result of the work being undertaken. However, this was not sufficient to close the gap due to continued rising demand. Members noted that the position was unlikely to change without national reform which was a matter for the Government. It was suggested that the Commission be provided more information on the complexities surrounding the HNB deficit and the delivery of savings through the TSIL programme which was being monitored by the Children and Family Services Overview and Scrutiny Committee.
- (xiii) Confirmation that the HNB statutory override would continue was awaited but it was hoped that this would be addressed as part of the Government's spending review. A member commented that the Council's deficit was not unique and that some authorities were in a significantly worse position having been put into the Government's Safety Valve Programme. The Director advised that this programme had now been terminated as it had not delivered the savings expected, further emphasising the need for change at a national level.
- (xiv) The underspend in Adult Social Care Services was welcomed. However, this was a demand led service affected by increases in inflation and pay. This was difficult to predict for future years and so would be monitored closely.

- (xv) Diversification in the Council's investments was supported and considered to be a prudent approach. However, a member questioned if the bank risk sharing investment proposal was high risk, noting that the targeted 13% rate of return was high compared to UK and European small business lending rates. The Director advised that the investment was not a lending product but a type of insurance and whilst the risk of loans to small businesses do carry a risk, this was more predictable and so could be costed in advance. Such investments were also not affected by fluctuations in the national and international economic position. The Director confirmed that the leverage was also small for this type of investment and undertook to provide further details after the meeting.
- (xvi) It was noted that the Council had made its initial investment in bank risk sharing some years ago following a detailed presentation to this Committee at that time. The investment formed part of the Council's Investing in Leicestershire Programme (IILP) which were overseen by the IILP Board which consisted of five Cabinet Lead Members. The board considered all such investments before these were approved by the Cabinet and their performance was monitored annually by the Commission. The Director undertook to provide more detailed information regarding these types of investments within the portfolio as part of its next performance update to be presented in September.
- (xvii) A Member asked if, as an alternative, consideration had been given to investing in shares as bank risk sharing appeared to be bespoke and niche type of investment. The Director advised that the Council had always taken a prudent approach when making investments and whilst investments in shares could generate a higher return, they could also be more volatile.
- (xviii) A member questioned whether the Council's deficit could be eliminated without raising council tax, and queried if council tax was not increased, what affect this would have. It was noted that the Council's MTFS was prepared on the assumption there would be an increase in council tax. The current MTFS presumed a 2.99% increase each year which equated to approximately £12m additional income per annum. If removed, this would generate an additional £40m funding gap approx. over the life of the MTFS.
- (xix) It was noted that the Council had repaid some debt during the year which meant this was below what had been previously forecast. In response to questions raised the Director undertook to provide clarification regarding the split between the level of internal and external debt after the meeting.

RESOLVED:

- (a) That the comments now made by the Scrutiny Commission be presented to the Cabinet for consideration at its meeting on 17th June 2025;
- (b) That the Director be requested to:
 - (i) provide more information on the complexities surrounding the HNB deficit and the delivery of savings through the TSIL programme;
 - (ii) confirm the leverage for the proposed bank risk sharing investment;
 - (iii) provide more detailed information regarding IILP non-direct property investments as part of its next performance update to be presented in September;
 - (iv) provide clarification regarding the split between the level of internal and external debt held by the Council.

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