

Monmouthshire Select Committee Minutes

Meeting of Economy and Development Select Committee held at The Council Chamber, County Hall, Rhadyr, Usk, NP15 1GA on Thursday, 30th January, 2020 at 10.00 am

Councillors Present

County Councillor P.Pavia (Chairman)
County Councillors: J.Becker, A.Davies,
D. Dovey, D. Evans, R.Roden, B. Strong,
P. Murphy, L.Dymock, A. Easson and R. Harris

Officers in Attendance

Peter Davies, Chief Officer, Resources
Dave Loder, Finance Manager
Hazel Ilett, Scrutiny Manager
Robert McGowan, Policy and Scrutiny Officer

APOLOGIES: Councillors M.Feakins and V. Smith

1. Declarations of Interest.

No declarations of interest were made.

2. Public Open Forum.

No members of the public were present.

3. Budget Monitoring Report Month 7 - Report for quarterly scrutiny.

The committee was presented with a report showing significant pressures, with an unprecedented shortfall of just under £4m at this stage – this is a rare situation and challenge for the Council. Children's Services is by far the biggest pressure to contain, with an increase of looked-after children and very expensive placements, leading to a £2m overspend. Other notable areas are Adult and Social Care, and children with additional learning needs. A recovery plan has been prepared which can be put into effect quickly. The Council's ability to make in-year savings is getting harder, the £4m overspend already takes into account the savings and cuts made. All expected measures are being taken.

Challenge:

How confident are we that the potential surplus from the Ealing judgement, or some of it, will come back to the Council?

There is a range of possible VAT recovery, we're forecasting £1.9m in the mid-range. The risks are more around the very old elements of the claim: the older the claim the harder it is to make it. Therefore, there's always a degree of risk that Customs will accept that position. KPMG has given reassurance that we are in a strong position. If we do go beyond the forecasted £1.9m the money will be used to benefit the end-of-

year outturn position, offset against any further pressures that may come to the fore in the remainder of the year.

Given the slippage of £171k for Crick Care Home, if, by the end of the next financial year, we haven't begun to spend money on the project, would we lose the grant from Welsh Govt?

The slippage of £171k noted in the report has been due to the planning application working its way through and being approved. There's no real concern, there are risks identified around funding but these are more to do with care home replacement on the site. Conversations are ongoing, with reassurance being given to Welsh Govt.

How is investment in Spytty Park going, how is it balancing against Castle Gate, and what are the implications for Innovation House?

The Spytty Park investment is predicated on robust business cases, and prudence. Spytty Park has a strong occupancy, levels of commercial income come through ahead of baseline projections. Castle Gate is still generating commercial income to offset overall borrowing costs, but a few things have arisen to stop the target being met. Overall though, investment is fine, the portfolio is balanced. There's a diversification of risk across the portfolio – this is the reason for investment in Spytty Park and Castle Gate. Recovery of income in Castle Gate is offset by recovery in Spytty Park. Castle Gate is running at 88% occupancy, we are working to fill the vacancies, which will then increase the income.

There have been delays in moving staff across to County Hall J Block, one consequence is it has blunted the ability to move Innovation House forward and make money from it. This has had an impact on income, but we will move quickly to fill the gap once staff have moved. Property services are now putting contracts in place to move forward with the car park work at County Hall.

How confident are we that the tenants comprising the 88% at Castle Gate will stay? What is the tipping point for concern if the occupancy were to fall?

We have one core tenant, so there is a risk being carried. There is a break point, a review point, but as things stand we don't see any real risk there: the company is performing well, and Brexit risk shouldn't unsettle the company.

Members need to be informed of how an investment is going, the returns from it. It's important that if the Council is to invest in these projects, Council receives feedback on performance.

Yes, transparency is key, the responsibility falls to the Audit Committee – a report will be presented there, which will provide openness in investments and their performance, and see if adjustments need to be made. There is Welsh Govt guidance, we'll look to reflect on that going forward.

