

CORPORATE SCRUTINY COMMITTEE

Minutes of the meeting held on 5 February, 2018(Budget Meeting)

PRESENT: Councillor Aled Morris Jones Jones (Chair)
Councillors Lewis Davies, Richard Griffiths, Richard O. Jones, Alun Roberts, J. Arwel Roberts, Nicola Roberts
Co-opted Member: Mr Keith Roberts (The Catholic Church)

Partnership and Regeneration Scrutiny Committee

Councillors G.O. Jones, Kenneth Hughes, Margaret M. Roberts, Dafydd Roberts, Robin Williams

Portfolio Members

Councillor Llinos Medi Huws (Leader and Portfolio Member for Social Services), Councillor John Griffith (Portfolio Member for Finance), Councillor R. Meirion Jones (Portfolio Member for Education, Libraries, Culture & Youth), Councillor R.G. Parry, OBE, FRAgS (Portfolio Member for Highways, Property and Waste), Councillor Richard Dew (Portfolio Member for Planning and Public Protection), Councillor Carwyn Jones (Portfolio Member for Major Projects and Economic Development) Councillor Dafydd Rhys Thomas (Portfolio Member for Corporate Services), Councillor Alun Mummery (Portfolio Member for Housing and Supporting Communities), Councillor Ieuan Williams (Portfolio Member for Service Transformation and the Welsh Language)

IN ATTENDANCE: Chief Executive
Assistant Chief Executive (Partnerships, Community and Service Improvement)
Assistant Chief Executive (Governance and Business Process Transformation)
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 Regulation and Economic Development
Head of Children and Families Services
Head of Democratic Services
Scrutiny Manager (AGD)
Committee Officer (ATH)

APOLOGIES: Councillor Dylan Rees

ALSO PRESENT: Representatives of the Citizens' Panel and Anglesey Youth Council (Llais Ni)

The Chair welcomed all Members and Officers to the meeting and he extended a particular welcome to representatives of the Citizens' Panel and Anglesey Youth Council (Llais Ni).

1 DECLARATION OF INTEREST

No declaration of interest was received.

2 MINUTES OF THE 21 NOVEMBER, 2016 MEETING

The minutes of the previous meetings of the Corporate Scrutiny Committee held on 13 November, 2018 and 14 December, 2018 (call-in meeting) were presented and were confirmed as correct.

3 2018/19 BUDGET SETTING (REVENUE AND CAPITAL)

The report of the Scrutiny Manager was presented for the Committee's consideration. The report outlined the context to the 2018/19 Budget setting process along with the key issues and questions for Scrutiny in evaluating the final Budget proposals in light of the outcome of the public consultation thereon, and it incorporated the following documentation –

3.1 The report of the Head of Function (Resources) and Section 151 Officer on the Medium Term Financial Plan and the proposed Revenue Budget for 2018/19. The report provided a position statement on the key financial considerations which have influenced how the final budget proposals have been shaped (Appendix 1)

The Portfolio Member for Finance thanked the Finance Service for its work since the outset of the 2018/19 budget setting process, and also Heads of Service, departments, and Elected Members for their contribution to a process which has taken many months and has involved debate, discussion and challenge. Thanks are also due to Llais Ni and the Citizens' Panel for their participation in the scrutiny process. The Portfolio Member reported that the largest contribution to the Council's budget comes in the form of Welsh Government (WG) funding and although the final settlement figure for Anglesey saw an increase of £0.888m (0.7%) from the provisional figure, it is not enough to fully respond to the effects of both general and pay inflation nor to meet the increasing pressure on the Council's budgets, hence the need to find savings and to apply that requirement in as fair as way as possible across the Council's services. At its meeting in November, 2017 the Executive approved a standstill budget based on the provisional WG settlement, the savings proposals put forward at that time and an increase of 5% in the Council Tax (with 1% of this increase earmarked for Children's and Social Care services being areas where the budget pressures are most acute). The report as presented refers to a revised standstill budget of £133.127m, based on a final WG revenue grant settlement of £95.812m, savings of £3.3m with the remainder being generated by the Council Tax. The challenge which the Council faces annually in seeking to balance its budget is a significant one. The continuing climate of austerity means that the need to find savings is ongoing with little certainty as to the nature and extent of future challenges. The Council must therefore consider all options in order to ensure that its services remain as efficient as possible within the resources available and with the least possible impact on Anglesey's residents.

