

Minutes of a meeting of the Scrutiny Commission held at County Hall, Glenfield on Monday, 31 January 2022.

PRESENT

Mr. M. T. Mullaney CC (in the Chair)

Mr. T. Barkley CC
Mrs. H. J. Fryer CC
Mr. S. J. Galton CC
Mr. T. Gillard CC
Mr. Max Hunt CC

Mr. J. Morgan CC
Mrs. R. Page CC
Mr. T. J. Pendleton CC
Mr J. Poland CC
Mr. T. J. Richardson CC

In Attendance

Mr N. J. Rushton CC, the Leader of the County Council
Mrs D. Taylor CC, Deputy Leader and Lead Member for Regulatory Services
Mr L. Breckon CC, Lead Member for Resources
Mrs P. Posnett CC Lead Member for Communities

54. Minutes.

The minutes of the meeting held on 17 November 2021 were taken as read, confirmed and signed.

55. Question Time.

The following question, received under Standing Order 34 of the County Council's Constitution, was put to the Chairman of the Scrutiny Commission.

Question asked by Mrs Sharon Scott

“Please can the Chairman explain why the ‘Warehousing and Logistics in Leicester and Leicestershire: Managing growth and change (April 2021)’ report is considered to be an appropriate basis by which to measure the future needs of warehousing in Leicester and Leicestershire.

It was commissioned from GL Hearn with major input from developers who have a vested interest in developing the warehouses and have little consideration of the welfare of the residents of Leicestershire or environmental needs.

The projections in the report are based on Leicestershire continuing to act as a national rather than a regional distributor which does not sit well with Government policy of locating freight hubs close to the market they are intended to serve.

Would the Chairman agree therefore that Council tax payers would have been better served by a report prepared by an independent management consultant such as Deloitte or PWC who would have been more likely to have considered Government policy, Climate change and local welfare and needs?”

Reply by the Chairman

The study entitled 'Warehousing and Logistics in Leicester and Leicestershire: Managing growth and change' (April 2021) forms an important part of the evidence base for Leicester and Leicestershire authorities' Local Plans, highlighting the current and future needs of the sector, with particular emphasis on future floorspace and land needs to 2041.

The Study provides an updated understanding of decarbonisation, ecommerce, property market and needs generated by the warehousing and logistics sector, and is essential evidence to inform Local Plan making and the development management process. It has been undertaken by consultants working to a brief specified by planning officers across Leicester and Leicestershire with experience of strategic warehousing planning issues in their respective areas.

The needs of local communities are central to Local Plans which look ahead fifteen years to plan for sustainable growth in a balanced way. It is through the Local Plan making process that the balance is considered between the need to provide land for growth and the protection of environmental assets.

Developer input was an important aspect of the study as it helps the local authorities to understand the latest market thinking, how the market has changed since the last study and how it is anticipated to change moving forward. This information provides a greater depth of understanding for planners and others which can be utilised alongside other Local Plan evidence (such as local employment studies, landscape sensitivity studies, Sustainability Appraisal etc.) in considering future Local Plan policies and in decision making through the development management process.

Strategic warehousing in Leicestershire fulfils the role of National and Regional Distribution Centres (NRCs and RDCs), and it is understood that this will continue to be the case in the future although with an increased emphasis on RDCs.

Recommendations from the study are already being used to the benefit of communities in Leicestershire; for example, supply data is being collated and shared more frequently so an understanding of strategic warehousing planning applications, refusals and planning permissions granted across Leicester and Leicestershire can be understood more quickly and inform the consideration of future proposals.

The study was commissioned through a robust procurement process which provided the opportunity for all interested consultants to tender for the work. GL Hearn were appointed through this process.

56. 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).

57. Urgent Items.

There were no urgent items for consideration.

58. 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 an 'Other Registerable interest' in the Medium Term Financial Strategy (minutes 61 to 64 refer). These items did not directly relate to or affect the financial or other wellbeing of either such bodies to an extent that prevented any members from participating in the meeting.

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

There were no declarations of the party whip.

60. Presentation of Petitions under Standing Order 35.

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

61. Provisional Medium Term Financial Strategy 2022/23 - 2025/26

The Commission considered a report of the Director of Corporate Resources which provided information on the proposed 2022/23 – 2025/26 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 L. Breckon CC, to the meeting for this item.

