

**MINUTES OF THE MEETING OF THE CORPORATE SCRUTINY
COMMITTEE HELD ON 23 SEPTEMBER 2022 IN IN CONFERENCE
ROOMS 1/2, WELLINGTON HOUSE, 40-50 WELLINGTON STREET,
LEEDS, LS1 2DE**

Present:

Councillor Peter Harrand (Chair)	Leeds City Council
Councillor Geoff Winnard (Deputy)	City of Bradford Council
Councillor Alun Griffiths	City of Bradford Council
Councillor Carol Thirkill	City of Bradford Council
Councillor Brenda Monteith	Calderdale Council
Councillor Mike Barnes	Calderdale Council
Councillor Paul Davies	Kirklees Council
Councillor Moses Crook	Kirklees Council
Councillor Susan Lee-Richards	Kirklees Council
Councillor Jane Dowson	Leeds City Council
Councillor Paul Wray	Leeds City Council
Councillor Samantha Harvey	Wakefield Council
Councillor Betty Rhodes	Wakefield Council
Councillor Fiona Fitzpatrick	City of York Council

In attendance:

Faye Barker (Item 8)	West Yorkshire Combined Authority
Lorna Jones	West Yorkshire Combined Authority
Hannah Scales	West Yorkshire Combined Authority
Angela Taylor	West Yorkshire Combined Authority

1. Apologies for absence

Apologies for absence was received from Councillor David Jones.

The meeting was confirmed as quorate, with 14 members present out of 11 needed for quorum.

2. Declarations of Disclosable Pecuniary Interests

There were no declarations of disclosable pecuniary interests.

3. Possible exclusion of the press and public

There were no items requiring the exclusion of the press and public.

4. Corporate Scrutiny Governance Arrangements

The Committee considered a report of the Scrutiny Support Officer outlining governance arrangements, terms of reference, Scrutiny Standing Orders,

quorum, and substitute rules agreed by the Combined Authority at its annual meeting in June 2022.

The Chair welcomed the new members to the committee and outlined the main change to the committee remits which has ensured that Transport Scrutiny covers more of the environmental and place related topics that coincide with transport.

A clarification on substitute rules was provided; that any scrutiny member can substitute for another member who is from the same party and district on another scrutiny committee – any member without a pair, can nominate a personal substitute from their own council. **Scrutiny officers will circulate a list of members who need to appoint a personal substitute.**

Resolved: That the report be noted.

5. Minutes of the meeting held on 11 March 2022

Under matters arising, an update was provided on the workforce issues raised at the last meeting, WYCA's involvement with Welcome to Yorkshire, and the Accommodation Project closure and benefit reports.

Resolved:

- i) That the minutes of the meeting held on 11 March 2022 be approved.
- ii) **That the Director of Corporate and Commercial Services** circulate the closure *and* benefits reports for the Accommodation Project to members when available.

6. Chair's update and comments

The Committee received a verbal update from the Chair which covered his activities and meetings over the summer.

Resolved: That the Chair's verbal update be noted.

7. Inflation and Budgets

The Committee considered a report of the Director of Corporate and Commercial Services providing an update on the impact of inflation on CA spending and budgets, including the capital programme and revenue pressures, and the prospective approach to budget and business planning for 2023/24.

Discussion took place around the following topic areas:

- 1) **Risks and uncertainty around funding for tendered bus services:**
The two main risks of bus funding are wider budget pressures from cost increases affecting the level of funding available for existing

tendered services and cuts of commercial services by bus operators could lead to extra pressure for the CA to tender more 'socially necessary' services – both of these represent a high social impact on residents. The committee noted the balance of monitoring spending and risk without straying into the Transport Scrutiny Committee's remit on buses and transport.

- 2) **Initial assumptions around inflation level:** In November/December 2022, the CA Members took the decision to operate under an assumption of 2% inflation, which was in line with similar analysis by most Local Authorities, generally based on then Bank of England estimates. The Committee noted that Scrutiny felt last year that, despite pressures on the revenue budget, a 2% assumption in the pay award was unrealistic and a 4% assumption might have been more accurate. Some Members reported their own places of work working on assumptions of inflation as high as 9% late last year as it appeared evident, even before the Ukraine War Crisis, that inflation would rise across the economy. The committee suggested inflation be focused on when budget 2023/24 scrutiny takes place later this year.
- 3) **Gainshare and inflation:** As the committee noted last year, Gainshare is not inflation indexed and this was a risk, so it would lose its initial value over time at a minimum of 2% a year (based on historic average of inflation). In light of recent inflation rises, this loss of value has accelerated at an alarming rate – a rise in inflation of 10%, as predicted this year, would essentially wipe off nearly £4m in funding a year from now on, and it is only the first year of Gainshare funds being available to the CA. The CA decided as a deliberate strategy last year to 'front load' spending in order to fully maximise the full value of Gainshare, and any borrowing against it, and focus on revenue generating schemes. It was also decided to over programme, similar to capital programmes, to ensure there is always a project in the pipeline to spend the money on to ensure there isn't a situation where funds are not being deployed where needed. The committee asked to see a monitor of gainshare spending at each meeting.
- 4) **Possible cancellations of capital programme schemes:** The CA, in coordination with the local authorities (through directors of delivery) who usually sponsor and manage many of the schemes in the capital programme, is currently reviewing all schemes to determine the effect inflation costs have had on them and whether they are still viable. The current intention and plan is to avoid cancellation of projects – especially strategically aligned projects – and instead reprioritise their position in the pipeline. It was always policy to over programme and have more schemes and funds committed than available, as it was common for schemes to be delayed, and that ensured that the money was always being spent and making a difference. The tolerance levels have now shifted due to inflation and so this will be revisited. The ultimate decision on whether schemes are cancelled will be made by the CA Members in a public meeting. The committee asked to see the analysis of the capital programme when completed.