The Scrutiny Manager reported that this is the Corporate Scrutiny Committee's second meeting dedicated to the 2018/19 Budget, the first having been in October, 2017 when the Committee scrutinised the initial budget proposals as presented at the time. The Committee in October asked the Finance Scrutiny Panel to look in detail at the budget proposals. Today's meeting provides the Committee with a final opportunity to consider the budget proposals before they are presented to the Executive on 19th February and then to the Council on 28th February to be adopted as the budget for the following financial year. The documentation which forms the basis for the Committee's consideration of the final budget proposals draws together four elements of the budget setting process including the financial context; the response from the public consultation exercise; an impact assessment of those

savings proposals that directly affect the public and commentary by the Citizens' Panel and Llais Ni on the budget and scrutiny process.

The Head of Function (Resources) and Section 151 Officer said that the context for the 2018/19 Revenue Budget was set out in the Medium Term Financial Plan (MTFP) for 2018/19 to 2021/22 approved by the Executive in September, 2017. The Plan identified the need for savings in the region of £8m over three years with approximately £4m of those savings having to be found in 2018/19. This was based on the assumption that the total Aggregate External Funding (AEF) to the Council would reduce by 2% in 2018/19, by 1.4% in 2019/20 and by 0.5% in 2021/2022 and that Council Tax would rise by 4% over the three year period. Initial budget proposals were approved by the Executive in November, 2017 leading to a standstill budget of £132.337m with a Council tax increase of 5% (1% or £330k of which was to be ring-fenced to Social Care) leaving a funding gap of £1.99m. The initial draft proposals identified potential revenue savings of £3.296m which would be sufficient to ensure that a balanced budget could be set.

The Officer said that the provisional standstill budget of £132.337m has been reviewed and updated since the proposals went out to public consultation in order to reflect changes that have occurred since that time, the main one being the current pay offer to NJC staff which is higher than the 2% allowed for in the original standstill budget thereby increasing costs by an additional £485k. Also, the Welsh Government published its final Revenue Grant settlement figures on 20 December, 2017 which increased the Council's AEF by £888k (£173k of which is to cover the loss of income which the Council will incur by increasing the capital threshold for nursing and residential care clients from £30k to £40k). The report refers at paragraph 3.1 to additional budget pressures which the Council is facing in the form of new funding requirements and/or curtailment of existing grants which were not included in the original draft budget. The upshot of meeting these in 2018/19 is to increase the standstill budget by £439k. Table 2 in the report compares Anglesey's Council Tax band charges with those of other North Wales authorities whilst Table 3 sets out the impact of varying increases in the level of Council Tax for 2018/19. Table 4 summarises the level of savings required for differing increases in Council Tax in order to deliver a balanced budget. The initial savings proposals totalling £3.396m have been reviewed and consequently adjusted down to £3.315m. These are listed individually in Appendix 2 of the report and those that have an effect on the public are accompanied by an equality impact assessment.

The Officer referred to section 6 of the report which updates the Council's general reserves position in light of actual and expected utilisation of reserves. Taking into account the adjustments noted in section 6, the estimated Council balances as at 31 March, 2018 will be £6.2m; having regard to the rule of thumb that general balances should be at least 5% of the net revenue budget (which for Anglesey is around £6.5m), £6.2m is deemed an acceptable level moving forward.

Given that the Council planned for a 2% cut in its AEF in 2018/19, the eventual 0.7% increase in the AEF has had a significant impact on the MTFP. However, estimating future changes in the AEF is difficult and is dependent on a number of factors some of which are outside the Welsh Government's control. Paragraphs 7.5 and 7.6 of the report set out the best and worst case revenue budget scenarios up to 2021/22. In any event, continuing pressures on budgets, price inflation and an increase in pay costs coupled with uncertainty as to future levels of funding means that savings will still have to be found over the course of the next three years and the sum required could be as much as £6m.

The proposed capital budget for 2018/19 is based on the capital strategy approved by the Executive in October, 2017. The strategy set out a number of principles for capital expenditure and outlined the 6 main sources of funding on which the capital programme would be based. The proposed capital programme and funding is shown in Table 5 of the report. The Executive will also be asked to consider two projects put forward by the Leisure Department as described in paragraph 8.5 of the report.

Councillor Robin Williams reported on the input which the Finance Scrutiny Panel had had into the budget setting process. The Panel had looked carefully at the budget consultation document and had suggested a number of improvements with regard to how the questions for the public could be framed and worded to make them more understandable. The Panel also looked at the process whereby the budget is set annually at national level; the subsequent allocations to Welsh councils via the Revenue Support Grant and how that funding is then apportioned within the Council itself.