Chair's Conclusion:

The Council is in a really challenging position. We have touched on the Ealing judgement, how much the VAT return could potentially be, and whether it can offset future pressures – hopefully it will be in the medium to top end, which would be really helpful. Crick Road was discussed, as it was in the Adult Select Committee, with the same concern over ensuring that the capital spend is not lost. The investment strategy in commercial property is very important, the public is always concerned about money not going directly to front-line services. So we need to ensure that that investment is making good returns, providing us with a strong revenue stream moving forward.

4. Scrutiny of the draft Capital and Revenue proposals for 2020-21 within the context of the four year Medium Term Financial Plan.

The committee was presented with a report that frames the current in-year challenges. As expected, many pressures are carrying through into next year amidst a set of wider challenges. The totality of pressures being managed and contained is just shy of £10m – this is significant. Adult and Social Care is the most significant aspect of the £10m pressure. ALN pressure continues and grows. The teacher pay and pension increase continues on into next year. These 3 areas make up more than £8m of the £10m.

A robust set of proposals has been brought to deal with the pressures. The core responsibility is to bring balanced proposals in March. When proposals went to consultation in December they weren't fully balanced, with £1m still to organise. Consultation continues to tomorrow, 31st Jan. Cluster meetings have been held, consultations with budget, targeted events with headteachers, events with young people, etc. As many people as possible have been met with to get feedback. The main point of the feedback is the 2% regarding the schools budget. Cabinet is considering alternative proposals. The tax increase was originally 3.95% but 4.95% is now being proposed out of necessity, given the pressures.

Challenge:

Were headteachers consulted about the 2% saving against school budgets? Was the proposal subject to an Impact assessment?

Yes, headteachers were consulted, and fed into discussions with Cabinet. Conversations have continued, feedback has been received from parents etc. Cabinet has no appetite for imposing a 2% reduction, all alternative measures are being considered.

Does the freeze on employer's pensions contributions affect the employees' pensions?

No, freezing employer's pensions contributions doesn't affect employees.

Are there details of comparisons with other authorities, in terms of the increases in fees?

When managers assess charges relating to their service areas they look at the local market, cause and effects of price increases, sensitivity in the market, etc. Yes, they

look at how they position themselves against other local authorities but equally, they will also look at how they sit alongside the private sector (depending on the nature of the fee and the charge), particularly when they're in competition. Detail is hard to supply on this point as each budget holder and manager will take a different assessment depending on the nature of the fee and the charge.

The financial documentation mentions a favourable income from house building completions – in terms of the investment strategy, have we considered revenue from sales and income tax?

A motion has been put forward and work has been undertaken to assess the feasibility of setting up a development company – that work is ongoing. Some care needs to be taken on the timing of that, as the LDP strategy is making its way through to Council in March, but that is not the end of the process, so from a commercial perspective clarity would be needed in terms of the opportunities that present to the Council – whether to go alone or work with others to develop housing. The conversations that have taken place lately are to make sure we have a clear grasp of what can and can't be done within the confines of the authority. The conclusion from earlier this week is that we seem to be fairly safe in moving forward with the strategic sites in the current LDP. We are being ambitious and creative in doing so, which will position us well. As the LDP looks to crystallise itself, we can draw those conclusions around the development company. That applies both to housing and commercial development.

Regarding the Capitalisation Directive: has the authority considered partnership-working or any other non-traditional possibilities from this for savings rather than cutting, for example, school budgets?

Our model for Welsh Govt funding is prudently set. The 3% funding we're getting through the provisional settlement sits above what we have modelled, as we have modelled at a prudent level.

Regarding the Capitalisation Directive, and displacing costs from revenue to capital associated with service reform, those aspects of the guidance were rightly pointed out. Credit to Welsh Govt for providing an array of opportunities we may want to explore. Officers were brought together from across the authority to look at that piece of work, and we can assure the committee that all conversations needed are being explored. If we think collaboration/partnership is the right solution, we are already in those discussions or have entered into those arrangements. Work is already underway on procurement.

