

Minutes of a meeting of the Scrutiny Commission held at County Hall, Glenfield on Monday, 25 January 2021.

PRESENT

Mr. S. J. Galton CC (in the Chair)

Mr. T. Barkley CC
Mr. P. Bedford CC
Mr. D. C. Bill MBE CC
Mr. G. A. Boulter CC
Dr. T. Eynon CC
Dr. R. K. A. Feltham CC

Mrs. H. J. Fryer CC
Mrs. R. Page CC
Mr. A. E. Pearson CC
Mr. T. J. Richardson CC
Mrs. M. Wright CC
Mr. M. B. Wyatt CC

41. Minutes.

The minutes of the meeting held on 4th November 2021 were taken as read, confirmed and signed.

42. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 34.

43. Questions asked by members under Standing Order 7(3) and 7(5).

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

44. Urgent Items.

There were no urgent items for consideration.

45. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

All members of the Commission who were also members of district and/or parish councils declared a personal interest in all items relating to the Medium Term Financial Strategy (minutes 48 to 51 refer).

Mr T J Richardson CC declared a personal interest in agenda item 13 (Supporting Economic Recovery in Leicestershire) as a member of the LLEP Board (minute 53 refers).

46. Declarations of the Party Whip in accordance with Overview and Scrutiny Procedure Rule 16.

There were no declarations of the party whip.

47. Presentation of Petitions under Standing Order 35.

The Chief Executive reported that no petitions had been received under Standing Order 35.

48. Provisional Medium Term Financial Strategy 2021/22 - 2024/45

The Commission considered a report of the Director of Corporate Resources which provided information on the proposed 2021/22 to 2024/25 Medium Term Financial Strategy (MTFS) as it related to Corporate and Central items, provided an update on changes to funding and other issues arising since the publication of the draft MTFS and provided details of a number of strategies and policies related to the MTFS. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Chairman welcomed the Leader of the Council, Mr N J Rushton CC, and the Cabinet Lead Member for Resources, Mr J B Rhodes CC to the meeting for this item.

Before the Director introduced the report, with the permission of the Chairman Mr Rhodes, the Cabinet Lead Member for Resources, advised the Commission that the budget as presented did not include any decision regarding the ability of the Council to levy an additional 3% precept for Adult Social Care. Having had regard to the significant financial pressures facing the Council the Cabinet at its meeting on 5th February would be recommended to opt to levy the additional Adult Social Care precept thereby resulting in a total council tax increase of 4.99%. The additional 3% precept would generate approximately £9.6million. The Commission was advised that the Council was reliant on council tax for funding 80% of its expenditure and received no Revenue Support Grant from the Government.

The Director of Corporate Resources in introducing the budget highlighted the significant uncertainty facing the Council going forward. Whilst the Council had prepared a four year MTFS, it was highlighted that the government settlement was for one year only and within that there were some grant funding streams which were yet to be agreed.

The Leader also emphasised the level of uncertainty facing the Council at this time. Costs were increasing, and demand for services was also increasing. As a result of the Covid 19 Pandemic it was highly likely that there would be further demands on Council services as families struggled to cope with the effects. He said the Council should, however, be proud of the support it had provided to residents and businesses during the pandemic through business support grants and funding for school meals.

Arising from discussion and questions, the following points were raised:

Revenue Budget

- (i) The pressures on the budget would largely depend on how the Government chose to address the national deficit which currently stood at over £2 trillion. Even if the Government were to seek to borrow to fund the deficit, there would still be

significant pressures for a reduction in public spending.

- (ii) Unemployment was likely to increase significantly as a result of the Covid 19 pandemic which in turn would reduce the level of revenue generated from council tax as more people would become eligible for support. In the current year Government support, in particular the furlough scheme, had cushioned the economic impact of the pandemic. Given the Council's reliance on council tax revenue this was a concern, particularly for the County Council though it was acknowledged that district and parish councils would also be affected.
- (iii) The budget for 2021/22 was a balanced budget but looking ahead there was a significant gap of some £92million. Of this £30million of savings had been identified. A sum of £36million had yet to be identified. £26million related to Special Educational Needs. The Lead Member for Resources advised the Commission that the Council, together with a number of other Councils, had made strong representations to Government regarding SEN spending pressures. A response had been received from the Department for Education indicating they were aware of the issue but could not address it in the coming year but had offered a meeting to discuss the issue.
- (iv) Members of the Commission noted the challenging financial position and the significant uncertainty facing this and all other Councils. The need to address cost pressures arising from SEN and securing Fair Funding for the Council which remained one of the lowest funded Councils in the country, were of paramount importance.

