

THE EXECUTIVE

Minutes of the meeting held on 7 November 2016

- PRESENT:** Councillor Ieuan Williams (Chair)
- Councillors Richard Dew, Kenneth Hughes, Aled Morris Jones, H Eifion Jones, Alwyn Rowlands
- IN ATTENDANCE:** Chief Executive
Assistant Chief Executive (Governance & Business Process Transformation)
Assistant Chief Executive (Partnerships, Community and Service Improvement)
Head of Function (Resources) & Section 151 Officer
Interim Scrutiny Manager (AGD)
Committee Officer (ATH)
- APOLOGIES:** Councillor J Arwel Roberts
- ALSO PRESENT:** Councillors John Griffith, Llinos Medi Huws, Gwilym O Jones, Alun Mummery
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The Chair welcomed those present to this meeting of the Executive which was convened to approve initial proposals in respect of the 2017/18 Budget for the purpose of public consultation. He provided a summary of the process by which those proposals had come about and emphasised the importance of the public's feedback in assisting the Executive to shape its final proposals ahead of the meeting of the County Council at the end of February, 2017 which will approve the budget for 2017/18.

1 **DECLARATION OF INTEREST**

No declaration of interest was received.

2 **URGENT MATTERS CERTIFIED BY THE CHIEF EXECUTIVE OR HIS APPOINTED OFFICER**

None to report.

3 **DRAFT REVENUE BUDGET 2017/18**

The report of the Head of Function (Resources) and Section 151 Officer incorporating initial proposals for the 2017/18 draft Revenue Budget was presented for the Executive's consideration.

The Portfolio Member for Finance reported that the publication of initial draft proposals for the 2017/18 Budget signals the end of the first phase of the process by which the final Budget will be determined which has been conducted internally within the Council and which has involved extensive input by both Officers and Elected Members in service review meetings and budget workshops. The work has proved challenging and there remains a funding gap of approaching £3m between the original budget and what the Council requires to maintain its current position taking into account the range of cost pressures that it is facing. The schedule of draft savings proposals presented is substantial, but also includes options thus providing an element of flexibility in the choices to be made. The Portfolio Member for Finance stressed the importance of the Council being able to deliver a balanced budget for 2017/18 in order to ensure that it remains resilient to the challenges of the following financial years. The provisional local government settlement announced by Welsh Government was better than expected with the review of the funding formula proving advantageous to more rural councils, and it provided for a 0.3% increase in the allocation to Anglesey. However in reality this will be taken up by other pressures on the budget e.g. the Apprenticeship Levy, so all other requirements and improvement in services will have to be met by the Council from within the resources it has either by making cuts or by increasing the Council Tax. The Welsh Government settlement also made reference to an additional £25m specifically for Social Services in Wales although there are as yet no details regarding this allocation.

The Head of Function (Resources) and Section 151 Officer said that while the improved settlement is to be welcomed with additional funding (£54m) included in the settlement as part of what the Welsh Government foresees local authorities in Wales will be spending on services next year, the Welsh Government has at the same time foreseen that the Council Tax base will increase by 3.5% which will erode the £54m which has been designated as additional expenditure on councils. This has the effect of reducing the additional funding down to £6m, and after the inclusion of grants and new responsibilities which councils have to consider, the net result is in effect no increase in the budget for 2017/18 for councils. Anglesey is better off to the tune of £300k, but that sum is barely sufficient to cover the cost of the Apprenticeship Levy alone with the Council then having to meet the costs of inflation, demand on services and other pressures. The Officer said that the budget deficit is therefore still significant, and that he did not envisage any change to the Medium Term Financial Plan (MTFP) with further cuts in the region of £5m to £6m being necessary in 2018/19 and 2019/20. There remains work to be done on some of the savings in the schedule presented and some e.g. the Library and Youth Services Transformation are in the midst of a consultation process which needs to conclude before the savings figure can be incorporated in the final budget. Work also needs to be done on corporate and central budgets which have not been subject to the same review process as service budgets and this might yield some further savings. The draft budget figures are based on an increase of 3% in Council Tax but should the wish be to increase the Council Tax by less than 3%, then the starting point for the 2018/19 budget will also be lower meaning either more cuts will have to be implemented in that year or the Council Tax will have to be increased by an amount greater than that projected in the MTFP.

The Officer said that he wanted to draw the Executive's attention to a specific risk in the budget in the form of inflation. The 2017/18 draft budget is based on an assumed increase of 1% in inflation but recent forecasts suggest that inflation could increase by upwards of 2% in the next year which would place added pressure on budgets and could also lead to pressure for a greater increase in salaries which in recent years have been pegged at 1%.