In terms of partnership working and shared offices, we look wherever possible whether to outsource our departments to neighbouring authorities. Legal services are contracted out, for example. In certain cases we are looking at federating schools, where we have joined heads. At every opportunity a saving will be made where it can be found. The problem with Partnerships is that Partners can suddenly withdraw; this has happened before, so we need to be very careful with trusting departments to other authorities.

There is a concern regarding Pension holidays, based on previous experience – that situation needs to be monitored.

At a headline level, and with the actuary having just undertaken its tri-annual evaluation, Pension liabilities are increasing. However, what we have seen is that the significant multi-billion pound investments have outperformed significantly over that period, far in excess of the increase in pension liabilities. The actuaries, in conjunction with the Pension Fund administering authority (Torfaen), have a very clear strategy in terms of the Pension Fund, and making sure they bring it back to a position where it is fully funded. We are still paying significant employer contributions which have been held at that level for two years. They will then be re-assessed and we will go from there.

A full report into street lighting has been requested for the next Strong Communities meeting, in order to address a query about the changes in costs relating to materials i.e. the change from sodium to LED. It's not clear where the pressures have come from, given that savings are being made year on year, based on the fact that there were grants for some of these installations.

A report will certainly be done for the Strong Communities. The grants are actually interest-free loans. The last tranche that we have now means we will have replaced all of our infrastructure with LEDs, so there isn't a huge saving yet – the saving being made from energy is being used to pay back the loan. The LEDs should last 15-20 years, the loan is paid back over 10-15 years. We are therefore future-proofing our kit, the benefit will be seen when we finish repaying the loans and we'll see the benefit from the reduced energy consumption. It also helps towards off-setting the energy increase. The £25k pressure built into the report for the next financial year covers potential increases in energy costs. Hopefully, with the introduction of the LEDs our energy savings will get bigger, and will be offered as a saving in next year's account.

Is it correct that consideration of changes to the Waste Centres has been delayed?

Cabinet has made the commitment to hold the decision taken on 20th December in abeyance, whilst a further consultation and engagement exercise is undertaken. A broader consultation will be issued, and data obtained on the use of the Usk site, the facilities there, etc., to gather further information for Cabinet's consideration. The impact will need to be revised in the budget before we bring forward final papers, and the saving that's currently proposed within the budget will now need to be adjusted.

Several new buses have been bought in the last 12 months, and maintenance costs have gone up – how long can we support the Passenger Transport Unit in its current form? More money will keep having to go in every year.

There are two arms of the PTU: commissioning and operations. Operations, that we run, is where the market can't provide services for us. We put tenders out via the Dynamic Purchasing System process for the various routes that operate across the county – in the order of 300 routes that are operated across Monmouthshire. Council only operates a very small proportion of that but there are particular areas of the county, such as Caldicot, where there isn't an operator that has bid successfully for, or even wanted, those routes.

It is an area of increasing pressure, due to increasing pupil numbers. We do have an ageing fleet, so we're looking at whether we can purchase vehicles in a different way. Most of our maintenance is done in-house, but we're out to tender at the moment for

minibus and coach maintenance. We hope that in the new financial year, depending on the costs that come forward as a result of this new tender, our maintenance costs will also go down.

The grassroots minibus service can only operate within a 15-mile radius of a location. Can we look at the feasibility of increasing that? Can the local bus service be increased to ease the growing pressure on the minibuses?

We have just agreed at the programme board to do a study to review grassroots and public service transport operations across the county to look at those points. We need to maximise the use of both the public bus service and the grassroots service. The grassroots booking system also needs to be improved. The whole system needs a complete review. Route optimisation for grassroots is referred to in the budget mandate papers associated with this report.

For clarity, will waste management recycling review come to the Strong Communities committee?

That will be taken as an action.

