Select Committee	date	(Draft) Minute
Economy and Development Select Committee	3rd February 2022	**4. Budget Scrutiny: Scrutiny of the budget proposals for 2022/23.** Cabinet Member Phil Murphy delivered the presentation and answered the members' questions with Ian Saunders, Jonathan Davies, Frances O'Brien, Mark Hand and Cath Fallon. **Challenge:** *Could we have an overview of the status of our reserves and how to potentially increase them in the future?* We managed to increase our reserves over the last two years. They are approximately £7m. This administration has managed to stay within its budget throughout, and we hope to have a surplus by 31st March – if that is the case then we will be able to continue supporting our reserves. The big VAT return a few years ago did that, and there was a substantial surplus on the budget last year, putting in £4.6m. So, the reserves are holding up well, but it doesn't take much to put a large dent in them. *Is MonLife providing an appropriate return on investment? Is it a sound financial decision?* The problem with MonLife at the moment is that with Covid restrictions they are not able to get the normal footfall. With the improvements we are making to our leisure centres we're finding that memberships are going up substantially; Monmouth was already doing very well, Abergavenny is getting good reviews and Caldicot will have a substantial increase if the levelling up bid is successful in the second round. If we maintain those increases in footfall, they will cover themselves, which should provide comfort in terms of the long-term picture. The purpose of MonLife is wider than leisure centres, and the aspirations of health, well-being, mental wellness, etc. The future of these services was decided less than two years ago, the result of which was that the Council wanted an in-house model – examining the various models was a 4-year process. The return on investment from MonLife is notable, given the huge benefits it brings. Other councils that have outsourced have lost control of pricing options, whereas we are mostly able to keep our prices attainable for Monmouthshire families. *Which fees are being increased and by how much?* It is a huge list. Fees have been increased by as little as possible, where possible; 2.5% is the average. But some are set externally, so we have no choice regarding them. The full list is in the Cabinet papers linked on the agenda. The only areas where we are looking to increase fees are in Enterprise and Social Care.

		The commitment to climate emergency and environmental issues was mentioned – can we have details as to what that covers? There is a wide range of things, such as electric cars, trials with hydrogen, the possibility of a second solar farm, the profits from reuse shops going to planting trees, etc. Over the next few years, we aim to transition our fleet – this is one of the key things – but also things like investments in grounds and biodiversity. Promoting and encouraging walking and cycling as part of Active Travel is also very important. Promotion is particularly important in this area, especially in schools and throughout communities, so that's where some of the funding needs to go, in order to reduce non-essential car journeys. One specific budget mandate proposal is for an additional post within the traffic and road safety team, to work closely with the highways side of the traffic and road safety and the active travel team, to look at improving safer routes to schools – hopefully that will provide alternative ways for children to get to school. We already offer a comprehensive programme within schools to encourage other modes of transport – that continues, and there is additional funding secured this year for adults' cycle training. Linked to the active travel work is town centre regeneration work, supporting outdoor trading and making them more people-friendly and less car-dominated. *Is the £1.22m Recycling and Waste budget pressure due to an increased number of residents using services? There is an £860k saving from retendering contracts – does that saving add to or offset that budget pressure?* Recycling rates have gone up substantially (particularly since the introduction of the booking system), which costs a lot more. The increased recycling and increased material that's being collected at the kerbside means that additional resources are needed i.e. vehicles and staff. There are also additional disposal costs. The saving is through the reprocurement of the household recycling contract from Viridor to Suez. *I've never had so many missed collection queries as in the last few months. Is there a reason? Did we not procure additional vehicles recently because the contract was running out or we needed different ones? Was this because of the increased rate of recycling?* Increased volumes of material being collected at the kerbside drive the requirement for additional staffing and vehicles. There have been missed collections as new staff become familiar with their rounds. We are conducting a system review to understand why we have such a high volume of demand coming in with regard to missed collections.

		We have £781k pressures from investments not being realised. What are we doing to mitigate that? Is our investment strategy no longer fit for purpose, post-Covid? Do the pressures include Spytty Retail Park and the potential loss of income at the Mitel building? It does include both. The answer to this must be very guarded as a lot of commercially sensitive work is taking place. We are almost certainly going to be awarding companies space, particularly in Castlegate. A lot of work looks to be coming to fruition, but no more information can be given at this time. *There are pressures resulting from the incremental impact of treasury and borrowing costs – have we changed our strategy? What is the forecast? What is our future approach to borrowing and treasury management?* The treasury strategy for the next financial year is going to Governance and Audit committee on 28th February, which will explain much of our approach to borrowing for next year and will be received by full council on 3rd March. For 2-3 years we have been at the bottom of the treasury cost curve and in an incredibly low interest cost environment. Although that has helped us to maintain low treasury costs and benefitted the revenue budget, we also have to balance that position with having an eye on the medium term – we need to lock certainty into the revenue budget. Sometimes that comes at a short-term cost; for example, our borrowing over the last 12 months has been short-term in nature but there was an opportunity in December to take some 50-year borrowing with the Public Works Loan Board. We did so, borrowing at historically low rates which enabled us to lock in certainty for 50 years. We have commitments such as the Abergavenny 3-19 school, for which we will have to borrow to meet our share of the cost. We need to have a balanced strategy. At the moment we have borrowing, which is slightly lower than our need, so we're using internal resources to fund an element of that, which continues to keep treasury costs low. The incremental borrowing cost is purely down to fund that capital expenditure that we're incurring in the medium term. While we are at the bottom of the treasury cost curve, we are taking steps to put in place some certainty, so that we aren't exposed to rising interest rates that could be on the horizon. *But £1.3m is over what we forecast – why is that?* It's not that it's £1.3m more than we forecast but the treasury budget is a full-cost budget, so one year is never going to be the same an another. What we see is that changing cost from one year to the next, because we've had to borrow for

		certain schemes, rates have changed, etc. It was always a known factor; our capital plans haven't changed significantly over the last few years. *The report says we are going to pay our care staff more. How much has changed since the motion was brought forward in November to increase the pay of our social care staff? Does it apply to those with whom we contract i.e. private care agencies? It's a relevant question for this committee because the care sector is the largest growing sector of employment.* We are facing unprecedented increases from our care providers due to their requirement to pay at least the real living wage – in fact, they are having to pay more than that to attract and retain staff. It is generally pay-related pressures coming through the system. Eve Parkinson or Jane Rodgers would be best placed to provide any further detail. *A number of officers are funded by EU funding, which comes to an end in October. What is the risk that substitute funding won't become available?* The end of European funding will have an implication for a number of officers across the authority, at different stages over the next few financial years. We are doing a lot of work to map our staff, to understand their skills and see where they can be redeployed. But we are currently waiting to find out what is happening with the Shared Prosperity Fund and exploring what might be done with additional funding. A full response to this question will be sought from the relevant officers and circulated. *How many officers are affected by this?* In excess of 20 in Employment and Skills, as well as the Rural Development Programme team. It is hard to give definite numbers because some will move on to alternatively funded programmes.