

CORPORATE SCRUTINY COMMITTEE

Minutes of the meeting held on 6 February, 2017 (A.M.)

PRESENT: Councillor R. Meirion Jones (Chair)
Councillor Gwilym O. Jones (Vice-Chair)

Councillors Jim Evans, Victor Hughes, Llinos Medi Huws,
R. Llewelyn Jones

Co-opted Member: Mr Keith Roberts (The Roman Catholic Church)

Partnership and Regeneration Scrutiny Committee

Councillor Dylan Rees

Portfolio Members

Councillor H. Eifion Jones (Portfolio Member for Finance)
Councillor Aled Morris Jones (Portfolio Member for Housing & Social Services),
Councillor Kenneth Hughes (Portfolio Member for Education)

IN ATTENDANCE: Chief Executive
Assistant Chief Executive (Partnerships, Community and Service Improvement)
Head of Function (Resources) and Section 151 Officer
Programme, Business Planning & Performance Manager (GM)
Head of Adults' Services
Head of Learning
Head of Housing Services
Head of Highways, Waste & Property Services
Head of Democratic Services
Interim Head of Children's Services
Interim Scrutiny Manager (AGD)
Committee Officer (ATH)

APOLOGIES: Councillors Lewis Davies, Ann Griffith, Mrs Anest Frazer (The Church in Wales)
Councillor Dafydd Rhys Thomas (Partnership and Regeneration Scrutiny Committee)

ALSO PRESENT: Councillor John Griffith, Members of Llais Ni Anglesey Youth Forum

The Chair welcomed all Members and Officers to the meeting and he extended a particular welcome to members of Llais Ni who had participated in the public consultation on the 2017/18 Budget.

1 APOLOGIES

As noted above.

2 DECLARATION OF INTEREST

No declaration of interest was received.

3 CHAIR AND VICE-CHAIR'S UPDATE

The Chair and Vice-Chair informed the Committee that they had no matters to report of at this time.

4 MINUTES OF THE 21 NOVEMBER, 2016 MEETING

The minutes of the previous meeting of the Corporate Scrutiny Committee held on 21st November 2016 were presented and confirmed as correct.

Arising thereon –

- The Interim Scrutiny Manager said that any areas the Committee deems in need of explanation and/or clarification with regard to the Scrutiny role relative to the Transformation programme and project boards will be addressed as part of the scrutiny review which has recently commenced.
- The Chief Executive said that the awaited External Audit report on sickness was not as yet available; its likely date of issue would be raised in a meeting with Welsh Audit Office officials later in the week. He confirmed that the report would be presented to the Corporate Scrutiny Committee.
- With regard to the inclusion of the Learning Disability Service as a subject for a Members' briefing session, the Programme, Business Planning & Performance Manager advised that a number of items are to be included in the briefing sessions to be held before the end of the current Council and that additional subject areas are being put forward between now and March.

5 REPRESENTATION ON THE CORPORATE SAFEGUARDING BOARD

The report of the Interim Scrutiny Manager seeking a nomination from among the Committee's members to serve as the Corporate Scrutiny Committee's link on the Corporate Safeguarding Board was presented for the Committee's consideration. The report summarised the background and context to the request which arose from the findings and recommendations of the Safeguarding Scrutiny Outcome Panel which were endorsed by the Executive in October, 2016. The report included information about the Corporate Safeguarding Board's terms of reference in order to help inform selection.

It was resolved to nominate the Chair of the Corporate Scrutiny Committee to serve as the Committee's representative on the Isle of Anglesey's Corporate Safeguarding Board.

6 2017/18 BUDGET SETTING (REVENUE AND CAPITAL)

The report of the Interim Scrutiny Manager was presented for the Committee's consideration. The report set out the context to the 2017/18 Budget setting process along with the key issues and questions for Scrutiny in evaluating the Budget proposals, and it incorporated the following documentation –

6.1 The report of the Head of Function (Resources) and Section 151 Officer on the Medium Term Financial Plan and the proposed Revenue Budget for 2017/18 (Appendix 1)

The Chair summarised the budget setting process hitherto including the Corporate Scrutiny Committee's examination of the initial budget proposals at its meeting held on 19th October, 2016 prior to their approval by the Executive for public consultation. Subsequent to the consultation exercise, a set of final proposals has been formulated taking into account the public feedback and these are presented for scrutiny to today's meeting ahead of their presentation to the Executive on 14th February, 2017 for formal recommendation to the full Council at the end of this month.