The Director of Corporate Resources in introducing the budget highlighted the following:

- The Council was in a slightly improved position following the Local Government Finance Settlement announced in December. This had reduced the shortfall in 2023/24 from £11.5m to £7.9m, making it more manageable, though some tough decisions would still be required to bridge that gap.
- The key pressures over the last five years had centred around Social Care, Special Educational Needs and the capital programme. Added to those this year were rising inflation costs and the adult social care reforms, Government funding for which was likely to be inadequate.
- Whilst a review of fair funding had been announced in the Local Government Finance Settlement, nothing further had been done about this as yet. This had not therefore been factored in as part of the current MTFS. Pressure continued to be applied on the Government to take this forward, but there was concern that the review would be more limited in scope than the Council hoped for.

The Leader welcomed the increased funding allocated by the Government (i.e. Improved Better Care Fund, Social Care Grant and Services Grant) which had improved the Council's position for the coming year. He highlighted that ordinarily a balanced budget for the first two years of the MTFS could be presented. However, this had not been

possible this year. Whilst assurance was provided that the gap could be bridged, the Leader agreed this would require some difficult decisions to be made, highlighting that the Council had already delivered significant savings over a number of years. The Council had been prudent and maximised its opportunities to raise revenue funding by increasing council tax and whilst difficult, it was recognised that this was necessary to help manage the cost pressures faced. The Leader assured members that the Council would continue to pursue fair funding.

Arising from discussion, the following points were made:

MTFS Summary and changes to the Revenue Budget

- (i) A member commented on the degree of risk in the new MTFS which had been demonstrated through the discussions at each overview and scrutiny committee. The Director assured members that detailed analysis of the key risks faced had been undertaken and this would be detailed in the report to the Cabinet along with details of the contingencies being put in place to address these. The Leader commented that it was clear in preparing this budget that the Council faced greater risks over the coming four years than it had faced over the last 10, but said he was hopeful that some, for example, around business rates reform, fair funding and the County Deal, could ultimately benefit the Council for the future.
- (ii) Concern was raised about the lateness of the receipt of the Local Government Finance Settlement which it was agreed was unhelpful and made it difficult for local authorities to properly budget. The allocation of funding for only one year added to this difficulty. As the Council had resolved to produce a four year MTFS, it had to rely on estimates and forecast as best it could over that period, but this added to the uncertainty of future years and limited its ability to plan and manage risk.
- (iii) A member commented that this was a sound MTFS as far as it could be provided for. It was recognised that it was extremely difficult to predict four years ahead but felt reassured that officers and Lead Members recognised the pressures and would address these head on. The Council was well run and despite being so low funded, was in a good position.
- (iv) Whilst the Services Grant for 2022/23 was welcomed, the Government had made clear that, given the planned funding review, this might not continue beyond next year. It was noted that a total of £822m had been made available nationally, but that the Council had only received a small percentage (around 0.5%). A Member commented that the Council had not received a fair proportion of this funding, or other funding allocated by the Government, (e.g. the Social Care Grant). It was suggested that the allocation had been based on the traditional, outdated formula that continued to disadvantage the Council as a result of it having a reasonable council tax base. This emphasised the need for fair funding. The Lead Member for Resources agreed and emphasised the need for all political groups to continue to pressure the Government to address this.
- (v) A member questioned whether council tax receipts would likely be affected over the coming year as household incomes were squeezed because of, for example, increased fuel costs and rising national insurance contributions. Members noted

that whilst collection rates might fall a little, it was not expected that this would be significant. Council tax receipts were often resilient and were not overly affected by such external pressures. The Lead Member said it was recognised many residents would be experiencing difficulties as the cost of living increased and the Council would continue to deliver services to them as effectively and efficiently as possible.

- (vi) Regarding the New Homes Bonus Grant members noted that the Government had suggested that this would not continue beyond next year. Therefore, whilst the Government's response to the consultation was still awaited, the MTFS had been prepared on this basis.

Corporate and Central Items

- (vii) Inflation – A member challenged the estimates included for running cost inflation in future years and questioned, given the expectancy that this will rise, whether that allocation was too optimistic. The Director said based upon continued increases seen in inflation over the last few months, there was a real risk that the provision could be too low. Contracted prices would provide some protection and spread increases over future years. However, it should not have a too significant effect on the budget, as running cost inflation had a relatively small impact compared to the National Living Wage and pay awards.
- (viii) Ways of Working Programme – Members noted that as the Programme was rolled out and officers began a hybrid working approach, this would free up office space at County Hall. A member questioned whether any cost analysis had been undertaken to determine the best use of the campus i.e. whether to rent or sell parts of this. The Director advised that discussions were being held with partners with the aim of renting out space no longer needed which would generate an income for the Council. The Leader commented that there was no intention to sell any part of the County Hall campus and that the preference would be to maximise its use and generate a good income through renting.

