



Minutes of a meeting of the Scrutiny Commission held at County Hall, Glenfield on Wednesday, 8 June 2022.

PRESENT

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

Mr. T. Barkley CC
Mrs. H. J. Fryer CC
Mr. S. J. Galton CC
Mrs. A. J. Hack CC
Mr. J. Morgan CC

Mrs. R. Page CC
Mr. T. J. Pendleton CC
Mr. L. Phillimore CC
Mr. T. J. Richardson CC
Mr. C. A. Smith CC

1. Appointment of Chairman

RESOLVED:

That it be noted that Mr M. T. Mullaney CC has been appointed Chairman of the Scrutiny Commission for the period ending with the Annual Meeting of the County Council in 2023 in accordance with Article 6.05 of the Constitution.

2. Election of Vice Chairman

RESOLVED:

That Mrs R. Page CC be elected Vice-Chairman of the Scrutiny Commission for the period ending with the date of the Annual Meeting of the County Council in 2023.

3. Minutes

The minutes of the meeting held on 9th March 2022 were taken as read, confirmed and signed.

4. Question Time

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

5. 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).

6. Urgent items.

There were no urgent items for consideration.

7. 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.

No declarations were made.

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

There were no declarations of the party whip.

9. Presentation of Petitions under Standing Order 35

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

10. 2021/22 Provisional Revenue and Capital Outturn

The Commission considered a report of the Director of Corporate Resources which set out the provisional revenue and capital outturn for 2021/22. A copy of the report marked 'Agenda item 10' is filed with these minutes.

The Chairman welcomed Mr L. Breckon CC, Lead Member for Resources, who attended for this item.

Arising from discussion the following points were made:

- (i) Members raised concerns regarding the expected increased shortfall in the budget by 2025/26 and questioned if there was any realistic chance of fair funding coming to fruition to ease the pressures faced. Members agreed this was not a situation of its making and many councils were suffering as a result. Members were disappointed to hear that the fundamental government review of fair funding which the Council had pursued for some years was unlikely to happen. Though a consultation on funding was expected to take place this summer, this was not expected to result in any meaningful changes that would benefit the Council.
- (ii) A member questioned whether there was anything the Council could do to improve the speed with which it adopted new roads. The member suggested that promoters that funded large schemes would benefit from greater certainty on this issue, providing assurance that might encourage them to deliver the infrastructure required.
- (iii) It was suggested that a review of underperforming assets with a view to disposal to help address the increased gap might be beneficial. A member commented that some assets, such as Beaumanor Hall, were particularly costly and whilst the disposal of such an asset would not be the preferred approach, the financial circumstance might require this. The Lead Member for Resources responded to confirm that the Council's asset register was being regularly reviewed and action taken in respect of those considered to be consistently underperforming. Beaumanor Hall would be considered as

part of that ongoing process. Members recognised that the Council might be required to consider sale and savings options which might be unpalatable given the financial pressures it faced.

- (iv) Members questioned the change in expectations regarding rising inflation, noting the forecast in February when the MTF5 had been agreed was that this would be a short term issue. The Director explained that this had aligned with the then prediction of the International Monetary Fund (IMF). Commentary early in the year predicted inflation would spike and then fall rapidly to the Bank Of England target. However, since then the forecast had changed to suggest inflation would spike much higher and stay higher for longer, the key impact being the war in the Ukraine. Members commented that this was making an already challenging situation more difficult and again expressed disappointment at the lack of progress with fair funding which would help alleviate such issues. A member commented that it was also unfortunate that the Council did not secure a level three County Deal which also might have helped address future funding pressures.
- (v) In response to questions raised, Members noted that another factor affecting the increased budget gap would be the possible increase in the national living wage from £10.50 to £11.50; a 10% increase on a budget of £200m equating to an extra £20m staff cost to the Council. It was recognised that such factors were outside the Council's control.
- (vi) Members raised concerns about the additional pressure inflation was putting on the capital programme and noted that the Council, whilst mindful of its statutory duties to provide road and school infrastructure, would be more heavily reliant on adequate developer funding being secured when planning permission was granted by local planning authorities.
- (vii) Members noted that a hybrid approach was currently being adopted regarding the building of new schools. For large developments with a single developer this was best undertaken by the developer themselves. They were incentivised to provide schools on a timely basis for the benefit of schemes overall. However, for a collection of smaller developments or where there were multiple developers on site, such an approach could be problematic. In such circumstances the Council often needed to build the required school or make provision for additional places on existing sites, but it was noted that there was often a shortfall in developer funding to cover the cost of this approach. The Council was therefore seeking to put the onus on developers to provide, or to collaborate better with the Council to provide, schools/school places to ensure a more joined up and financially viable approach. Members noted that Government Planning reforms were still awaited which might affect the future approach taken.
- (viii) A Member raised concerns about the slippage in costs for capital schemes and queried what impact this had on the Council's revenue costs in terms of officer time spent etc. The Director confirmed that such costs had been assessed and found, at that time, not to be significant. However, the position was becoming more difficult, due to much higher construction inflation, and further mitigation was being considered, hence the proposal to allow funds to be invested in bank risk sharing schemes, as set out in