The Head of Function (Resources) and Section 151 Officer reported that the initial budget proposals identified £2.9m of savings based on the provisional Welsh government settlement and a 3% increase in the Council Tax. The final settlement figures were published by the Welsh Government on 21 December, 2016 and these resulted in an improved overall Aggregate External Funding for Wales and led in turn to an increase for Anglesey of £0.364m from the provisional figure. The Executive has taken this into account as well as the need to re-assess the pressure on services; those are being felt most keenly in Children's Services and Adults' Services and also in the Out of County Education

Budget as outlined in section 5 of the report. The Finance Service has reviewed the savings put forward and has identified that savings worth £314k are not deliverable in 2017/18 (Tables 3 and 4 of the report).

Table 6 of the report compares Anglesey's Council Tax Band charges with those of the other North Wales authorities and Table 7 sets out the impact of varying increases in the level of Council Tax for 2017/18. The report also addresses the financial risks inherent in the proposed budget which incorporates a number of assumptions about likely levels of income and expenditure in future years. These are documented in section 7.

Having considered the funding available and the increase in the AEF since the initial budget proposals were drawn up as well as the outcome of the public consultation exercise, the Executive has revised its final budget proposals and the main changes are set out in section 10 of the report. Table 8 of the report summarises the proposed budget requirement and funding to deliver a balanced budget for 2017/18.

The Officer referred to section 13 of the report which provides a strategic overview of the possible situation in the medium term and sets out a best case and also a worst case scenario (Tables 9 and 10 respectively). An updated Medium Term Financial Strategy will be presented to the Executive as information on future settlements becomes clearer.

The Portfolio Member for Finance thanked the Finance Service for leading on the budget setting process from the outset in April of last year and also, councillors across the board for contributing to it which made it an inclusive and comprehensive process. Thanks are also due to Llais Ni for the constructive feedback provided by its members. The greater part of the Council's budget is made up of Welsh Government funding which has been increased by 0.5% for 2017/18 which neither keeps pace with the rate of inflation nor meets the pressures on services, hence the need to identify savings. In applying the savings requirement to the Council's services, efforts have been made to do so in as fair and equitable a way as possible. However, the need to identify savings is likely to continue in the coming years and in this climate of continuing austerity no stone can be left unturned in the drive to make services as efficient as possible within the resources available and with the least impact to the Island's residents. The Executive has shown its preparedness to listen to the main messages from the public consultation exercise as evidenced by the budget revisions in paragraph 10 of the report; the overall health of the Council's finances has allowed it the latitude to respond positively to the main concerns expressed by the Island's public.

The Committee considered the information presented in the written report and orally, and it raised the following issues –

- **The Committee noted that a net overspend on service budgets of £756k is currently being forecast for 2016/17 and it sought assurance that where there is planned investment for 2017/18 resources are being moved to areas of overspending as priority areas.** The Head of Function (Resources) and Section 151 Officer confirmed that additional funding is being allocated to Adults' Services, Children's Services and the Out of County Education Service as demand led budgets where the pressures, and therefore the risk of overspending are greatest e.g. an Edge of Care Team is being established in Children's Services as a preventative and early intervention measure to help children remain at home. The situation is constantly changing in these services as the level of demand fluctuates. However, while some services are overspending, the situation is largely offset by underspending on corporate budgets
- **The Committee sought clarification of the difference in approach whereby the reduction of £35k in the Mudiad Ysgolion Meithrin grant is to be deferred in 2017/8 while the saving of £490k in respect of teaching assistant costs is funded from the Council's reserves.** The Head of Function (Resources) and Section 151 Officer said that when the Council comes to setting its budget for 2018/19, the saving on the Mudiad Ysgolion Meithrin will be re-included in the mix of service savings proposals to be considered at that time; using reserves to fund the saving on teaching assistant costs allows schools the time and scope to draw up a plan to deliver this saving in 2018/19 when the budget reduction is applied.
- **The Committee sought clarification of how the Authority can be sure that the £490k saving on teaching assistant costs is deliverable in 2018/19 especially when a number**