If we're going to cover all aspects of teachers' pay, does that mean there won't be any redundancies in schools?

That is a matter entirely for the individual governing bodies of those schools. Staffing is devolved to each individual body.

Have we defined the legal position of the governing bodies in schools in regards to setting a deficit budget?

Schools can't set a deficit budget and those who have gone into deficit all have recovery plans.

Can the logic of the possibility of loans being given to schools in deficit be clarified?

Schools in deficit can access up to 10% of their annual budget and utilise that to repay the deficit. We will have to borrow some of the money, so there will be a cost to that. The intention is to make the repayments interest-free, schools can spread the payment over 10 years, or sooner if they would like. Secondary school deficit repayments over 3 years have been extended to 4. If they take out a loan to wipe out the deficit and repay it over 10 years, they can substantially reduce the amount that they need to find each year, and savings made can potentially be re-invested into standards or extra-curricular activities. Schools can therefore be far more flexible with their recovery plans. If they go into deficit once they're on a loan basis, the authority will take back their budgetary control. Most schools aren't in a downward direction and have recovery plans that they're sticking to successfully. Deficits are usually due to external factors outside a school's control.

There is a concern about how pressures are defined in these budgetary settings, that with the Ealing judgement we are pricing out community groups from using services, in direct contradiction of well-being goals.

We have had representation through David Davies MP in recent weeks on that point. There are groups and associations who previously could have recovered the VAT but now can't, post-Ealing. We're currently looking at cause and effect, and the groups affected, and will consider a response in due course.

If revenue can't be raised from parking why is income the primary concern for how we measure whether parking is working? Are pressures listed against savings drawing on the wrong metrics?

The increases in charges were agreed as part of last year's budget. It has taken time to implement those changes. Of those which are currently free, 4 will have charges introduced; signage has been ordered so this hasn't been implemented yet. We have put forward £183k of budget pressure for car park income as year on year we aren't achieving the level that has been set. Income targets for parking are set on various models but it is very hard to predict car park usage, so there are targets that have been set that we haven't achieved. We are looking at the wider picture as part of the holistic review of car parking strategy which was set in last year's budget – usage, impacts, EV charging introduction, etc. That will come to the joint Economy and Development and Strong Communities committee. Note that there are no proposals in this budget to increase car parking charges.

Is it correct that aspects of some funds, such as aggregate external funding, are unknown at present, and if that's the case, what degree of confidence do we have that we will receive them? If we don't, what will the impact be?

We haven't had the final settlement yet, which ordinarily we would have had. We have to rely on information coming from Welsh Govt. We will have to settle council tax only a few days after the settlement comes through. Welsh Govt is now not expecting any movement between the provisional and final settlement. There is a high level of certainty that the 3% figure will not change.

How long can the situation continue of cutting, and making do with reduced budgets, and having the least amount possible from Welsh Govt?

Every year new solutions are found but that is indeed running out of steam. We are trying to persuade some other authorities to help us contribute to a fund that will enable us to get an independent examination done that can be put forward to Welsh Govt to see whether they can be persuaded to look at the formula.

There are two aspects around fair funding: one is making sure that local government receives sufficient recompense for the pressures put on them. The conversation between WLGA and Welsh Govt leading up to the provisional settlement was about a fair funding package around pay and pension pressures and the pressures in adult social care and ALN. The pressures are contained in a few key areas: if they were fully funded we could have made investments in certain areas and recovered some of the position that has been lost. The other aspect is our fair funding as a result of our distribution in the formula: the WLGA Rural Forum has agreed to undertake a piece of work to look at the formula in further detail. Our disadvantage in the formula is driven

significantly by our rurality. We will continue to respond to the challenges put in front of us.

On the previous paper it was stated that the Social Care model isn't sustainable. What more can we expect? We've been given money to transform services, are there some elements that are beyond our control, in terms of engagement with the Health Board? Are we getting our share from regional partnerships boards?