Central Items, Growth and Savings, Council Tax and Business Rates and Reserves

- (v) Given the level of uncertainty faced by the Council over the coming 12 months, a contingency of £8million was being held in 2021/22, reflecting the difficulty delivering savings and resolving other financial issues, which if not required would be used for the Future Development Fund.
- (vi) The contingency for inflation and pay awards which was held centrally would be allocated to departmental budgets. The MTFs assumed £15m would be required for an increase in pay over the 4-year MTFs. If the public sector pay freeze was extended beyond 2021/22 this would mean a reduced need in the contingency to some £3million.
- (vii) It was difficult to predict the impact of the pandemic on funding realised from council tax, particularly the increase in the Local Council Tax Scheme to support households facing unemployment. The budget proposals had built in an estimated shortfall of £14million in the coming year with smaller amounts in the following two years reflecting the expected economic recovery.
- (viii) Clinical Commissioning Groups (CCGs) were under significant pressure facing growing demand for services arising from the pandemic. The Council had a good working relationship with the local CCGs and the Council was supporting them in improving the discharge of patients from hospitals, this was only possible with significant Government funding which had not been announced for 2021/22.
- (ix) Each Overview and Scrutiny Committee had been advised of work being undertaken to identify additional savings to meet the shortfall in subsequent years.

Much of this work was at an early stage but included reviews across several departments of their operating models to identify efficiencies. Given that the Council had already saved over nearly £200million since 2010 the opportunities for efficiency savings were limited and unless there was additional support and fair funding from Government there would be an adverse impact on services to the public.

Capital Programme

(x) With regard to forward funding of capital schemes:

- Work was on-going to develop a policy that would apply to all future projects across the County where the Council was required to forward fund a scheme. This would require consultation with district councils and a report would be brought to the Cabinet and a future meeting of the Commission regarding the proposed way forward.
- There were risks associated with the forward funding of capital schemes as it relied on having robust and enforceable agreements with district councils. District councils were the authority responsible for the granting of planning permissions and setting conditions to such permissions including the application and agreement of Section 106 agreements on which the County Council would be reliant to meet the cost of infrastructure, particularly roads and schools, but also other service requirements such as waste disposal and libraries.
- Whilst forward funding of infrastructure such as roads and schools is something County authorities are able to do, to ensure continuity of funding is available to support this approach on a County wide basis further legal advice was being sought from Counsel on the mechanics of using Section 106 agreements with developers and relevant district councils. This would inform the development of the policy.

(xi) The Disabled Facilities Grant figure included in the Capital programme was passported in its entirety to district councils.

RESOLVED:

That the comments now made be submitted to the Cabinet for consideration at its meeting on 5th February 2021.

49. Medium Term Financial Strategy 2021/22 - 2024/25 - Chief Executive's Department

The Commission considered a joint report of the Chief Executive and Director of Corporate Resources which provided information on the proposed 2021/22 to 2024/25 Medium Term Financial Strategy (MTFS) as it related to the Chief Executive's Department. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

The Chairman welcomed Mr N J Rushton CC, the Leader of the Council, Mr B L Pain CC, the Deputy Leader of the Council and Lead Member for Regulatory Services, Broadband Delivery and Minerals and Waste Planning, and Mrs L Richardson CC, Cabinet Lead Member for Communities, to the meeting for this item.

Arising from discussion and questions the following points were raised:

- (i) The Departmental expenditure Control Group established to scrutinise vacancy control and agency spend were conscious of the need to ensure delaying recruitment should not adversely impact on existing staff and on the level of service provided. There was a natural built-in delay as a result of the recruitment process which would account for most of the savings.
- (ii) The reference to solicitors in the Adult Social Care area required to draft 'robust responses to litigation' covered such areas as Deprivation of Liberties (DOLS) and where challenges were made by families regarding placements.
- (iii) The savings arising from paperless meetings was welcomed not only from a financial perspective but also delivering environmental benefits. Members expressed a view that this should continue even after a return to attended meetings recognising that some further work would be needed to support members.

RESOLVED:

That the comments now made be submitted to the Cabinet for consideration at its meeting on 5th February.

50. Medium Term Financial Strategy 2021/22 - 2024/25 - Corporate Resources Department

The Commission considered a report of the Director of Corporate Resources which provided information on the proposed 2021/22 to 2024/25 Medium Term Financial Strategy (MTFS) as it related to the Corporate Resources Department. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

The Chairman welcomed the Lead Member for Resources, Mr J B Rhodes, to the meeting for this item.

Arising from discussion and questions the following points were raised:

- (i) The increase in cost of the Microsoft licence was the subject of a revised contract negotiated by Crown Commercial Services on behalf of local councils and was in line with expectations. The level of increase was lower than had been in previous years having regard to the increased use of Microsoft products in facilitating remote working.
- (ii) The overall revenue budget for the Department had gone up and this reflected the cost of pay awards, particularly for more junior staff which was driven by increases in the national living wage. The Department employed a large number of lower paid staff in its school food service.
- (iii) The impact of the Covid pandemic was most acutely felt by Leicestershire Traded Services as the most significant part of its business was school food and catering services all of which were and continued to be adversely affected. This was likely to be the case for some time.
- (iv) The move to home working offered an opportunity to review the use of Council owned buildings and could result in a reduction in costs or a generation of income

through the letting of vacant space and so had been identified as a potential saving.