of schools are having to fall back on their depleting reserves to fund budget shortfalls and when they have asked (via the public consultation process) for guidance on the anticipated savings over the next 3 years to enable them to plan more robustly. How can it also be right for the Council to hold reserves and schools not. The Head of Function (Resources) and Section 151 Officer said that in March 2015, school balances stood at £2.4m (£1.7m primary and £600k secondary). As part of the budget setting process schools are asked to provide information about the level of reserves they are likely to want to use to balance their budgets. In 2015/16, schools indicated that they would use in the region of £1m of their balances meaning that the secondary schools would use up their balances in their entirety. At the end of the 2015/16 financial year therefore the expectation was that school balances would have reduced to about £1.3m with the secondary sector having nil in reserves. In reality, school balances increased to £2.46m during 2015/16 with secondary schools holding a total of £300k in reserves and primary schools a total of £1.9m. The end result therefore, differed widely from that estimated by schools at the beginning of the financial year meaning that the primary sector especially is still holding substantial balances. The Council has helped schools to reduce their costs e.g. in procurement so as their budgets reduce so are their outgoings. Teaching assistant costs is an area that needs reviewing and it is hoped that the one year stay of implementation which the use of reserves provides will be sufficient for schools to come up with a plan to rationalise these costs.

- **The Committee sought assurance that the levels of the Council's different reserves are appropriate in the context of the risks it faces and its spending plans.** The Head of Function (Resources) and Section 151 Officer said that the Council's current reserves stand at £7.886m. The level of general reserves held is a matter for the Council to decide based on a recommendation by the Section 151 Officer but, as a general rule of thumb, 5% of the net revenue budget is considered to be an acceptable level. Based on the 2016/17 revenue budget, this would require a level of general reserves of approximately £6m for Anglesey which is the minimum level of reserves which the Section 151 Officer advises the Council should hold. It is also the Officer's professional opinion that the Council should adopt a cautious approach to the use of reserves pending the resolution of the Equal Pay claims and how these are to be funded.
- **The Committee noted that it does not as a matter of course receive, for monitoring and scrutiny purposes, information about the Council's reserves apart from as a one-off event at the time of setting the annual budget. The Committee requested that it be provided with periodic information about the level of reserves as part of its wider responsibility to scrutinise how well the Council's budget and finances are being managed.**
- **The Committee noted that the Council has resolved to set a premium of 25% on homes designated as empty homes and homes designated as the Council taxpayers' second home. In setting the Council's Tax base, an assessment was made as to the number of second homes and empty properties to include in the tax base calculation. The Committee noted that the tax base was set at 70% of the identified properties and that there is a risk that the number of properties subject to the premium has been overestimated meaning that the income generated will be lower than the budget.** The Head of Function (Resources) and Section 151 Officer said that the Finance Service has had to work on information current in the summer of 2016; however the service is fairly confident that the database is accurate and complete. Things may change during the year and as the main purpose of the premium is to bring empty homes back into use, the number of properties subject to the premium is expected to reduce. The 70% threshold is a conservative estimate. The Committee also noted that it was difficult for it to make a meaningful contribution to the discussion about the Council Tax premium without being in possession of further information on the matter i.e. the report that will be presented to the Executive on 14th February.
- **The Committee sought clarification of the impact on schools of reducing the costs of school cleaning and it sought assurance that the cleaning budget can be reduced without having a negative effect on general school cleanliness.** The Head of Learning said that the requirements with regard to cleanliness and safety will continue to be met and that reducing the budget does not mean that schools will not be cleaned. While under the

reduced budget not all classrooms will be cleaned on a daily basis the rationale being that that is not necessary anyway, specific areas e.g. toilets and areas of frequent use as well as foundation class areas in primary schools will still be cleaned every day. The budget also means that a sum of money is available for spot cleaning.