another report to be considered by the Commission later on the agenda.

- (ix) Proposed capital works at Romulus Court were queried given the Council was seeking to vacate a number of locality based sites. Members noted that the term of the lease on this particular premises did not expire for some time and in any event, vacating the site would be costly, though the position was constantly being reviewed as appropriate.
- (x) A Member urged the Lead Member for Resources to consider the proceeds of any sale of the current records office being used to fund the new proposed relocation of the archive, collections and learning hub to the County Hall site.

RESOLVED:

That the provisional Revenue and Capital Outturn for 2021/22 be noted.

11. Recommended Change to the Annual Investment Strategy and Investment in Christofferson Robb and Company's Capital Relief Fund 5

The Commission considered a report of the Director of Corporate Resources which advised of proposed changes to the Council's Annual Investment Strategy to add Bank Risk Sharing Funds to its list of acceptable investments. The report sought the Commission's views on a proposed such investment of £10m of the Corporate Asset Investment Fund into Christofferson Robb and Company's (CRC) Capital Relief Fund 5 (CRF 5). A copy of the report marked 'Agenda Item 11' is filed with these minutes.

In response to questions raised by Members, the Director confirmed that:

- Corporate Asset Investment Fund (CAIF) schemes were progressing slower than expected and its cash balance was therefore high, though its value continued to be eroded by inflation. Consideration had therefore been given to alternative investment options which had a reasonable level of return balanced against manageable increased risks.
- The proposed investment with CRC would be short term – 6 years – and would fit well with expected CAIF scheme planning and development plans.
- CRC had been founded in 2002, not 2022 as stated in paragraph 13 of the report.
- As part of the Council's due diligence of CRC, the company's succession planning had been looked at. It was noted that the original founders of the company continued to manage CRC which gave added assurance and comfort.
- This was a regulated market and so regulators as well as the Council would be monitoring CRC's activities and investments.
- The Council had several years' experience of dealing with CRC through its investment activity relating to the Leicestershire Pension Fund. Its similar investments with CRC had performed consistently well over a number of years.
- The funds would be locked in for the term of the loan, but this would be spread across a range of lower risk investments in loans to SMEs (small to medium sized enterprises). This limited the risk of losing the capital invested.
- Given current volatility in the market, which was likely to continue for some time, as part of its own due diligence, the Council had assessed CRC across a range of credit crunch/recession scenarios. Given CRCs focus on SMEs its investments had been shown to be still profitable and performing comfortably as loans to such businesses tended to have less variable default levels than larger companies.

- The investment would be riskier than other types of treasury management investments the Council had made to date. However, the Director provided reassurance that the size and term of the investment meant such risks were being kept to a minimum and considered manageable for what was a good return.

Members noted that the Corporate Governance Committee had considered and supported the proposed change to the Treasure Management Strategy to allow the investment to be made.

A member commented that whilst the risk for these types of investment were higher, this was a calculated and manageable risk and the investment was being made in light of the investment track record the Council had as the administering authority of the Leicestershire Pension Fund.

Members agreed that the investment would provide diversification and a more balanced CAIF portfolio.

RESOLVED:

That the proposed investment of £10m into Capital Relief Fund 5 with Christofferson Robb and Company be supported and the comments now made by the Commission be passed to the Cabinet for consideration at its meeting on 27th June.