3.2 The report of the Programme, Business Planning and Performance Manager summarising the key messages from the Public Consultation exercise on the Authority's 2018/19 Budget proposals which was conducted during the period 7th November to 29th December, 2017 (Appendix 2)

The Programme, Business Planning and Performance Manager reported that the 7 week consultation period focused on approximately 40 proposals which were the result of the annual budgetary process. These were then split into themes as noted in paragraph 1.3 of the report. These proposals were publicised in various ways as described in paragraph 1.5 of the report. Similarly, citizens, partners and staff were asked to respond to the consultation through different means including an on-line survey, e-mail or by letter. As well as these, the Council held focus group meetings for young people and sessions with partners, town and community councils and Head Teachers and School Managers. Around 700 responses to the consultation were received again this year with the online survey proving to be the most popular channel for replying. However, this year also saw an increase in the number of responses via letter and e-mail. The use of social media to promote the consultation has enabled the Council again this year to reach a considerable audience from a wide range of towns and areas on the Island as well as from abroad.

The Officer said that the results of the consultation this year have been positive and balanced on the whole with viewpoints for and against a number of proposals. An outline of the substance of the responses under the main themes is provided in section 3 of the report. Additionally, and new to this year's consultation was the request for the public's suggestions on how the Council might increase income or make further savings – a wide range of ideas was received in response.

There were three areas which elicited a strong response as follows –

- A further 4% increase in Council Tax and an additional 1% for protecting Social Services

The majority (72%) were against the 4% increase on the basis that living costs are already high and that any increase in associated costs would make day to day living more difficult. However, around 28% of the responses noted that they would be happy with the increase if it meant that services were protected. Llanfairpwll Community Council agreed with this stance.

- Changing the current music provision to reduce management costs

There were approximately 100 objections to this proposal with the greatest concern being the uncertainty over the impact of the proposed change on the provision for children on Anglesey.

- Reduction in culture grants

Almost 100 e-mail responses were received rejecting this proposal with several respondents noting the importance of the grants to the culture of the area and the Welsh language.

- There was a feeling of frustration felt by young people with regard to the proposal that school budgets be maintained at the 2017/18 level and that schools be asked to fund the costs of pay awards and inflation from their existing budgets (£563K).
- There were also concerns about the proposed transfer of public toilets to others with the general feeling being that these are important facilities in the context of Anglesey as a tourist destination and as such they need to be kept open.

3.3 The report of the Citizens' Panel and Youth Council on their involvement with regard to improving public engagement with scrutiny (Appendix 3)

Jenny Porter, on behalf of the Citizens' Panel addressed the Committee with regard to the arrangements made to explore and to clarify the role which the Panel and the Youth Council could play in the scrutiny process around the Budget Consultation. She referred to the process followed to recruit to the Citizens' Panel; to a session held at Anglesey Council to meet with key personnel and Members; to the conclusion of the evaluation of the day and the follow-up steps; to a questions and answer exercise held by e-mail; to the lessons learnt from the process and the next steps in order to build on the experience and to further develop and mature citizen engagement with the scrutiny process.

The Leader and Portfolio Member for Social Services said that budget planning is part and parcel of Council life and is now an ongoing process. The consultation on the 2018/19 budget was undertaken with the aim of reaching as many people as possible, and the exercise has been valuable with the sessions held with young people, groups and partners proving especially stimulating. The development of the Citizens' Panel is particularly important to future engagement. The Council is at the point of having to make savings in order to deliver a balanced budget; it has sought through the consultation process to have a dialogue with the public, and to gather the public's views on how those savings might be made.

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

- The Committee sought clarification of whether any other authority is proposing to set aside a percentage of Council Tax increase to protect a particular service as Anglesey is proposing to do with regard to Social Services.

The Head of Function (Resources) and Section 151 Officer said that Denbighshire County Council is consulting on an additional 2% in the Council Tax for Social Services but that he could not confirm whether this forms part of the Council's final proposals.

- The Committee noted that the Council Tax premium on empty homes and second homes in Anglesey currently stands at 25% of the standard rate of Council Tax and that this is incorporated within the Budget figures. The Committee further noted that at a time when there is a great deal of pressure on the Council's budget and an expectation that services find year on year savings, raising the premium would bring in much needed additional revenue to the Council specifically to help those local communities where there is a dire need for affordable housing, to remain viable.