- **The Committee noted that the Education Service had benefited from the public consultation process in that the Executive's revised budget proposals has taken the edge off some of the more difficult education savings proposals.** The Head of Learning said that the Education Service has been making cutbacks for a number of years; while the Council hitherto has been protective of education services a point has been reached where consideration has to be given to cuts that will directly affect schools. What the service has endeavoured to do is to try to shield education provision by focussing on reducing peripheral costs. This approach is not sustainable in the long term as Council budgets continue to contract; Head teachers are now requesting the freedom to be able to implement cuts according to the circumstances within their own schools. While increasing fees and charges does have an impact on families, the Authority in Anglesey remains competitive as regards the charges it levies e.g. the price of school meals. This is also true of school transport; the actual cost of each seat on school buses is £465 and a number of seats are empty. Asking for a contribution does go some way to meeting the cost of the provision. The Education Service too has overspent in some areas including on school transport and on demand led areas and areas linked to Children's Services because of the increased demand for out of county placements to meet the sometimes complex needs of children that are looked after.
- **The Committee suggested with regard to its charging policy for school transport that the Authority has in effect boxed itself in and has little room for manoeuvre because it is starting from a low baseline compared with that of other authorities in North Wales and is playing catch-up. It can only increase charges by a certain percentage.** The Head of Learning said that nevertheless what is being provided can be looked at e.g. the Authority currently offers empty seats to pupils living at a distance of less than 3 miles from school in the secondary sector and 2 miles in the primary sector; contracts could be renegotiated so that buses only offer seats to pupils living at a distance of more than the present 2 or 3 miles.
- **The Committee sought clarification of whether increasing demand should be designated a specific risk in relation to service budgets in the same way as the recognised budget risks set out in section 8.3 of the report.** The Head of Function (Resources) and Section 151 Officer said that although there is overspending on certain services because of increased demand, overall revenue expenditure remains within budget so notwithstanding the risk posed by demand led overspending in some services, the wider budget management process supported by reserves is working to mitigate the risk.
- **The Committee questioned whether the Council should be seeking to take advantage of the more positive outlook for 2017/18 based on the improved Welsh Government settlement, to keep to a Council Tax increase of 3% or even more (as per tables 9 and 10 of the report) in order to provide a buffer for 2018/19 and to allow the Council some elbowroom with regard to the cuts it will have to make and the spending plans it may wish to implement at that time.** The Portfolio Member for Finance said that the message from the public consultation process is that the majority of respondents disagreed with any increase in the Council Tax. The best case scenario in Table 10 of the report puts forward a savings requirement of £1.9m; the Authority has already identified savings of £2.5m for 2017/18 at the same time as being able to put forward a Council Tax increase that is reasonable. The financial situation of the Council is robust enough to enable the Executive to propose a reduced Council Tax increase for 2017/18.
- **The Committee sought clarification whether the 2017/18 budget proposals will enable the Executive to deliver on the Corporate Plan and Transformation Programme.** The Programme, Business Planning & Performance Manager said that the current Corporate Plan will be coming to an end this year and while the budget proposals will not affect the contents of the Plan in its current form, there is an element of risk when it comes to formulating the new Plan over the coming six months.

6.2 The report of the Head of Function (Resources) and Section 151 Officer on the proposed Capital Budget for 2017/18 (Appendix 2)

The Head of Function (Resources) and Section 151 Officer reported that the paper presented updates the draft capital budget for 2017/18 as presented to the Executive on 7 November, 2016. Included in the draft capital programme had been 2 potential unsupported borrowing schemes in relation to the building of a 3G football pitch at Plas Arthur Leisure Centre and the purchase of fitness equipment at Holyhead Leisure Centre. As both schemes are still being developed and are not in a position to move ahead in 2017/18 they have been removed from the final capital programme. The main objections to the capital spending plans from the public consultation process centre on the allocation of £1m for gypsies and travellers. As this is a legislative requirement, the Council has no discretion in the matter although respondents in the public consultation process suggest that if the Welsh Government is leading on this project then it should provide the funding for it.

The Committee considered the information presented in the written report and orally, and it commented on the affordability of the capital programme given the pressures on the revenue budget. The Head of Function (Resources) and Section 151 Officer said that the current capital plan and strategy (with the exception of the 21st Century Schools Programme) has been set up to use a combination of supported borrowing, capital receipts and Welsh Government grants. This approach has aimed to avoid additional borrowing which would place an extra burden on capital costs which feed through to, and are funded by the revenue budget. Once a commitment to borrowing has been made the costs then fall on the Council over a number of years and they can be substantial.

