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**SCRUTINY COMMISSION – 8th SEPTEMBER 2025****MINUTE EXTRACT****Medium Term Financial Strategy – Budget Monitoring and Strategy**
Update 2024/25

The Committee considered a report and a supplementary report of the Director of Corporate Resources which provided an update on the County Council's short and medium term financial position in light of the current economic climate and detailed changes proposed to the previously agreed 2025-29 capital programme following the latest review. The report also set out the specific revenue budget monitoring position as at the end of Period 4 (the end of July). A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Arising from discussion and questions asked of the Leader, the following points were made:

- (i) Members raised significant concerns about the Council's current financial position and the level of progress being made to deliver a proposal for a balanced budget for 2026/27. Noting the Cabinet's stated position that it would not make service cuts, Members asked the Leader to outline some of the savings being considered to meet the current financial gap of £38m in 2026/27. The Leader confirmed there was no intention to cut services. He agreed the financial challenges faced by the Council were considerable but commented that this had been the position for some years and suggested that a new approach was now needed. The Leader confirmed that the planned efficiency review, the procurement for which was underway, would be critical in guiding the Council's approach through the next phase of the MTFS.
- (ii) Members asked the Leader for specific examples of savings already being worked upon pending the outcome of the review. Serious concerns were expressed about the limited time available before the draft budget was due to be presented to the Cabinet in December ready for public consultation. The Leader stated that it would not be appropriate to give examples at this time as he did not want to jeopardise the ongoing procurement process or what the appointed consultants might ultimately propose. The Leader assured members that the outcome of the efficiency review would feed into the budget

process and that members would be made aware of proposals and be able to comment at that time.

- (iii) Members noted that the savings under development listed in Appendix D were not yet sufficiently detailed to include within the MTFS but they had traditionally been included within reports to provide members with early visibility of areas being considered and work being undertaken by officers. The Director confirmed that some might be included for the next budget and others would feature in future years.
- (iv) In response to further questions, the Director clarified that the consultants appointed would be instructed to take a mixed approach and identify new savings but also accelerate and/or grow existing initiatives. The review was not expected to be complete before savings could be included in the MTFS. Some could be identified quickly and incorporated into the MTFS early on, whilst others might be more complex and therefore take more time to deliver. Members were also assured that the procurement had been prepared to ensure that whilst the initial review to identify savings would be undertaken at a cost, come the implementation phase, payment of the consultants' fees would be dependent on the delivery of the savings identified. Members requested that a copy of the tender documents be shared with members of the Commission for information.
- (v) Members noted that the tender documents made clear the expectation that savings identified would meet the current financial gap in the MTFS. The Director explained that whilst proposals would be put forward by the consultants these would also be considered by officers to ensure a local view and service impacts could be taken into account and presented to the Leader and his Cabinet for consideration.
- (vi) In light of the report now presented, members asked the Leader if he still planned to deliver on his election promise to cut council tax. Several members challenged, that whilst they would all prefer to cut council tax for their residents, this was currently unrealistic and unfeasible. They emphasised that the Council had no other sources of income it could raise to mitigate against the financial gap to be addressed and that a reduction in council tax would only increase the level of savings to be delivered. The Leader reiterated that he and his Group were commitment to low taxes and reducing costs for the public but emphasised that the outcome of the efficiency review would be essential in considering how this might be achieved. It was acknowledged that efficiencies would need to offset any council tax reductions.
- (vii) It was noted that a council tax increase had been assumed within the current budget of 2.99%. The Director confirmed that a 1% council tax increase equated to £4m. Members further reiterated concerns

that a council tax freeze could equate to an additional £12m in savings having to be identified which would increase year on year over the period of the MTFS.

- (viii) The Director, as the Council's Section 151 Officer, confirmed in response to further questions raised, that it was too early in the process to comment on the deliverability of a council tax freeze or reduction. In addition to the outcome of the review, the Government's budget would not be received until November and the local government finance settlement expected in December. As a result, the draft budget presented to Cabinet in December might include a range of options for public consultation regarding council tax levels. The Director advised that council tax levels would be considered in the usual way which was at the end of the budget process when all other factors had been considered.
- (ix) Some Members reaffirmed their concerns that the Cabinet would be able to bring forward a fully costed and worked up budget by February 2026 that could not only deliver the savings necessary to bridge the funding gap, but also potentially deliver a council tax freeze or cuts, even with external support. The Leader suggested that as the new Leader, new strategic plans would be developed to tackle the budget and whilst this would take time, detail would be shared with members as progress was made.
- (x) It was emphasised that the Council's low funded position remained a critical factor in the financial challenges it now faced and members questioned what the Leader had done since his appointment in May to continue to address fair funding with Government. The Leader confirmed that he had written to MPs on this issue but that, as yet, no response had been received. He emphasised that despite work done previously to change the local government funding formula, no real progress had been made and so this could not be relied upon. The Leader stated that the Council's budget had to be addressed locally, and bringing in external expertise to assist was the best approach. Members requested that a copy of the Leader's letter to MPs be shared with all members of the Commission for information.
- (xi) In response to questions regarding Reform's DOGE unit, the Leader confirmed that it had been invited to the County Council. However, he felt the appointment of an external consultant would still be the best approach to address the particularly high level of savings the County Council was required to deliver. The Leader reiterated his view that the appointment of external consultants would be the best way forward despite the costs this would incur. Some Members questioned what the costs would be, but it was noted that these would be determined through the competitive tender process.
- (xii) The High Needs Block deficit continued to rise at unprecedented levels. The Director confirmed that growth had been estimated at 7%

based on previous growth trends. However, this was now forecasted to rise by 22% above budget estimates based on current trends. It was noted that the recent increase was being seen nationally and likely as a result of proposed national reforms being proposed by the Government. Following the announcement of proposed systemic changes the Children and Family Services Department, like others across the country, had seen an increase in the number of applications received from schools and parents seeking additional support.

- (xiii) Growth in High Needs expenditure had been a long-standing issue and growth could fluctuate from year to year making it difficult to forecast. Members noted that a scrutiny workshop had been scheduled in October to provide members with more detail on the Council's Transforming Special Educational Needs in Leicestershire Programme aimed at managing and reducing such demand pressures and related costs.
- (xiv) Whilst an £80m gap in the capital programme had been forecast it was too early to determine if any priority projects might be at risk. It was noted that higher inflation and borrowing costs affected the affordability and planning of capital projects. These would therefore be reviewed and reassessed as part of the overall refresh of the MTFS.

RESOLVED:

- (a) That update on the County Council's short and medium term financial position in light of the current economic climate and changes proposed to the previously agreed 2025-29 capital programme following the latest review be noted;
- (b) That the specific revenue budget monitoring position as at the end of Period 4 (the end of July) be noted;
- (c) That the comments now made by the Scrutiny Commission on the report be presented to the Cabinet for consideration at its meeting on 12 September 2025;
- (d) That the Director of Corporate Resources be requested to circulate:
 - (i) a copy of the procurement documents for the appointment of an external consultant to carry out the planned strategic review;
 - (ii) a copy of the letter sent by the Leader to MPs regarding local government funding reform.