



Leicester
City Council

MINUTE EXTRACT

Minutes of the Meeting of the
ECONOMIC DEVELOPMENT, TRANSPORT AND CLIMATE EMERGENCY
SCRUTINY COMMISSION

Held: WEDNESDAY, 31 JANUARY 2022 at 5:30 pm

P R E S E N T :

Councillor Waddington (Chair)

Councillor Batool	Councillor Dawood
Councillor Osman	Councillor Porter
Councillor Rae Bhatia	Councillor Whittle

In Attendance:

Councillor Clarke – Deputy City Mayor (Climate, Economy and Culture)

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47. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr O'Neill.

48. DECLARATIONS OF INTEREST

Members were asked to declare any interests they may have had in the business to be discussed.

Councillor Batool declared that with regard to Item 8 – Labour Market: Economic Inactivity and ESOL, she was working for the UK Shared Prosperity Fund (UKSPF) project.

52. DRAFT GENERAL REVENUE BUDGET 2024/25

The Director of Finance submitted a report detailing the proposed Revenue Budget for 2024/25.

The Head of Finance (CDN) then presented the report.

Key points included:

- The budget was very challenging for the 2024/25 financial year and was the worst outlook that the Council had ever faced.
- Without drastic action, the Council would not be able to balance the budget in the 2025/26 financial year.
- A Section 114 notice would not mean that the Council was bankrupt, as Councils cannot technically go bankrupt. A Section 114 notice would state that the Council's resources could not meet its commitments and as such it could mean a freeze on commitments and government interventions.
- Many other Councils were in a similar position to Leicester.
- Whilst not directly linked to EDTCE, a growth in statutory services had put pressure on the budget, for example, the costs of Adult and Children's Social Care, pressure on home-to-school transport and the homelessness budget.
- The budget was in a volatile position and there was expected to be a need to add a further £11m to the final budget, largely due to an increase in minimum wage which had raised care costs and homelessness.
- The growth in statutory services and the failure of the government to provide adequate funding had meant it was difficult for local authorities to keep up. Despite pressures and inflation increasing since 2021, the government had only just announced additional funding for local governments, however, this may only amount to around £3m for Leicester City Council.
- There was £10m of savings in the budget, but this still left a large sum to be met from the reserves.
- A further austerity drive from the government was signalled from 2025-26. Analysis from the Institute of Fiscal Studies showed that there would be a real-terms cut of 3.4% per year for services other than the NHS, aid and defence.

- The Council approach to budget reductions had been to use a managed reserves strategy, however, the proposed budget would make use of all reserves available.
- Some local authorities had been offered exceptional financial support from the government which in some cases allowed them to use the proceeds from the sale of assets to balance the revenue budget, and in some cases allowed councils to increase their council tax above the 5% permitted. However, no local authority had been offered extra money. No exceptional financial support would be offered to Leicester City Council in 24/25 as it was able to balance the budget.
- The commission was directed to Appendix 1 of the report, in particular highlighting those budget ceilings for service areas under the scope of the commission. Decisions already taken had the effect of reducing the budget in some areas (i.e. savings). Service areas and services were expected to manage inflationary pressures in their own budgets.

The Committee were invited to ask questions and make comments. Key points included:

- These savings showed the impact of decisions already taken on next year's budget throughout the year that had been shared through executive decision reports.
- The budget for repairing potholes had not been reduced.
- A comparison of money in the current budget compared with the 2012/13 budget once adjusted for inflation was raised. This would be raised in Overview Select Committee (OSC) as this was an issue about the overall budget rather than specific to this Commission and as such OSC would be a more relevant context. The Head of Finance (CDN) agreed to look into the issue further prior to OSC.
- The peer review had commenced. To date, much of the work had been desktop based and would progress over the coming months with face-to-face work and would result in the identification of potential areas for savings.
- It was not always easy to identify which areas were statutory and which were not. There were elements of statutory services within most budget ceilings. Even if a service was statutory, this did not mean that it could not be provided differently or more cost-effectively. So, savings may still be sought within statutory services; all areas needed to be looked at for potential savings.
- Within the £600m of additional funding for Local Authorities from the government, there was no specific allocation to Leicester City Council (LCC) as yet, however it was thought that LCC would receive around £3m. Of this it was thought that much of this would be ringfenced for Adult Social Care (ASC) due to pressures on the area.
- The national Fair Funding Review of local government funding was reliant on the government. It aimed to produce a revised formula for the allocation of funding to Councils. This was not within the control of the local authority, and it was not clear if or when this work will take place.

- Officers and the executive were looking at ways to balance the budget. The peer review was one element to support this work. If a list of discretionary services existed then this could be shared, but it was reiterated that it was not just discretionary services under review.
- It was requested that the Commission receive reports on the work done by the Executive on proposals for the 2025/26 budget reductions and the areas under review.
- In response to a query about selling assets, it was noted that if the Council could not balance its budget, then, with government permission, the rules on selling assets could be relaxed, however, the council was not yet in that position. With specific regard to potentially selling a museum artefact, it was warned that there may be consequences such as losing accreditation from the Arts Council. It was clarified that this was a Capital matter.
- It was suggested that the Fair Funding Review did not take account of the increase of the city's population since 2011. It was further suggested that an aging population and the cost of care were also budgetary pressures.

AGREED:

- 1) That the report be noted.
- 2) That the Commission receive reports on the work done by the Executive from January on the 2025/26 budget reductions and the areas under review.
- 3) That comments made by members of this commission to be taken into account by the lead officers.
- 4) That the report be brought to Overview Select Committee prior to Full Council.