There is good evidence of integration with Health – the frailty project being one example where we've worked well with Health to pool our budgets and make the most effective use of resources, with Health contributing money alongside ours. The NHS and Social Care in general need to work better together. Investment in social care can reduce the pressure on beds in hospitals. We have opened up discussions with the Health Board and neighbouring authorities around continuing health care and ensuring we are getting our fair share of income, and we aren't taking on an unnecessary share of those pressures. There are other areas where further integration can, and needs to, happen.

We're committed to the safe reduction of children coming into care, what resources do we feel need to be invested additionally into the agenda?

Preventing the influx of looked-after children is an ongoing matter of discussion at our Leadership team. Given the significance of the challenge we have monies invested in terms of front-end preventative work. We have invested in the childcare solicitors to address the judiciary aspect of more children coming into care. MyST project is another example of working initially with another authority, looking at the best outcomes for the child, which in turn can lead to reduced financial pressures on the authority. There's more awareness from the public now about alerting agencies to children who are at risk: this contributes to numbers.

What is our assumption about the central pot of money for alleviating ALN pressures?

Our understanding from Welsh Govt is that the ALN distribution formula, allocations and criteria around the use and application of that funding are due to be received imminently.

4.95% Council tax will be difficult for the public to accept. How long can this continue? Are we at the last resort of cutting services? Do we now need to think about non-statutory responsibilities, as the situation can't continue?

We're on the average line of council tax compared to the Welsh average. How long the increases can continue depends on an improvement in Welsh Govt funding – in this particular year it depends on whether we get the 4% floor. If so, we will look very seriously at dropping the possible 1% rise in tax. But we don't know how long the situation is sustainable. Dropping services is absolutely a last resort and a great deal would have to change to make us re-consider that.

Is the Cabinet going to present something but step back from it when there's heat, or drive through a difficult decision when we need to?

We have to balance our budget, and if that means raising Council tax then that's what we'll have to do. But it is the last thing that we will look to do. Hopefully the 4% funding floor will mean we won't have to.

Chair's Conclusion:

We have scrutinised portfolio areas. We have looked at PTU along with street lighting. We have looked at waste and recycling management, with a number of concerns raised, particularly relating to Usk. We note that a review is pending. Car parking charges were considered, a review of that will come back to the Economy & Development committee. Commercial development was scrutinised, and understanding new models there, house building, etc. The Capitalisation Directive was considered. We looked somewhat outside our remit at education, ALN, school budgets, ensuring there is robust consultation taking place with headteachers. There is some comfort from the flexibility afforded by the possibility of borrowing for some schools, in terms of the potential 2% budget cut and its impact. We scrutinised Social care, and the funding pressures there. The need for transparent information for more effective scrutiny was pointed out.

Provisional funding settlement and the challenges of it being late for officers and Cabinet was discussed. Long-term sustainability was raised, and the possible increase in council tax and the sustainability of rises there. The challenges of regional working were covered: there are benefits but we need to ensure partnerships are committed to potential opportunities when they arise. Implications of the Ealing ruling were considered.

Recommendations

For Strong Communities, matters pertaining to Waste Recycling need to be followed up, as discussed.

The Council funding formula is not well understood, and it is suggested that it be reviewed. There will be a workshop seminar regarding that. Independent review has been stressed previously by Council.

It is recommended that the authority reviews its information management systems and performance management.

5. Confirmation of Minutes

The minutes of the previous meeting held on the 10th October 2019 were confirmed and signed as an accurate record.

6. Economy and Development Select Committee Forward Work Programme.

Councillor A. Davies suggested adding Scrutiny of the City Deal to programme, and to recognise that he is no longer on the joint committee. He proposed that Council consider a change of approach from MCC to the City Deal.

7. Council and Cabinet Forward Work Planner.

The next meeting is Thursday 27th February. There is an LDP workshop on 24th February.

8. Next Meeting

Thursday 27th February 2020 at 10.00am.