Leicestershire County Council

SCRUTINY COMMISSION – 2 SEPTEMBER 2026

MINUTE EXTRACT

Medium Term Financial Strategy Monitoring and Strategy Update

The Commission considered a report of the Director of Corporate Resources which set out the Council's short and medium term financial position in light of the current economic climate. The report detailed the changes to the previously agreed 2026-30 capital programme following the latest review and covered the latest revenue budget monitoring position for 2026/27. A copy of the report and the supplementary report marked 'Agenda Item 9' are filed with these minutes.

The Chairman advised the Committee that Mr Fowler, the Lead Member for Resources, had been invited to attend the meeting for this item and items 10 to 13 but disappointingly was not present.

(i) The Committee noted that the Medium Term Financial Strategy (MTFS) approved in February 2026 had forecasted that £15.5 million of reserves would likely be used to deliver a balanced budget come the year end. The current forecast, however, now showed a £4.8 million underspend against service and corporate budgets, which reduced the anticipated call on reserves to approximately £10.5 million.

(ii) A Member expressed concern that Council communications had referred to the delivery of savings but did not make clear that these reflected an underspend and that, despite this, the Council still forecasted a need to use its reserves. The Member suggested such communication was therefore factually incorrect and duplicitous. The Director robustly rejected this suggestion and emphasised that budget monitoring reports were prepared consistently against the approved budget and that the figures provided were factually correct. He further emphasised that the report followed the same format which had always been used and that there had been no change in approach by officers. The report simply provided commentary against the agreed budget in accordance with normal practice.

(iii) The Chair clarified that some Members were concerned this message put out on behalf of the County Council was misleading regarding the

Council's current financial position. The Chair explained that such questions would have been put to the Lead Member had he attended. The Director again firmly rejected the suggestion that the language in the report and any communications arising from this put out by the Council, which would have been based on the report, was in any way 'misleading'. The Chair clarified that concerns did not relate to the Council's press release and were not intended to be directed to officers. The Director further stated that if the concerns related to social media posts, they were not relevant to the meeting and that the Commission's focus should be on the content of the report before them.

(iv) It was noted that although a need to use reserves had similarly been forecast when the 2024/25 and 2025/26 budgets had been set, ultimately this had not been necessary by the year end. The Director advised that it was not yet clear if this would again be the position come the end of the 2026/27 financial year. A significant proportion of the Council's expenditure was demand-led and volatile and the delivery of further underspends could not be predicted with confidence. A cautious approach at this stage was still therefore necessary.

(v) The forecasted high-needs deficit for 2026/27 was £62.2 million. This was an annual, rather than cumulative, forecast based on the first four months of the year. The Director confirmed that the position remained volatile. Members were pleased to note that demand growth had slowed and the placement mix was less costly, but it was recognised that there was no assurance that these trends would continue.

(vi) Government support covering 90% of the accumulated High Needs Dedicated Schools Grant (DSG) deficit had been confirmed only to 31 March 2026. The Director advised that support for deficits arising thereafter remained uncertain and might not be clarified until 2028. In the absence of further confirmation, he advised that the MTFS would need to continue to allow for a reserve estimate for new deficits. Members noted that under local government reorganisation, the DSG deficit, together with all other assets and liabilities of each authority, would need to be apportioned between successor authorities in accordance with principles yet to be agreed.

(vii) The Commission welcomed the early repayment of £36 million of external debt since April 2026. The Director explained that early repayment decisions were made by comparing any premium payable with the interest savings over the remaining life of the debt. The debt repaid had attracted interest of approximately 7–8%, making the long-term saving significant.

Members were assured that early debt repayment decisions were only taken where a net saving had been demonstrated. Members requested that further details of the premiums, interest savings, and assumptions supporting the early repayment decisions be circulated to members for information outside the meeting.

(viii) Adult Social Care direct-payment “claw backs” were £0.5m under budget. This related to unused balances held by adult social care service users. Clawbacks were expected following annual reviews carried out. Whist there had been some delay in this process the Director assured Members that the Department was working to bring recovery activity back on track while following required processes to support service users through this process.

(ix) Members expressed concern about the funding required to meet the Council’s statutory duty to provide sufficient school places following a Department for Education change to its grant allocation methodology, which had significantly reduced the Council’s funding. The Director advised that officers were reviewing available and prospective section 106 contributions, other capital receipts, scheme prioritisation and delivery options to avoid or reduce the need for external borrowing. Members noted the potential cost of additional provision at ten schools was still being assessed, with further information expected to be included in the draft MTFS report to be presented to the Cabinet in December and the Commission in January 2027.

(x) Members questioned the potential effect of Local Government Reorganisation on the letting of areas of County Hall. The Director advised that no tenants at County Hall had been served notice to terminate their tenancy and that there was available space to accommodate some degree of reorganisation. Members noted that one tenant had given notice to the Council, creating additional space, however, this was not being actively marketed to new occupiers give the limited period before reorganisation.

(xi) Members questioned the impact of vacancies and the difficulty faced in recruiting staff and whether this gave rise to any significant service delivery risks. The Director advised that whilst recruitment remained challenging in some service areas, the overall position was not materially worse than in recent years. Permanent appointments continued to be made notwithstanding local government reorganisation, as frontline services would transfer to successor authorities. It was suggested that individual scrutiny committees should examine vacancy levels and their impact on service delivery where this was considered material. It was noted for individual service areas this would be considered by the service-related scrutiny committee.

(xii) A Member raised a question regarding the Administration's prospective council tax policy and asked whether the higher increase was under active consideration. Officers undertook to obtain a response from the Lead Member on this point after the meeting. The Commission requested that the response be recorded in the minutes.

RESOLVED:

(a) That the report and comments now made be noted and presented to the Cabinet at its meeting on 8th September for consideration;

(b) That the Director of Corporate Resources be requested to provide further details of the premiums, interest savings, and assumptions supporting the early debt repayment decisions outlined in the report;

(c) That the Lead Member for Resources be asked to confirm the Administration's prospective council tax policy and whether the higher increase was under active consideration; the response to be recorded in the minutes.