6.3 The report of the Programme, Business Planning and Performance Manager summarising the key messages from the Public Consultation exercise on the Authority's 2017/18 Budget proposals which was conducted by a variety of methods and through a number of channels during the period 7th November to 16th December, 2016 (Appendix 3)

The Programme, Business Planning and Performance Manager reported on the channels by which the public consultation process was conducted over a five week period and the outcome of that process. More than 700 responses (1% of the population) were received with respondents engaging via all modes of communication. The most successful means of collecting responses this year was the online survey (67%) with social media also proving increasingly popular. Via all channels, the main focus of the responses were increasing the cost of school meals; increasing the cost of bus fares for children living within 2 to 3 miles from their current school; developing a permanent site for gypsies and travellers; the proposed 3% increase in the Council Tax; reducing school cleaning budgets and reducing costs through restructuring and freezing vacant posts.

The Committee considered the information presented and made the following points –

- The Committee acknowledged the range of channels used to try to engage the public to take part in the consultation and the improved response. The Committee did however note that the response rate at 1% of the population remains low and that more can still be done to improve the participation rate.
- The Committee noted that one way of improving the public inclination for taking part in consultation is by ensuring the language used is accessible. The Committee noted that it had highlighted this issue as part of its scrutiny of the initial draft budget proposals back in October, 2016. Although there has been an improvement on last year's results which may or may not be attributable in part to more user friendly language, some of the responses still seem to suggest that respondents do not fully understand what is being proposed. The Programme, Business Planning and Performance Manager said that while the process has improved, it does involve dealing with technical financial matters which can sometimes be difficult to explain.
- The Committee requested that the public consultation questionnaire be presented to Scrutiny at an earlier stage in the budget setting process to help frame the questions in a way that can be more easily understood and thereby encourage improved feedback.
- The Committee noted the substance of the responses received and it noted further that as a result of those messages, some of the savings proposals have been modified.

6.4 The report of the Llais Ni Development Officer summarising the main views, concerns and recommendations of the members of Anglesey's Youth Council with regard to the 2017/18 Budget proposals as aired in a workshop held on 3 December, 2016 and attended by the Interim Scrutiny Manager, the Head of Function (Resources) and Section 151 Officer, the Council Leader and the Young People's Champion (Appendix 4)

Councillor Llinos Medi Huws, Young People's Champion reported on the outcome of the workshop in terms of those matters that had occupied the young people who took part in the event. One comment was that services should be prioritised for the people who need them and another stressed the importance of education as shaping children's futures.

The Committee considered the information presented and it noted the following –

- The Committee noted the quality and maturity of the responses made. The Committee suggested that the qualitative dimension of responses is as an important a consideration as the quantity in evaluating the success or otherwise of a public consultation exercise and is a factor that should be borne in mind for the future.
- The Committee noted that where the respondents disagreed with a proposal, they had offered an alternative option thereby providing constructive scrutiny of what is being put forward, which the Committee commended.

Following discussion and deliberation of the information presented both in written form and by way of oral representations at the meeting, and having regard to the views presented by the Island's public and by its Youth Council, and the Executive's response to them by way of the modified Budget proposals, the Corporate Scrutiny Committee RESOLVED –

- **To support and to recommend to the Executive at its meeting on 14th February, 2017 the 2017/18 Budget proposals as set out in section 10 of the written report at Appendix 1.**
- **That the attention of schools should be drawn to the need for them to provide an undertaking to deliver the £490k efficiency savings in respect of teaching assistant costs or other savings to the delegated budgets in 2018/19 and to plan accordingly.**
- **That the Corporate Scrutiny Committee be provided with periodic reports on the Council's balances and reserves as part of its responsibility to scrutinise how well the Council's budget and finances are being managed.**
- **That the Public Consultation document/questionnaire be presented to the Corporate Scrutiny Committee at an earlier stage in the budget setting process in future to enable the Committee to help shape its form and language to improve its accessibility.**

**Councillor R. Meirion Jones
Chair**