



SCRUTINY COMMISSION – 8 SEPTEMBER 2021

MEDIUM TERM FINANCIAL STRATEGY – LATEST POSITION

MINUTE EXTRACT

The Commission considered a report of the Director of Corporate Resources which would be presented to the Cabinet at its meeting on 17th September 2021 regarding the 2021/22 revenue budget and capital programme monitoring position as at the end of July (period 4), and which sought approval to change to the previously agreed 2021-2025 capital programme and the approach to updating the Medium Term Financial Strategy (MTFS) for 2022 – 2026. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

In presenting the report, the Director highlighted the following:

- The current revenue position was £6m better than previously reported to Cabinet at the end of period 2, but there remained a £12m overspend, primarily due to 2 key areas: the High Needs Block (Children & Family Services) and Adult Social Care (Adults & Communities).
- High Needs Block – A £6m overspend above the grant had been accounted for. However, the overspend had now increased from £3m to £9m. Whilst additional capacity had been and continued to be added to address the problem, use of costly, independent settings continued to increase. This was a historical problem and whilst grant levels had risen, this did not match the pace of rising demand.
- Adult Social Care – There had been little change to the £13m overspend previously reported. The level of demand and the cost of services required both in home and residential care settings continued to rise. As a result of Covid, some patients were being discharged earlier from hospital often with more complex needs placing additional pressure on the service. Also, whilst less people were being placed in residential care homes in line with Council policy, providers were increasing their fees to compensate for falling numbers which added to the current position. For home care services, during the last year additional Covid funding had been received from the NHS which had helped, but this was time limited. Discussions with Health partners to secure additional income for the longer term continued, though this would not be sufficient to address the current overspend and pressure on this budget would likely continue in 2022.
- The main change to the Capital Programme was the increase in expenditure for the two Melton road schemes. This included establishment of a portfolio risk allocation to help manage the unavoidable risks associated with large

complex schemes. This also provided a greater level of transparency than including all the contingency within individual schemes.

Arising from discussion, the following points were made:

Revenue budget

- (i) It was questioned whether the Adult Social Care Target Operating Model (TOM) continued to be the right approach given the significant overspend in this area and the recent impacts of Covid on the social care sector. Members noted that the transition of care to support more people in their own home was being managed gradually to allow the market time to adapt. However, Covid had significantly increased the number of people immediately wishing to remain at home and this had driven the speed of change over the last year. The Director confirmed that the TOM was still considered the right approach, this being preferred by residents and ultimately reducing the Services accommodation costs. However, time was now needed to allow the market to catch up, as originally forecast. The position would be monitored.
- (ii) Significant concerns were raised about the continued rise in SEND costs and the increasing High Needs Block (HNB) deficit. The Council's approach to build locally based SEND provision aimed to reduce reliance on expensive independent provision had been successful. However, demand had continued to outstrip supply, meaning the use of such expensive independent provision had in reality remained unchanged and costs had therefore continued to rise.

A member commented that whilst ensuring children had their needs met should be a priority, it was necessary for these costs to be brought under control given that any deficit on the HNB had to be met from the Council's own resources. Members challenged what the Council's strategy to address this was given that a cumulative High Needs funding gap of £26m had been forecast.

A member suggested that reliance on increased funding from the Government at some future point would not be sufficient. Another Member commented that increasing provision whilst part of the answer, would not provide a solution to the whole problem and continuing to focus on upfront demand, as well as considering appropriate levels of eligibility criteria would be important.

The Lead Member for Resources, Mr L. Breckon CC, provided assurance that work was underway within the Department to address this issue. The Director confirmed that this was a key priority for the Authority and given the work being undertaken by the Department, this might benefit from further scrutiny by the Children and Family's Overview and Scrutiny Committee.

The Chairman of the Children and Family's Overview and Scrutiny Committee advised the Commission that it had received reports on this issue and so was aware of the difficulties faced by the Department, but it would take on board the comments now made.

Capital programme

- (iii) The approach adopted in identifying capital projects was challenged and a member questioned whether a joint view was taken across departments about which capital schemes to prioritise based on those which might generate the best and quickest revenue return. For example, was account taken of those road schemes which would facilitate the speedier delivery of larger housing developments, which would in turn generate increased income from council tax.

Members noted that targeting resources whilst taking account of wider impacts on the Council was an approach being adopted more often and the Melton Mowbray Distributor Road scheme was an example of this. However, there were risks to the Council when forward funding such infrastructure projects, with the Council being dependent on developers delivering housing in a timely manner to recoup its costs via section 106 developer contributions. It was also often reliant on the availability of Government grants. The Director agreed that taking a holistic view of development needs in an area, rather than a scheme by scheme view, was necessary and of benefit to the Council.

- (iv) Members sought an update regarding the Melton Mowbray Distributor Road scheme given the escalating costs of £85m detailed in the capital programme. It was questioned whether formal commitment had now been given by the Cabinet to deliver both parts of the scheme and whether a risk sharing agreement had been agreed with the Borough Council. The Head of Law confirmed that there would be a further report to the Cabinet regarding the proposed scheme and that legal discussions regarding the risk sharing agreement were continuing. The Director undertook to clarify what decisions had been taken by the Cabinet outside the meeting.
- (v) A Member questioned the Council's wider approach to sharing the risks it faced in delivering infrastructure necessary to support local plan commitments with district councils and sought further information on how it planned to manage this for the future.

The Lead Member for Resources highlighted that several district councils were currently reviewing their local plans and as part of that process the County Council's Growth Service and other Departments were liaising with those district partners regarding their infrastructure needs. He referred to the report on strategic planning matters to be considered by the Commission later on the agenda which provided details of this work.

RESOLVED:

- (a) That the update on the 2021/22 revenue budget and capital programme monitoring position as at the end of period 4 be noted;
- (b) That the proposed change to the previously agreed 2021-2025 capital programme and the approach to updating the Medium Term Financial Strategy (MTFS) for 2022 – 2026 be noted;
- (c) That the Chairman of the Children and Family's Overview and Scrutiny Committee be asked to take account of the comments now made in respect of the High Needs Block overspend and the potential need for closer scrutiny of work taking place in the Department to address this;
- (d) That a further report be provided at an appropriate time on the work being undertaken by the Council to address the risks, in particular financial risks, it faced in delivering infrastructure across the County.