Adequacy of Earmarked Funds and Robustness of Estimates

- (ix) Health and Social Care Integration – Members noted that it had expected that an Integrated Care System would be introduced in April though the legislative timetable had been delayed. As part of this the three CCGs (Clinical Commissioning Groups) would be merged into one. As expected, the biggest issue currently facing the County Council was hospital discharges and pressures on adult social care. However, the Chief Executive assured members that the Council was well placed given how well it worked locally with NHS partners. Members noted that a briefing would be provided for all members the following day on this issue and all were encouraged to attend.
- (x) Budget Equalisation Fund – It was noted that the money allocated to this Fund came partly from contingencies made, but not used this financial year, and partly from the Council's revenue budget. It was acknowledged that the creation of this Fund contributed to the financial gap in savings required to be made. However, the Director explained that whilst this might appear counterintuitive, it was necessary for the Council to allocate money for the increasing SEND deficit; the

Fund would equal that deficit by the end of the MTFS.

Capital Programme 2022/23 – 2025/26

- (xi) Prudential borrowing – Members noted that whilst historically the Council had been against borrowing, the position had now shifted and this might prove necessary to deliver the capital programme. The Director emphasised, however, that this would come down to affordability. The Leader confirmed that the key issue to consider would be the revenue consequences of the borrowing. If it could be afforded and the Council was looking to borrow for the right reasons, e.g. an invest to save scheme, then prudential borrowing would now have to be considered.

Funding and Affordability

- (xii) Forward Funding – A member emphasised the risk to the Council’s capital programme arising from the need to forward fund schemes necessary to support developments detailed in district council local plans. Whilst a single agreement with all district councils could not be reached, the Chief Executive assured members that all parties had agreed to move forward on an individual basis and that constructive discussions were being held with districts including Charnwood, Blaby and North West Leicestershire. The Director advised that each area and each project differed in terms of need and risk and therefore a series of agreements would likely be needed. The Director further emphasised that the Council was heavily dependent on district councils to secure the section 106 developer contributions needed to deliver its capital programme.
- (xiii) External debt – The Council’s current external debt was low compared to many other authorities. The Council had repaid significant amounts of debt over the last decade. The possibility of generating savings through repaying more of this debt was also looked at regularly. However, this could be expensive due to penalties applied and so there was little scope to repay more at the current time.

Changes to the Capital Programme 2022 - 2026

- (xiv) In response to a question raised, the Director clarified that the £8m balance referenced in paragraph 78 of the report was different to the £8m allocation from the Covid reserve for Highways Investment that was included in the December Cabinet report.
- (xv) It was noted that the allocation of funding for the Members Highway Fund had been made in the current financial year (2021/22) for a period of two years and that no further funding had been allocated for this in the new MTFS.

Corporate Asset Investment Fund (CAIF)

- (xvi) The CAIF made a meaningful contribution to the Council’s revenue budget. This was therefore a positive policy to make the best use of the Council’s resources and assets.
- (xvii) Members noted that whilst primarily investments were made in County, as these also provided an economic benefit. However, investments were made out of

County where these were considered appropriate and worthwhile. This helped maximise the use of the Fund and ensured diversification to manage risk.

- (xviii) In response to a question raised the Director confirmed that the CAIF would be funded from the Council's own resources and did not require any borrowing. Members were informed that a report on the performance of the Fund would be presented to the Commission in the Autumn.
- (xix) Whilst independent advisers had suggested that entry into the residential markets might be advisable, the Council had decided against this at the current time. Whilst a good investment from a property point of view, there was concern that increased exposure to residential market risk would not be appropriate for the Council.

RESOLVED:

- (a) That the report and information now provided be noted;
- (b) That the comments now made be submitted to the Cabinet at its meeting on 11th February 2022 for consideration.

62. Medium Term Financial Strategy 2022/23 - 2025/26 - 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 2022/23 – 2025/26 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, Mrs D. Taylor CC, the Deputy Leader and Lead Member for Regulatory Services, and Mrs P. Posnett CC the Lead Member for Communities, to the meeting for this item.

Arising from discussion and questions the following points were raised:

Growth

- (i) Growth Service – The role of the Service had developed over time and it now delivered across five key areas of activity. The Growth Unit itself engaged with growth locations across the County and supported work on issues such as the Freeport and the main sustainable urban extensions across the County. It had a strategic planning role that linked with the Strategic Growth Plan and the work of the City and County Member Advisory Group, and it contributed to work on district local plans, coordinating the County Council's work on infrastructure provision and the relationship between the two. It also managed the Superfast Leicestershire Broadband Programme, included the economic growth team that liaised with the LLEP and other organisations around economic funding, and also now co-ordinated the Council's activity to deliver its climate change and net zero carbon aspirations.