12. Annual Report on the Commercial Strategy 2021/22

The Commission considered a report of the Director of Corporate Resources which provided an update on the performance of Leicestershire Traded Services during 2021/22 taking account of the impact that Covid 19 restrictions have had on these services. The report also sought the Commission's views on future plans for recovery and growth. A copy of the report marked 'Agenda item 11' is filed with these minutes.

Arising from discussion, the following points arose:

- (i) Whilst performance had been disappointing, this was not unexpected. The Council's traded services were not immune to the effects of Covid and subsequent cost and inflationary increases, like so many other businesses across the country.
- (ii) It had been thought that Services might begin to recover more quickly, but this had not been the case due to staff pressures (both in terms of Covid sickness absence and retention and recruitment issues), the changing global and geopolitical situation which was putting enormous pressure on the cost of food and fuel and continued reduced demand.
- (iii) Regarding future plans for recovery and growth, Members noted that this would include reconfigured menus to reduce costs and wastage, as well as improved profit margins in its cafes including the renegotiation of contracts with suppliers to respond to the increased cost of goods. Members requested that the Services recovery and growth action plan be shared with the Commission outside the meeting for information.
- (iv) There were some promising signs starting to emerge as demand had been rising at the cafes at Beacon Hill and Tithe Barn. Beaumanor Hall had,

however, been slower to recover but figures were now starting to reach pre-pandemic levels.

- (v) A member questioned, given how competitive operations at Beaumanor Hall had always been, whether it was being run as a truly commercial operation. Members noted that services run from the Hall were being considered along with other traded services, but that Beaumanor was a particularly expensive asset to hold and operate given the nature of the building itself. Members commented that this was a recognised, valuable and well liked asset and so consideration of how to make it more profitable would be looked at, but this had to be balanced against the need for potential investment and repairs. The Lead Member provided reassurance that all options were currently being looked at.
- (vi) Demand for the Council's School Meals Service had increased in April and May which gave confidence that this was returning to normal, pre-pandemic levels.
- (vii) A member questioned the viability of supplying school meals to one-off sites outside the County. It was noted that some schools were just over the County boundary and so did not incur any additional costs to those being supplied in Leicestershire. The provision of services to areas such as Cambridge and Birmingham were being provided by existing teams and Members noted that none were being subsidised by the Council. The Director explained that out of County schools supplied by the Council's School Meal Service were clustered together in each area which provided efficiencies and an opportunity to grow across these localities. Members were reassured that all out of County school meal contracts were profitable, but that these were still monitored and reviewed where necessary.
- (viii) Members noted that in order to limit environmental impacts, the Council's School Meal Service delivered food provisions direct to site.
- (ix) A Member questioned whether losses seen by the School Meals Service as a result of Covid should be borne by schools rather than the County Council. Members noted that school meal contracts had been modified to transfer risk away from the County Council and so the losses seen were already much reduced. Members noted that the Council's losses related to staffing costs and product cost increases.
- (x) A Member queried the disparity in the location of country parks and related cafes owned by the Council across Leicestershire and questioned what action was being taken to provide a broader County wide hospitality offer. It was noted that this was a historical issue outside the control of the Council and the geography of the Councils country park hospitality offer aligned with its country park estate which it had owned for some considerable time.
- (xi) Members noted that the viability of the café at Snibston had been reviewed as it had made significant losses. Work was underway to outsource the café.
- (xii) In order to determine the true profitability of the Council's traded services, a Member requested that full details of the capital and running costs for each

service be included in future reports. Members were concerned that continued focus on the Services' overall turnover was not sufficient to fully understand how it was performing. It was acknowledged that some financial information would be commercially sensitive, but the Director undertook to consider how best to present this to Commission Members in the future to provide a better overall picture of the Services performance and profitability.

RESOLVED:

- (a) That the update now provided on the performance of Leicestershire Traded Services during 2021/22 taking account of the continued impact of Covid 19 on these services, be noted;
- (b) That a copy of the Services recovery and growth action plan be circulated to all members of the Commission for information;
- (c) That the Director of Corporate Resources be requested to provide more detail in future reports to the Commission on the Services capital and running cost, include the provision of commercially sensitive information, where relevant, in an appropriate way.

