

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Economy and Development Select Committee held at The Council Chamber, County Hall, The Rhadyr, Usk. NP15 1GA on Thursday, 30th November, 2017 at 10.00 am

PRESENT: County Councillor P. Pavia (Chairman)
County Councillor D. Blakebrough (Vice Chairman)

County Councillors: J. Becker, A. Davies, D. Dovey, M. Feakins and R. Roden

Also in attendance County Councillors: P. Murphy, V. Smith and S. Woodhouse

OFFICERS IN ATTENDANCE:

Kellie Beirne	Chief Officer, Enterprise
Peter Davies	Chief Officer, Resources
Mark Howcroft	Assistant Head of Finance
Cath Fallon	Head of Enterprise and Community Development
Deb Hill-Howells	Head of Community Led Delivery
Hazel Ilett	Scrutiny Manager
Richard Williams	Democratic Services Officer

APOLOGIES:

County Councillors B. Strong and A. Watts

1. Declarations of Interest

There were no declarations of interest made by Members.

2. Confirmation of minutes:

2.1. Economy and Development Select Committee - 19th October 2017

The minutes of the Economy and Development Select Committee dated 19th October 2017 were confirmed and signed by the Chair.

2.2. Special Meeting of the Economy and Development Select Committee - 26th October 2017

The minutes of the special meeting of the Economy and Development Select Committee dated 26th October 2017 were confirmed and signed by the Chair.

3. Public Open Forum

There were no members of the public present.

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4. Medium Term Financial Plan 2018/19 to 2021/22 and Draft Budget Proposals 2018/19 for consultation

Context:

- To highlight the context within which the Medium Term Financial Plan (MTFP) will be developed for 2018/19 to 2021/22.
- To agree the assumptions to be used to update the MTFP, and provide an early indication of the level of budget savings still to be found.
- To receive an update with the implications arising out of the provisional settlement announcement of Welsh Government.
- To consider the 2018/19 budget within the context of the four year Medium Term Financial Plan (MTFP) to be incorporated within the emergent Corporate Plan
- To receive detailed draft proposals on the budget savings required to meet the gap between available resources and need to spend in 2018/19.

Key Issues:

The Select Committee scrutinised the Enterprise budget proposals, as outlined in the report, which related to the Enterprise Directorate.

Member Scrutiny:

- The general reserve is made up of the Council fund reserve and school balances, which equates to in the region of £7million. In addition to this, the Council makes contributions to earmarked reserves for particular purposes.
- With regard to borrowing, the Authority uses a system called internal borrowing to avoid taking out extra loans that the Authority doesn't need. The only purpose of borrowing is to afford capital expenditure, which Council agrees annually.
- With regard to the Revenue Support Grant, it was noted that there is a distribution sub group and the Head of Finance sits on this group. Together with the other 22 authorities, the Group looks to work with Welsh Government and with the Welsh Local Government Authority (WLGA) to try and affect the distribution mechanism for the settlement that the Assembly has to remedy some of the issues. Rurality and deprivation are some of the issues being raised. The Authority only receives funding for deprivation in the sum of a few hundred pounds per annum, which does not reflect the pockets of deprivation that the Authority has. In order for the Revenue Support Grant formula to be altered, the 22 local Authorities would have to vote on this matter. However, it is unlikely that this will occur. Appendix 3 of the report refers to a letter that has been sent to Welsh Government by the Authority regarding the need for a more equitable distribution of the funding formula.