Savings

- (ii) Legal Case Management and New Ways of Working – An operational review was being undertaken of the Council's external legal spend which related to the need to seek Counsel's advice from time to time and when legal work had to be externalised due to a lack of internal resource or expertise. It was accepted that this was more costly than delivering the service in house and work was therefore being undertaken to determine how this could be avoided for the future. It was noted that this was separate to the wider Ways of Working Programme being rolled out across the Authority.
- (iii) Local Government Association (LGA) Subscription – In response to a question on whether the Council resigning its membership of the LGA had negatively affected its influence of ministers and work with other authorities, the Leader advised that there had been no impact and that he still had good relationships with, and was still involved in discussions on key issues with both. The decision to withdraw its membership was, in his view, sound given the outcome and the financial pressures faced by the Council.

External Influences

- (iv) Levelling Up White Paper – In response to a question the Leader said that this was still awaited and whilst it was hoped that County Deals would be included within the White Paper, this was not yet certain.
- (v) Coroners and Registrars – It was questioned whether it was possible for the Council to recharge for such services given the increase in demand. Members noted that the coroner's service was a statutory service and so could not be recharged. The Council was, however, looking to merge the two coronial areas (South Leicestershire and Leicester (currently managed by Leicester City Council) and North Leicestershire and Rutland (managed by the County Council) following the retirement of the Coroner for the latter. Registrar services were charged for and where possible a 10% increase in fees would be introduced in April 2022.
- (vi) Shire Community Solutions Grants – Members noted that these grants were very popular and often oversubscribed. Applications were assessed closely and unfortunately due to funding limitations, not all projects could be funded fully. The Council sought to ensure the grants supported long term projects where possible. Members acknowledged that the grants helped to support communities which in turn reduced the need on the County Council. The Lead Member for Communities undertook to consider with the Leader and the Chief Executive whether some additional funding could be added to the Leicestershire grants programme. It was recognised that for little money the projects supported provided great benefit both to the Council and its communities.

RESOLVED:

- (a) That the report and information now provided be noted;
- (b) That it be noted that the Lead Member for Communities would consider, in consultation with the Leader and the Chief Executive, the allocation of additional funding for Shire Community Solutions Grants;

- (c) That the comments now made be submitted to the Cabinet for consideration at its meeting on 5th February 2022.

63. Medium Term Financial Strategy 2022/23 - 2025/26 - Corporate Resources Department

The Commission considered a report of the Director of Corporate Resources which provided information on the proposed 2022/23 – 2025/26 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 L. Breckon CC, to the meeting for this item.

Arising from discussion and questions the following points were raised:

- (i) Customer Service Centre (CSC) – Members noted that the budget for the CSC was not being reduced. However, some temporary growth previously added to address the introduction of hidden disabilities to the blue badge scheme and other similar pressures was now gradually being removed. The Director reported that a significant programme of work was being undertaken to make the Council's digital access channels more efficient. Residents accessing services digitally had increased significantly in some areas from 50% to 96%. Flexible staffing arrangements were being implemented to target peak times and automation projects were being increased and improved.
- (ii) A member asked if the Council had considered the use of an App to make it easier for residents wanting to access the Council digitally. The Director advised that these were considered but evidence suggested that due to the nature of engagement with residents by the Service, which was often transactional at a point of need, the development of self accounts was considered the best way forward. Members noted that whilst many wished to access the Council via their phones, this was more on an as need basis which meant an App was not particularly suitable. The situation would, however, continue to be reviewed each year.
- (iii) Investment in Tree Nurseries – The Director explained that in line with the Council's commitment to plant 700,000 trees, it was beginning to explore the potential to run its own tree nursery either on its own land or perhaps in conjunction with the National Forest. There was potential to turn this into a commercial venture as there was a national shortage of native saplings. It would also help the Council's biodiversity and address issues with Ash Die Back. Members noted that the £100,000 allocation in the MTFS was a notional figure at this stage whilst the business case was being developed.

RESOLVED:

- (a) That the report and information now provided be noted;
- (b) That the comments now made be submitted to the Cabinet at its meeting on 11th February for consideration.

64. Medium Term Financial Strategy 2022/23 - 2025/26 - Consideration of responses from other 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) 2022/23 – 2025/26 as related to the County Council departments. A copy of the minute extracts is filed with these minutes.

RESOLVED:

That the comments now made be submitted to the Cabinet for consideration at its meeting on 11th February 2022.

65. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Commission would be held on 9th March 2022 at 10.00am.

10.00 - 11.43 am
31 January 2022

CHAIRMAN