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**SCRUTINY COMMISSION – 6 SEPTEMBER 2023****MEDIUM TERM FINANCIAL STRATEGY MONITORING AND STRATEGY UPDATE****MINUTE EXTRACT**

The Commission considered a report of the Director of Corporate Resources which set out the worsening short and medium term financial position caused by the current economic climate and service demand. The report also detailed the changes to be made to the previously agreed 2022-2026 capital programme following the latest review and covered 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 13' is filed with these minutes.

The Lead Member for Resources commented that the overspends were as expected given the high demand for adults and children's social care services. The Council's efforts had and would continue to be targeted to reduce the level of demand in these areas, but this continued to outstrip growth added to those budgets. He said the Council had never been complacent in trying to achieve a balanced budget, but the position was becoming more and more difficult.

The Leader, Mr N. J. Rushton CC, further commented that the Cabinet had demonstrated good leadership and made difficult decisions. Essentially residents were being asked to pay more in council tax, in return for reduced services. However, it had and would continue to ensure it focused on protecting and delivering those services needed by the most vulnerable, in the most efficient way possible.

Arising from discussion, the following points arose:

- (i) A Member commented that it was concerning that Birmingham City Council could become bankrupt given its size and the level of resources it received and questioned what this meant for the County Council as the lowest funded Authority; would the Government now address its low funding position? The Director advised that unfortunately the position in Birmingham had been, in part, as a result of poor governance and a failure to deal with financial pressures early. This would not therefore encourage the Government to address the overall funding position of local government generally.
- (ii) The Council was not in the same position as Birmingham City Council, but circumstances were becoming more difficult. The Council sought to be as efficient as possible but given the £230m savings already delivered since 2010, there were now limited choices from where to make the savings now

required to ensure a balance budget.

- (iii) Members agreed that it was necessary for local government to be funded properly if it was to continue to deliver public services and meet local resident's needs. However, given the current economic and political climate, it was felt unlikely that funding arrangements would change in the foreseeable future.
- (iv) Members commented that local government had drifted along at the same level of income for a number of years but that the demand for its services had increased year on year. For example, people lived longer but needed more care and therefore required greater adult social care support. The number of children with special educational needs continued to rise, but the Council faced huge difficulties in the recruitment and retention of children's social workers, as many left to work for agencies which paid higher salaries the Council could not compete with. Also, economic growth in the private sector increased the demand for infrastructure, the cost of which had increased in line with inflation.
- (v) A Member commented that the position was frustrating. The Council had been well run financially which was important. However, due to a lack of adequate Government funding, gaps in being able to support the most vulnerable residents in Leicestershire were increasing. The pressures identified were national issues and the Government therefore needed to address these centrally to ensure local authorities could continue to meet their statutory obligations. Increases in council tax alone could not continue to meet the increases in costs and demand.
- (vi) Increasing council tax during a cost of living crisis would be challenging for residents and this would still not fully meet the shortfall currently identified.
- (vii) In response to questions raised, the Leader reported that a meeting had been held with the Chancellor and a solution presented that would help address some of the funding pressures the County Council faced. Whilst accepted as a good solution, no agreement to deliver this had been secured and it was unlikely that further progress would be made before the election. The Leader and Lead Member for Resources reassured the Commission that despite this, they would continue to pursue fairer funding for Leicestershire.

RESOLVED:

- (a) That the revenue budget monitoring position as at the end of period 4 (the end of July) and the changes to be made to the previously agreed 2022-2026 capital programme be noted;
- (b) That the update provided on the worsening short and medium term financial position in light of the current economic climate be noted with concern;

- (c) That the comments and concerns raised by the Commission be presented to the Cabinet at its meeting on 15 September 2023.

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