- (v) The provision in the Capital programme of £2.5million for the Sysonby Farm development would only be taken up if the conditions attached to the Homes England Grant were deemed suitable

RESOLVED:

That the Comments now made be submitted to the Cabinet for consideration at its meeting on 5th February.

51. Medium Term Financial Strategy 2021/22 - 2024/25 - Consideration of Responses from Overview and Scrutiny Committees

The Commission considered extracts from the minutes of the Overview and Scrutiny Committee meetings held to consider the Medium Term Financial Strategy (MTFS) 2021/22 to 2024/25 as it related to the County Council departments. A copy of the minute extracts is filed with these minutes.

Arising from discussion the following points were made:

Health Overview and Scrutiny Committee

The Chairman of the Committee underlined the considerable strain on Public Health in dealing with the Covid 19 pandemic and commended the staff for rising to this challenge.

Environment and Transport Overview and Scrutiny Committee

The Chairman of the Committee commended the Department on their work on delivering services with limited resources and cited as an example the quality of the road network as compared to other areas. One area of concern was the significant growth in SEN transport and the Committee had asked for a joint briefing with members of the Children and Families Overview and Scrutiny Committee to better understand the process and pressures faced by both departments.

Adults and Communities Overview and Scrutiny Committee

The Chairman of the Committee commented that the Department had achieved considerable savings from a review of its target operating model which had primarily been focused on improving outcomes for service users. He also highlighted the work now in hand to use, where appropriate for the service user, assistive technology which again aimed to improve outcomes but would also result in cost savings.

The Chairman highlighted one area of concern regarding the Better Care Grant which had yet to be confirmed. This was a grant which the Department was reliant upon in delivering its service.

Children and Families Overview and Scrutiny Committee

The Chairman of the Committee highlighted the significant budget pressures in SEN and Children's social care. Looking ahead she expressed concern that the lockdown was having a detrimental effect on children and young people in terms of lost learning and on

their mental health and how this would affect demand for services.

RESOLVED:

That the comments now made be submitted to the Cabinet for consideration at its meeting on 5th February.

52. Draft Revised Corporate Asset Investment Fund Strategy 2021 - 2025

The Commission considered a report of the Director of Corporate Resources which detailed the revised Corporate Asset Investment Fund (CAIF) Strategy for 2021 to 2025 and set out the Council's planned approach to future asset investments utilising the CAIF. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

The Chairman welcomed the Lead Member for Resources, Mr J B Rhodes, who attended for this item.

Arising from discussion and questions the following points were raised:

- (i) The CAIF had been in place since 2014, and it was considered timely for an independent external review to be undertaken of the Strategy, especially in the light of Covid 19 and the effect the pandemic had, and was forecasted to continue to have, on the economy.
- (ii) The CAIF had performed well during 2020 despite the pandemic. No tenants had gone bankrupt and there were no voids directly arising from the pandemic. Whilst some changes to the frequency of rental payments had been agreed with some tenants, all continued to pay rent on time.
- (iii) 34 new lettings had been agreed since March. Whilst it was more difficult to secure new tenants at this uncertain time, the assets owned by the County Council continued to remain attractive which made the CAIF, at its core, strong and resilient. Despite this, Members agreed there was no time for complacency, as 2021 would continue to be a difficult year for the economy both nationally and globally.
- (iv) Although the Council held investments in office buildings, the nature of the tenants occupying such premises e.g. the Loughborough University Science and Enterprise Park (LUSEP), meant these had not been affected like many others.
- (v) Members noted the suggestion by Hymans to invest in overseas infrastructure schemes. The Director confirmed that this could be done directly or indirectly utilising the Council's pension fund expertise to assess such investments and risk exposure.
- (vi) Concern was raised about the possible increase in investments outside the County as a result of the suggestion by Hymans that more account should be taken of 'location'. Members were reassured that most of the Council's investments were within Leicestershire or its economic subregion and that this was unlikely to change. The Lead Member for Resources emphasised, however, that the purpose of the Fund was to generate income for the Council and whilst locating within the County would be preferred this had to be balanced against the security of the investment, the level of yield likely to be generated and risk and flexibility. He said

it was important that CAIF investments were made for sound business reasons to support the Council's Medium Term Financial Strategy, as to do otherwise could result in riskier investments being made.