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- Post Brexit, there will be changes. The money allocated to local authorities to help combat deprivation largely comes from European funding. This funding will not be available in the future. Therefore, the Authority will need to be more innovative in future.
- In response to a question regarding comparing the Authority's unit costs and performance with those of other Welsh Councils to understand where the greatest opportunity was to make further savings, it was noted that the Authority has to provide certain returns on the same basis as other Welsh Authorities. Monmouthshire's Unit costs are in the lowest quartile in terms of cost. Performance is also looked at. Data driven decisions are where Cabinet wants to get to.
- Closer scrutiny is welcomed with Members, as well as officers, receiving appropriate training when required.
- Future Monmouthshire is about the whole Authority working together, understanding the problems that we face and solving them, as an Authority.
- The new Cabinet report format has now strengthened aspects around options appraisal, evaluation and consultation.
- A Draft Commercial Strategy is being prepared with a view to the Select Committee having an opportunity to scrutinise the draft strategy in the new year.
- Staff cuts are being kept to a minimum. Staff are being set broader targets and are expected to contribute some ideas and thinking regarding how the Authority can solve issues affecting the Council.
- There is resource and good will within the town and community councils. We need to demonstrate, as a Council, that we are positively engaging with them collaboratively.
- By looking at the Authority's procurement procedure, this is an area where the Authority can make savings on spending.
- In response to a Select Committee Member's question regarding Council Tax payments being offered over a 12 month period, it was considered that this flexibility already existed. However, the Assistant Finance Manager stated that he would clarify the position and get back to the Member.
- The Council Tax proposal is 4.95% in 2018-19 reverting to 3.95% in each of the three subsequent years of MTFP.
- Robust business plans are required when investing public money with a view to generating income. There is also a need for robust scrutiny in these circumstances.

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- The well-being of staff is important and the Authority has a duty of care to its staff. A staff survey was carried out earlier in the year which had not raised any significant concerns in terms of well-being of staff. Sickness and absence projections are indicating an improvement on last year. However, staff sickness relating to stress and psychological reasons is on the rise. This highlights the issues that the Authority is working to address. Health and well-being of staff is a priority for the Authority. Health and well-being events have been held over the County for staff to attend and attendance has been good.

Committee's Conclusion:

- The Select Committee has fully considered the budget assumptions, pressures and savings proformas affecting this Select Committee's portfolio area and acknowledges the challenges facing the Council in difficult financial times.
- The Select Committee is keen to work with senior officers in relation to procurement, given the potential savings to be made through examining the Authority's procurement procedures. Members agreed that their continued scrutiny focus for 2018 would be on the procurement agenda in line with the 'Future Monmouthshire' programme.
- The Select Committee agreed to include scrutiny of the draft Commercial Strategy in its work programme, timescale being potentially in the New Year.

5. Draft Capital Budget Proposals 2018/19 to 2021/22

Context:

To scrutinise the proposed capital budget for 2018/19 and the indicative capital budgets for the three years 2019/20 to 2021/22.

Key Issues:

Capital Medium Term Financial Plan (MTFP) issues:

- The four year capital programme is reviewed annually and updated to take account of any new information that is relevant.
- The major component of the capital MTFP for the next few years is completion of the Council's Tranche A Future schools programme. Colleagues are working through options in relation to a future Welsh Government Tranche B programme.

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No presumption has been made to add such costs into this next four year window as yet, as costs of proposals and their affordability are still to be established.

- As part of the 2017/18 budget setting process, Members identified five additional priorities that had not been costed at the time of budget setting, but for which they added an unhypothecated borrowing assumption of £500,000 per annum to the 2017/18 budget.
- During this year, some of those scheme costs have crystallised and the following indicates the related presumption within the capital programme together with an indication of the revenue consequences. In all cases an asset life of 25 years has been presumed:
 - Monmouth Pool – commitment to re-provide the pool in Monmouth as a consequence of the Future Schools Programme, £7.3 million project afforded by £1.9 million Future Schools Programme, £985,000 Section 106 funding, core treasury funding in the region of £835,000, and £3.58 million prudential borrowing afforded by the Leisure Service through additional income predictions.
 - Abergavenny Hub – commitment to re-provide the library with the One Stop Shop in Abergavenny to conclude the creation of a Hub in each of the towns. £2.3 million.
 - Disabled Facilities Grants – the demand for grants is currently outstripping the budget, work is being undertaken to assess the level of investment required to maximize the impact and benefit for recipients. Members ultimately chose to put a one year commitment of £300,000 into the base capital programme in 2017/18.
 - City Deal - 10 Authorities in the Cardiff City region are looking at a potential £1.2 billion City Deal. Agreement to commit to this programme is being sought across the region in January 2018 and would impact on the capital MTFP. The potential impact on individual authority budgets is currently being modelled in advance of decisions on specific projects and profiles in order for authorities to start reflecting the commitment in their MTFPs. The potential is for the 10 authorities to provide collectively £120 million over time, with individual contributions being reflective of populations. Monmouthshire's indicative liability during the forthcoming capital MTFP is likely to be:

Contributions predicted during forthcoming MTFP window:

Year	Amount
2018-19	£83,000
2019-20	£482,000
2020-21	£472,000

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2021-22 £729,000

Contributions predicted following the MTFP window:

2022-23	£729,000
2023-24	£1,207,000
2024-25	£1,206,000
2025-26	£1,206,000
2026-27	£1,206,000

Total £7,320,000

MRP is presumed to start in the year after the contribution is made.

- J and E Block – the office rationalization programme is being considered to see if there is a solution that would enable the Magor and Usk sites to be consolidated, releasing funding to pay for the necessary investment to bring the blocks into use. The current presumption included in Treasury figures is £1.4million expenditure with MRP starting in 2020/21. No revenue savings from central accommodation or the Magor building have been presumed in the capital modelling, as those savings are unlikely to be realized until that building is vacated.
- A strategy that enables the core programme, Future Schools and the above schemes to be accommodated is being developed. Notwithstanding this, there will still remain a considerable number of pressures that sit outside of any potential to fund them within the Capital MTFP and this has significant risk associated with it. Cabinet has previously accepted this risk.
- The current policy is that further new schemes can only be added to the programme if the business case demonstrates that they are self-financing or the scheme is deemed a higher priority than current schemes in the programme and therefore displaces it.

In summary the following other issues and pressures have been identified:

- Long list of back log pressures – infrastructure, property, DDA work and Public rights of way. None of these pressures are included in the current capital MTFP, but this carries with it a considerable risk.
- In addition to this, there are various schemes / proposals (e.g. Alternative Delivery Model for Leisure, Tourism and Culture Services, Tranche B Future Schools, any enhanced DFG spending, waste fleet vehicle replacement, community amenity site enhancement) that could also have a capital consequence, but in advance of quantifying those or having Member consideration of these items, they are also excluded from current capital MTFP.

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- Capital investment required to deliver revenue savings – this is principally in the area of office accommodation, social care, property investment and possibly Additional Learning Needs. The level of investment is currently being assessed. However, in accordance with the principle already set, if the schemes are not going to displace anything already in the programme then the cost of any additional borrowing will need to be netted off the saving to be made.
- The IT reserve is depleted so funding for any major new IT investment is limited. Any additional IT schemes will need to either be able to pay for themselves or displace other schemes in the programme.
- Base interest rates were increased by 0.25% to 0.5% on 2nd November 2017. That pressure is more likely to be felt in the Revenue MTFP as it will increase the cost of borrowing over time. However, it may also impact adversely upon the viability of capital business case developments and their ability to demonstrate self-affordability. Given this very recent change, it hasn't been possible to fully work through the consequences in the initial revenue and capital MTFP. That will instead manifest itself through the budget setting process.

Member Scrutiny:

- There are numerous opportunities to review the capital programme as it is presented to select committee meetings every time there are amendments to it.
- The only change to this capital programme is the inclusion of the £300,000 for disabled facility grants. It is currently fixed at £600,000 but this will be increased to £900,000.
- In response to a question raised regarding the effects that Brexit might have on the Capital Budget, it was noted that Welsh Government provides the Authority with an element of core capital funding in which the Authority can choose to spend on within its schemes, which equates to £2,000,000. However, it is not known whether this is European funding. With regard to the 50% funding that comes from Welsh Government in relation to the Authority's future schools aspirations, conversations around Tranche B have been held with Welsh Government and the consultation process is underway. There is unlikely to be any significant volatility to Monmouthshire's Capital Programme as a consequence of Brexit.
- With regard to the constitutional governance issues in respect of the City Deal, it was noted that there were some matters that needed to be finalised.

Committee's Conclusion:

The Select Committee had fully discussed the capital budget assumptions and priorities affecting the Select Committee's portfolio area, however had no specific recommendations to make in terms of the approach being adopted.