13. Corporate Complaints and Compliments Annual Report 2021/22

The Commission received a report of the Director of Corporate Resources, which presented the Corporate Complaints and Compliments Annual Report, covering the period from 1 April 2021 to 31 March 2022. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

Arising from discussion, the following point were made:

- (i) Historically the Council had low complaint levels, but this had increased year on year for some time now. Whilst it was recognised that Covid had affected the figures, Members asked for more benchmarking information to better understand the Council's complaints numbers when compared with other similar sized local authorities. Members noted that recording and managing complaints was not a statutory requirement and authorities therefore managed the process differently making it difficult to make comparisons. Some regional information could be collated, however, and the Director undertook to look at this further. Members noted that the number of complaints referred to the Ombudsmen could be benchmarked, and such information would be included in the report for the following year.
- (ii) A Member raised concerns about the level of SEND complaints to Children and Family Services, which when combined with SEND Transport complaints (which went to the Environment and Transport Department) had risen significantly. It was acknowledged that staff pressures and Covid had had a detrimental effect, but the Member commented that as a statutory duty, this could not continue and perhaps required closer scrutiny.
- (iii) Members noted that external consultants had been appointed to look at SEND and SEND Transport to ensure they were better coordinated across the two departments, focusing on family needs. A lack of communication

between departments had been identified as an issue and this was being addressed to help better forecast expected SEND transport needs.

- (iv) Members acknowledged that Children and Family Services had and continued to be faced with increased demand for SEND services. This was intrinsically linked to the delay in the assessment process which inevitably then effected SEND transport arrangements. It was noted that the number of children assessed each year had increased by more than 10%. This gave rise to both financial and service difficulties which the Council was working to address.
- (v) A Member commented that over the last 20 years, the number of children being diagnosed with SEND had increased from around 1 in 300 to now 1 in 60. Such an increase in demand was unprecedented. Members noted that this was a national problem and that an annual survey currently being compiled would likely show the cumulative deficit for SEND services across the country to be in the region of £2bn over the next two years. Members commented that this was unsustainable without further Government support.
- (vi) The Chairman of the Children and Families Overview and Scrutiny Committee, Mrs Fryer CC, confirmed that SEND pressures were being looked at by that Committee and it would be receiving a report on this issue at its next meeting in September.
- (vii) Members noted that it was not only the increase in numbers that gave rise to delays in SEND assessments, but also the increase in the number of complex cases which could not be assessed quickly. Members acknowledged that such pressures were intrinsically linked to the resulting growth in complaints in this area. Proportionately, however, the number of complaints compared to the number of cases assessed were not dissimilar to previous years.
- (viii) In response to questions raised, the Director confirmed that the two main common themes of complaints were delays in the delivery of services and communication to manage expectations around that.
- (ix) A Member queried whether there were any themes to complaints received geographically which members might be made aware of to ensure they were able to support residents on those issues. The Director advised that complaints were often submitted by email and their locality, if not relevant to the complaint, might not be known. Such data could not therefore be provided.

RESOLVED:

- (a) That the update provided be noted and that the comments now made be submitted to the Cabinet for consideration at its meeting on 16th September 2022;
- (b) That the Director be requested to include in the next annual report some comparative data regarding complaint numbers, including regarding those complaints referred to the Ombudsmen.

14. Overview and Scrutiny Annual Report 2021/22

The Commission considered the draft Overview and Scrutiny Annual Report which summarised some of the key highlights of scrutiny work undertaken during 2021/22. A copy of the report marked 'Agenda Item 14' is filed with these minutes.

Members supported the content of the report subject to the addition of a small section referencing recent petitions received, as an example of how the public could get involved.

Members requested that following consideration of the report by the full County Council at its meeting in July a link to the report, which would be published on the Council's website, be provided to all Members for wider circulation. It was noted that this would also be publicised through Leicestershire matters.

RESOLVED:

- (a) That the draft Overview and Scrutiny Annual Report 2021/22 be approved for submission to the County Council on 6th July subject to the comment now made;
- (b) That, following its consideration by the County Council in July, a copy of the Annual Report be provided to all Members for wider circulation.

15. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Commission would be held on 7th September 2022 at 10.00 am.

10.00 am - 11.50 am
08 June 2022

CHAIRMAN

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