- (vii) Members expressed concern about the possible reduction in rural assets and proposals to sell county farm land for development where possible. A member raised specific concerns about the long term risks to the Council if it reduced its asset base for short term gain. Another member emphasised that rural farm land was not just an asset, but the much valued countryside of the County and that the sale of such land should be considered in this wider context. Members were pleased to note that the Council would seek to acquire land to replace any of the County Farms Estate which was disposed of for other uses under the CAIF Strategy and that this had been its approach for some time.
- (viii) It was noted that, in light of the independent review by Hymans, investigations into asset classes such as residential and student accommodation would be undertaken. Members highlighted that Leicester City, De Montfort and Loughborough University had recently reported that student accommodation was already over allocated. Given the number of students now accessing courses remotely, a member further questioned if demand for such accommodation would likely reduce post-Covid.
- (ix) As the Council was not a housing authority, housing investments raised some specific technical issues for the Council which would need to be overcome by the setting up of a Council owned housing company. There were no proposals planned to enter the housing market at the current time, but this would be considered when and where appropriate.
- (x) In response to a question raised, the Director confirmed that one of the Council's sites occupied by a Citroen dealership was operating well and the tenant continued to pay rent on time.
- (xi) A member questioned the Council's continued investment in logistical buildings and whether this approach provided a sufficiently mixed range of employment. It was noted that whilst the retail sector was not doing well, even pre-Covid, logistics and industrial sectors were, and the Council had benefited as a result. The Director highlighted that the CAIF generated an income which supported the delivery of a balanced budget, without which the financial gap would increase and cuts to services would be more likely.
- (xii) In terms of next steps, Members noted the proposal to continue with current investments but that new, large strategic investments would be unlikely given the level of current economic uncertainty. The position would be monitored, and investments pursued as and when deemed appropriate. Such investments would be overseen by the CAIF Advisory Board and would be reported to the Scrutiny Commission and the Cabinet as necessary.

RESOLVED:

That the comments now made be referred to the Cabinet for consideration at its meeting on 5th February 2020.

53. Supporting Economic Recovery in Leicestershire

The Committee considered a report of the Chief Executive which set out the proposed economic recovery actions to be taken by the County Council in response to the impact of Covid-19 restrictions on Leicestershire's businesses and workforce. The report also sought the Commission's views on a range of actions proposed to support businesses and individuals over the short, medium and long term, including participating in the national Kickstart scheme, the work+ programme designed to support people seeking work, and Broadband improvements. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

Arising from discussion and questions the following points were raised:

- (i) Members welcomed the good work being undertaken to support businesses and generate employment opportunities for young people that had been disproportionately affected by the economic impacts of Covid-19. In particular, members were pleased that the Kickstart Gateway placements would be for 12 not 6 months. A Member requested a summary of the schemes be circulated to all members so that they too could disseminate this information to their local contacts.
- (ii) The County Council had identified 15 Kickstart placements. The response across the Council had been positive. Arrangements would be made to allocate people to those posts quickly, subject to current Covid-19 restrictions.
- (iii) A member questioned how it could be ensured that through the schemes, workers were not exploited, and, in respect of the Kickstart scheme, this would result in longer term employment opportunity when the 6 or 12 month placements came to an end. Members were reassured that for the Kickstart programme a robust evaluation of businesses was undertaken both through the DWP process and through a local assessment carried out by the County Council. Work+ would be run by the Adult Learning and Communities teams and so would be subject to the usual checks throughout. Members noted that both schemes would be subject to an evaluation process so that outcomes could be assessed.
- (iv) It had been disappointing that a broadband partner had not been secured during the procurement exercise covering the east of the County undertaken last year. However, members were hopeful that the actions now proposed and conversations with Broadband Delivery UK (BDUK) would enable progress to be made in this area.
- (v) A member highlighted the need to bring people back into the high street which had been struggling prior to the pandemic but had now been hit further as a result of Covid 19 restrictions. It was suggested that place marketing would play a critical role in helping to encourage people back into the areas towns at the appropriate time. Whilst funding had been allocated to support tourism initiatives, detail of specific activities had not yet been agreed. The funding whilst substantial also needed to be spread across a broad area and consideration would therefore be given to what those towns were already doing and what the Place Marketing Organisation could do to support that.
- (vi) A Member raised concerns that some businesses needed further support to help them diversify as a result of the challenges now posed by Covid. It was noted that the Council's business recovery grant which had operated last year had supported

a number of businesses for that purpose. New enquires for support now, however, needed to be referred through the Business Gateway (<https://bizgateway.org.uk/>) which could provide information on funding available from a range of sources.

RESOLVED:

That the comments now made be reported to the Cabinet at its meeting on 5th February 2021.

54. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Commission would be held on 15 March 2021 at 10.30 am.

1010.00 am - 1.20 pm
2525 January 2021

CHAIRMAN