The Head of Function (Resources) and Section 51 Officer said that it was the Executive's decision which was ratified by Full Council that a review of the premium be undertaken during 2018/19 to establish if it has met the aims for which it was introduced in terms of use, effects and collection rate. Despite initial objections, most of those liable to pay the premium have done so; there is however a risk that in raising it, people will refuse to pay with a resulting impact on Council Tax collection generally. This is an assessment that will have to be made at the time of review.

- The Committee noted that it is proposed that school budgets remain at the 2017/18 level by requiring schools to fund the cost of pay awards and inflation from existing budgets. The Committee sought clarification of whether arrangements have been put in place to risk assess schools which as a consequence, might be in danger of not being able to balance their budgets without loss of teaching staff, and whether support will be provided to those schools and their governing bodies with their budgets going forward.

The Head of Function (Resources) and Section 151 Officer said that it is the Executive that will determine how the cut (if implemented) is allocated across each sector – the figure of £563k covers an amount for inflation across the three school sectors (primary, secondary and special). The primary sector in Anglesey has at present balances in the region of £1.7m which are among the highest in Wales, whilst in the secondary sector one school is in a position of deficit and two are close to being in deficit meaning the pressure on the secondary sector is that much greater. The financing arrangements for schools require each school to be treated equally with the budget being allocated through an agreed formula. The Authority is not able to target budgets to support individual schools who are experiencing financial difficulties; schools as separate legal entities, are expected to set their own budgets and it is for them to decide how they do so.

- The Committee further sought assurance that the Council is able to provide support for schools that find themselves having to reduce teaching staff, in managing that process.

The Head of Learning said that the support provided to schools with regard process is clear. The Human Resources Service will advise on any process which may include having to lose staff and an information pack has been distributed to schools for that purpose. A number of meetings between Head Teachers, Chairs of Governing Bodies and Council Officers have taken place to discuss arrangements. Support for schools in implementing changes is therefore available and is provided.

- The Committee noted and was concerned, that some schools may have reached a tipping point and will not be able to make further reductions to their budgets without affecting the quality of the education provided. The Committee sought clarification whether in proposing a cut in school budgets, the Authority has considered the impact this may have on standards at a time when there is an emphasis on improving schools, the quality of teaching and educational outcomes.

The Head of Learning whilst sympathising with the point made, highlighted that the greater part of the Council's budget is vested in schools. Whilst many Head teachers are frustrated by their situation and feel cornered, the percentage cut on schools has been much less by comparison with that imposed on central services in recent years. The Officer said that although the last thing she wanted to see was schools with less teachers and less classroom assistants, the situation has been reached wherein the cuts on other central budgets have been so severe that it is now impossible for the Council to move forward without considering imposing cuts and savings on schools. In previous years in order to protect schools, the Council has been through a process of rationalising central education services e.g. school cleaning budgets. The Youth Service and the Library Service have borne budget cuts and both are going through a process of restructuring. It is a difficult decision to have to make and in deciding, the Council has to take account of the possible effects in the future and also the ramifications of not making the decision. As regards standards, evidence from research into class sizes indicates that class size does not directly influence standards and that the quality of leadership, teaching and learning are more significant factors than the number of children in a class. Nevertheless, the Authority does not wish to see a reduction in the number of teachers and key school support staff without its being forced to; such a course could pose a risk

to the Council's ambitions of raising school standards on the Island. However, alternative savings options have all but been exhausted over the past three year period; the Education Service is already overspent in some areas and that is because the demand for services continues to grow whilst budgets are shrinking. Added to this is the reduction in other sources of funding such as education grant funding and the fact that the Education Service no longer has any resources in reserve centrally to plug the funding gap.

- The Committee noted that it is proposed that 1% of Council Tax increase be earmarked to ease pressures in Social Services particularly in relation to Children's Services and Social Care budgets. Whilst recognising that managing demand led budgets such as these is challenging, the Committee sought clarification of the inroads the service is making to reduce expenditure on high cost, out of area residential care placements.

The Head of Children and Families Services said that the service has commenced this process; ideally children which the Authority looks after would be placed on the Island but a shortage of foster care placements means that that is not always possible. The Service is also considering ways of promoting the recruitment of foster carers as well as providing small group placements for no more than 2 children. Out of area placements are sometimes necessary for children whose needs are such they can only be met by specialist provision which is not available locally.

- The Committee noted that the budget savings proposals include reducing staff numbers. The Committee sought assurance that cutting staff will not have an adverse effect on the continuity of service to the public and that the departments so affected are resilient enough to be able to support the saving.