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6. Crick Road - Proposed disposal to Melin Homes

Context:

To undertake pre-decision scrutiny on the proposal to sell Crick Road to Melin Homes to enable the construction of 285 residential units.

Key Issues:

Crick Road is a 10.95 ha site allocated within the Local Development Plan as a strategic development site. The site is owned by Monmouthshire Council and a third party.

Cabinet gave approval in June 2016 to enter into discussions with Melin Homes for the sale of this site on the basis that the development would support the creation of a cohesive community that has regard to its place and local context, whilst still observing the legal requirements that bind the Council when disposing of assets to achieve best consideration.

Council Officers and Melin Homes have been working collaboratively to design a scheme that has regard to its rural context, applies Poundbury principles, creates a sense of community and belonging and is underpinned by dementia friendly principles. The outcome is a design that will provide 285 homes, 71 of which will be affordable, embodies green infrastructure principles and has a mix of residential designs and scale. The houses for sale will be developed by Melin's trading arm, Now Your Home, with the remainder being retained and managed by Melin Homes.

Surveys have been commissioned to establish development constraints and abnormal development costs so that the residual land value could be calculated. To date, abnormal development costs have been identified in the region of £3,000,000 which relate to drainage, utilities, ground conditions and ecological issues. It is intended that as these costs are finalised, the parties will share in any savings on an equal basis.

Discussions are underway with the owners of the third party land on the basis of an equalisation agreement. This will reflect the net value of the site, less costs and the benefit then apportioned on the basis of the size of the land holding.

There is a Service need to re-provision a new dementia friendly residential care facility and this site has been identified as the preferred location. A separate report is being presented by Social Services to consider the business case for this proposal. However, it is worth noting that the design prepared has allocated 2.3 acres to the care facility. In the event that this does not proceed it is expected that the land will be incorporated within the residential scheme, subject to the necessary planning consents.

Provisional heads of terms have now been agreed which will be the subject of an independent valuation to determine that the terms meet the obligations of Section 123 of the Local Government Act.

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Member Scrutiny:

- Melin Homes will be paying the market value for the land and an external valuer has been appointed.
- In terms of the legality of the process, significant scrutiny has taken place and external advisers have been brought in to provide a level of assurance. Officers are comfortable that any obligations will not be breached.
- Section 123 requires that best price is obtained and not prescribe the method of obtaining that. Therefore, the Authority does not need to go and test in the open market but does need the independent scrutiny of the deal that has been agreed which has been tested via case law. Legal advisers are comfortable that the correct procedure is being followed.
- Other companies are interested in purchasing the site. However, market value is being obtained which will be a capital receipt that will be ring-fenced to the 21st Century Schools Programme.
- Melin is a long term partner and will remain on the site.
- The design is place shaping and has regard to its community.
- Subject to Cabinet consent on 6th December 2017 and that the Melin Board is in agreement with the Cabinet decision, public consultation will commence early in the new year. Planning permission is anticipated to be achieved around late spring / early summer of 2018 with work commencing at the end of 2018.
- The scheme, as currently proposed, does not include a G.P. surgery. The hub of the scheme will be the social services facility.
- A report will also be presented to Cabinet on 6th December 2017 regarding Severn View with a view to develop this scheme and to produce a full business case for it by the late spring of 2018.
- In response to questions raised regarding the risks involved with working with Melin Homes, it was noted that Melin Homes' trading arm is delivering a number of sites and have developed expertise. It has also developed its own supply network which has enabled them to build in some quantum and reduce the construction costs. The trading arm has employed people who have worked for PLCs and therefore have the same level of acumen and development skills that PLCs would have. Officers have attended all of the development meetings to ensure that the plans being prepared are being scrutinised. The arrangement is directly with Melin Homes and will share the benefit of any uplift payment. The 25% affordable homes will be achieved with Melin Homes. In the open market, this cannot always be guaranteed.

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- The Capital receipt will be covered via a three phase payment. The first payment will be received at the point of exchange on the contract. Receipt of the remaining two payments has not yet been set.
- The design and community feel is breaking new ground. The scheme is very good for residents and for Monmouthshire as a whole.