- 5) **Reserve funds strategy:** It is not the CA's current policy to use reserves (or Gainshare) to 'plug' any gaps in general revenue spending e.g. corporate running costs or staff salaries. Reserves would generally only be used in 'emergency' type situations on a temporary and contained basis.
- 6) **Consultation costs and 'Value for Money':** The 'not insignificant' cost of consultations was noted by the Committee and in the context of increasing costs and possible cancellation of schemes, any consultations for schemes that have not yet progressed could be cancelled, or delayed, to save on those costs until the fate of the wider capital programme is clearer. This might be an opportunity to review the effectiveness and 'culture' of consultations as well as their true value for money – many consultations are approached as either box ticking exercises or 'local referenda' on already agreed schemes. The committee requested a strategic report on consultation strategy and value for money.
- 7) **Monitoring efficiency of contractors and suppliers:** It is a "double edged sword" when suppliers are profiting 'too much' from a contract as it calls into question value for money for the authority, but if they are struggling it calls into the question the quality of their service or overall business model. Although the efficiency of contractors and suppliers is monitored to ensure standards are being met, most information available is from previous years and it is more difficult to assess them in the present or predict what shape the supplier will be in in the future, especially in current economic conditions.

Resolved:

- i) That the report be noted and the Committee's feedback and conclusions be considered further by the **Director of Corporate and Commercial Services**.
- ii) That Gainshare funding developments, and wider impact of inflation, continue to be monitored at each meeting through an appendix prepared by the **Director of Corporate and Commercial Services**.
- iii) That a report by the **Director of Strategy and Communications** on the approach to consultations and their value for money be added to the work programme and a future agenda item to be determined.
- iv) That the analysis of the capital programme being prepared for the Combined Authority by the **Director of Delivery** be circulated to members when completed, prior to further decisions being made.

8. Inclusive Procurement

The Committee considered a report of the Head of Procurement and Commercial on the outcome of the Social Value Portal trial procurements that had been undertaken since the committee last considered this topic in March 2022.

Discussion took place around the following topic areas:

- **Additionality:** It was difficult to ascertain exactly where the additional social value was being obtained in the examples given in the report. In one example of the rebrand contract, a social value of 44% of the contract's value was quoted due to the supplier engaging in equality and diversity (EDI) initiatives. It was felt that commitments of that nature amounted to a lack of additionality as the companies would be engaging in those things anyway, even without the contract. It was perceived as the suppliers 'marking their own homework'. It was confirmed that the companies were supposed to choose additional elements that they were not currently doing and the examples would be reviewed to ensure compliance with that requirement.
- **Notional nature of the calculated 'Social Value':** The fundamental nature of the concepts behind determining social value meant the values were very notional and could be difficult for people to understand and reconcile, especially when compared to the approach taken by some local authorities which simply asked for a direct financial contribution to a pooled social fund. Some people could mistake the notional social value for a real monetary value – which implied the supplier was being paid, using the previous example, 44% of the contracts value to engage in the EDI work.
- **Additional real value cost to the CA and suppliers:** Even if the 'social value' is notional, the Social Value Portal and TOMs system nonetheless have a real cost in running and administering them – both for the CA and for the businesses. In this case, as with any spending, value for money is important and must be demonstrated. It might the case that some businesses are incurring extra cost to satisfy social value requirements, which they may pass onto the CA within the contract or might otherwise affect the quality of their output – especially smaller businesses. Any future report would likely focus on this element, in addition to the clarifications requested elsewhere.

Resolved: That the report be noted and the Committee's feedback and conclusions be considered further by **the Head of Procurement**.

9. Corporate Scrutiny Work Programme 2022/23

The Committee considered the Work programme for 2022/23 and discussed adding additional workshops on workforce issues and budget scrutiny before Christmas – in addition to the usual planning session ahead of Mayors Questions, which was scheduled for the next meeting in November.

Resolved:

- i) That the appended work programme be noted and approved.
- ii) That a workshop involving a smaller group of interested members be arranged by scrutiny officers and the Director of Corporate and Commercial Services to consider workforce issues in greater detail and offer direction for the wider committee discussion at the January 2023 meeting.
- iii) That the usual workshop focusing on pre-budget scrutiny be arranged by scrutiny officers and the Director of Corporate and Commercial Services for all members at an appropriate time in the budget setting process, before Christmas.
- iv) That the usual Mayors Question Time planning session be arranged by scrutiny officers for all members in October or November prior to the Mayors Question Time session to be held on 18 November 2022.

10. Next meeting date – 18 November 2022, Mayors Question Time