The Chief Executive said that service resilience is an important consideration in the context of staff reduction. Savings proposals that have an effect on the public are accompanied by an Equality Impact Assessment which seeks to assess the implications of the saving proposed. Whilst it is not considered that the savings proposals pose a risk to the Council's ability to fulfil its statutory duties, the cumulative effect of savings over time, could have an effect on the quality of services. This will have to be assessed carefully as the Council plans its service provision for the future. With regard to schools, the Council's expenditure on the primary sector is among the highest in Wales. Whilst some schools are experiencing financial difficulties, others are successfully providing education of a high quality within the resources available to them. The education funding arrangements are consistent to all schools i.e. funding is allocated per head; there is therefore an expectation that as well as being effective, schools are also efficient in the use of resources.

Having sought clarification of the proposed savings presented, a proposal was made that a 5.2% Council Tax increase be recommended to the Executive with 1.2% of the increase to be earmarked for Children's Services. The Head of Function (Resources) and Section 151 Officer advised that there is an informal understanding that local authorities should not raise Council Tax by more than 5%; notwithstanding one local authority is proposing to do so and has sought the Welsh Government's view on the proposal. The Officer said that he understood that Welsh Government would not oppose it.

The proposal that a 5.2% increase in Council Tax be recommended to the Executive was not seconded.

Having considered and deliberated on the information presented both in written form and orally at the meeting, and having regard to the views presented by respondents to the public consultation on the 2018/19 Budget proposals and the impact of the

proposals on citizens, the Corporate Scrutiny Committee **RESOLVED** to support and recommend to the Executive at its meeting on 19th February, 2018 –

- **Revenue Budget proposals presented based on a Council Tax rise of 5% to include a 1% increase ring-fenced for Social Care.**
- **A proposed capital budget for 2018/19 as set out in Table 5 of Appendix 1.**

ADDITIONAL ACTION PROPOSED: Information about the Council's expenditure on the secondary schools sector to be circulated to the Committee's Members.

4 FINANCE SCRUTINY PANEL

A report by the Scrutiny Manager incorporating a progress update on the work of the Finance Scrutiny Panel was presented for the Committee's consideration. The report provided a summary of the matters which have received the Panel's attention over the course of December, 2017 and January, 2018 along with an updated version of the Panel's work programme to March, 2018.

Councillor Robin Williams reported that the Finance Scrutiny Panel has now met on six occasions and during that time the Panel has looked at several aspects of Council expenditure and has received external specialist input by CIPFA Wales. Two reports have been commissioned by the Panel in relation to Children's Services and the Learning Service being two areas where there is pressure on specific budgets and where there is consequent overspending. Those reports were presented to the Panel at its meeting on 2 February, 2018 and the Panel noted that both services are working on ways of bringing the over expenditure down as a priority. Whilst continuing to monitor Children's Services and the Learning Service, the Panel will also be extending its financial scrutiny over the coming months to other areas to include Adults' services, Leisure services and Waste services.

It was resolved to note –

- **The progress made to date with the work of the Finance Scrutiny Panel.**
- **That processes pertaining to budget monitoring for 2017/18 and budget setting for 2018/19 appear to be on track thus far.**
- **The financial scrutiny development programme for Panel members which is being delivered by CIPFA Wales.**
- **The Panel's concern regarding the overspend in Children's services and the Learning service. The Committee notes also that as a first step the Panel has invited the Assistant Chief Executive, Head of Children's Services and Head of Learning to provide an explanation of the financial situation in both services along with the mitigation measures proposed to be put in place to control the overspend and further notes that the Panel will report back to the Committee on its findings in due course.**

NO ADDITIONAL ACTION WAS PROPOSED

5 FORWARD WORK PROGRAMME

The report of the Scrutiny Manager incorporating the Committee's Forward Work Programme to June, 2018 was presented for review and comment.

The Chair updated Committee with regard to the following –

- That the items on the Committee's agenda for the 12 March, 2018 meeting will include the Corporate Scorecard for Q3 2017/18; the Schools' Modernisation

Programme in the Seiriol area; the Schools Modernisation Programme in the Llangefni area (Talwrn & Y Graig); Child Care/ Play Sufficiency Assessment and the Forward Work Programme.

- That the Committee's 9th April meeting may be re-scheduled for later in the month on a date to be confirmed.

It was resolved to accept and to note the Forward Work Programme with the changes as reported.

NO ADDITIONAL ACTION WAS PROPOSED

**Councillor Aled Morris Jones
Chair**

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