Councillor Gwilym O. Jones, Vice-Chair of the Corporate Scrutiny Committee reported on the Committee's response to the draft revenue budget proposals from its meeting on 19th October, 2016 which was circulated ahead of this meeting, and he recognised that the budget setting process has matured a great deal in recent years. He hoped that the Scrutiny Committee in taking a broader perspective of the proposals in terms of their potential impact on the priorities of the Corporate Plan had added value to the process.

Members of the Executive gave their views on the draft budget proposals and they also commended the work undertaken by Officers, particularly the Finance Service, as well as the contribution made by Elected Members to the process leading to the formulation of the draft proposals.

It was resolved –

- **To approve the standstill budget of £128.259m for 2017/18 and that this should form the basis of the 2017/18 revenue budget.**
- **That the grants incorporated into the AEF and the additional funding for new responsibilities be allocated to the appropriate budgets.**
- **That the Executive should seek to make sufficient savings in 2017/18 to balance the revenue budget without resorting to the use of general reserves.**
- **That the Executive should seek the opinion of the public on the proposed savings.**

4 DRAFT CAPITAL BUDGET 2017/18

The report of the Head of Function (Resources) and Section 151 Officer incorporating the draft capital budget for 2017/18 was presented for the Executive's attention.

The Portfolio Member for Finance reported that the proposed capital programme is an ambitious one and as such it entails more costs. However, it can be said that the current climate of low interest rates makes it a propitious time to undertake capital investment. However, while the proposed investment is substantial, it remains within the Council's borrowing limits. The draft capital budget in the same way as the draft revenue budget will be subject to public consultation.

The Head of Function (Resources) and Section 151 Officer said that the report has been drafted in line with the Capital Strategy in dividing the proposals into general proposals; 21st Century schools proposals and HRA schemes. The objective in setting out the proposals for the capital budget has been to seek to ensure they take the priorities within the Corporate Plan forward without putting added pressure on the revenue account in having to fund additional borrowing and the interest

charges that go with it. A further report will be presented to the Executive in January, 2017, in relation to the affordability of the capital programme for 21st Century schools. The Officer said that while the proposed programme does commit the Council to funding increased borrowing, the level remains within the limits set out in the Treasury Management Strategy and does not therefore place an unsupportable burden on the Council.

Members of the Executive gave their views on the draft proposals for the 2017/18 capital budget.

It was resolved –

- **To continue to fund the committed schemes as set out in paragraph 3.2 of the report at a total cost of £8.826m, of which £647k will be from the Council's core funding.**
- **To fund expenditure on disabled facilities grants, refurbishment of existing buildings, I.T. assets and vehicles as set out in paragraph 3.3 of the report at a total cost of £2.301m.**
- **To approve the funding of the two highest scoring Invest to Save projects as set out in paragraph 3.4 of the report at a total cost of £0.186m.**
- **To approve the funding of new capital schemes as set out in paragraph 3.6 of the report at a total cost of £11.675m of which £2.531m will be funded from the Council's core funding.**
- **To approve the funding of £0.76m on Highway Maintenance as per paragraph 3.5 of the report.**
- **That further work is necessary to assess the viability of funding the two schemes detailed in paragraph 3.7 of the report via unsupported borrowing.**
- **To approve the capital programme for 21st Century schools, subject to a further report to the Executive on the funding of the unsupported borrowing element of the programme.**
- **To approve the inclusion of the Housing Revenue Account schemes, as set out in paragraph 5 of the report in the final capital programme at a total cost of £9.889m.**

5 BUDGET CONSULTATION PLAN 2017/18

The report of the Head of Transformation incorporating the proposed Budget Consultation/Communication Plan 2017/18 was presented for the Executive's consideration.

The Portfolio Member for Council Business commended the Plan to the Executive as a high level account of the consultation process to be put into action in the period from 7th November, 2016 to 16th December, 2016.

Councillor Gwilym O. Jones, Vice-Chair of the Corporate Scrutiny Committee gave the Scrutiny Committee's views on the consultation plan from its meeting on 19th October, 2016 and he emphasised the importance of ensuring the clarity of the information that is presented to the public so that there is an understanding of what is being proposed and why, and also the importance of the Council's listening to what the public has to say about the proposals. The Scrutiny Committee was keen

to ensure that the budget consultation is more than a tick box exercise and will involve meaningful dialogue with the public and other stakeholders. The Committee further suggested that the process be reviewed once the 2017/18 budget has been set to establish whether any improvements can be made.

The Chair acknowledged the observations by Scrutiny particularly with regard to the public's views and feedback. However, given that there is a statutory obligation on the Council to produce a balanced budget, cutbacks are inevitable.

It was resolved to approve the 2017/18 Budget Consultation Plan.

Councillor Ieuan Williams

Chair