Committee's Conclusion:

- The Select Committee welcomes this approach which will deliver best community outcomes and provide a new dementia facility.

7. Presentation regarding the City Deal - Strategic Investment Proposal for Caldicot Town Centre

Due to the extensive scrutiny of the draft budget proposals, we resolved to defer the presentation regarding the City Deal – Strategic Investment Proposal for Caldicot Town to the next meeting of the Economy and Development Select Committee.

8. Performance report 2017/18

Context:

To scrutinise information on how the Council is performing in 2017/18 against nationally set performance indicators that are under the remit of Economy and Development Select Committee.

Key Issues:

The Council currently has an established performance framework which ensures that everyone is pulling in the same direction to deliver real and tangible outcomes. The framework was presented to the Committee in July 2017.

Performance data and information is essential to the Authority's performance framework to track and evaluate the progress being made. The performance data used comprises a range of nationally set performance frameworks across various services and locally set indicators that services have developed to evaluate their performance.

One important nationally set framework used to measure local authority performance is 'Public Accountability Measures' set by Data Unit Wales.

The indicators are benchmarked annually compared to other Councils in Wales and the latest quartile ranking from 2016/17 is included, where available and applicable. This quartile ranking was reported to full Council in September 2017 as part of the Stage 2 Improvement Plan 2016/17. Due to the nature of some indicators, data is only collated

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on a six monthly or annual basis. While there are some new indicators included as part of this set which have limited performance data available at this stage.

The Council is currently developing a Corporate Plan that will bring together a wide range of evidence, including from the well-being assessment and Council's well-being objectives and statement 2017, to set a clear direction for the Council along with the resources required to deliver it. Once completed the Corporate Plan will form the framework for future performance reporting.

Member Scrutiny:

- In response to questions raised, it was noted that performance indicator PAM/013 relates to empty homes brought back to use by direct action for the local Authority.
- In terms of leisure centres and comparability of performance indicator PAM/017 the report indicates that Monmouthshire's leisure centres are in the bottom quartile which is a comparison with other authorities in Wales.
- The Adults Select Committee is looking at the Homeless Strategy on 23rd January 2018.
- Officers are keen to improve the displaying of performance indicators on the County Council's website with a view to updating this information automatically and using technology to present this information. In terms of national information, there are a number of Welsh Local Government Association sites that also hold information, as well as the Authority.
- In terms of the Authority's Leisure Centre offer, it was considered that information on how the Authority is engaging with primary care providers in terms of increasing or enhancing the drive for social prescribing, would be beneficial to the Select Committee.

Committee's Conclusion:

We resolved to receive the report and noted its content.

9. List of actions arising from the previous meeting

We noted the list of actions arising from the previous meeting. In doing so, the Scrutiny Manager informed the Select Committee that the first Procurement Workshop had been held and the notes of agreed actions had been circulated to Members. A report on the value of the National Procurement Service had also been sent to Members.

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The workshop was a different style of working that was being trialled and was focussed and interactive which allowed officers to take forward key actions.

10. Economy and Development Select Committee Forward Work Programme

We resolved to receive and note the Economy and Development Select Committee Forward Work Programme. In doing so, the following points were noted:

- A seminar regarding a review of the Local Development Plan will be held in the Council Chamber this afternoon which will be hosted and led by the Economy and Development Select Committee. All Members have been invited to attend.
- The presentation regarding the City Deal - Strategic Investment Proposal for Caldicot Town Centre will be received at the January 2018 Select Committee meeting.
- A special meeting of the four select committees has been arranged to be held in December 2017 to scrutinise the Alternative Delivery Model.
- The Select Committee will meet with bordering English authorities in the new year to discuss cross border issues. However, there is preparation work that needs to be undertaken initially before this meeting takes place, i.e., to meet with the public to ascertain what the issues are.

11. Council and Cabinet Business Forward Plan

We received the Council and Cabinet Business Forward Plan and noted its content.

12. Next meeting

The next meeting of the Economy and Development Select Committee will be held on Thursday 25th January 2018 at 10.00am.

The meeting ended at 1.06 pm.