

THE EXECUTIVE

Minutes of the meeting held on 19 February, 2018 (MORNING)

- PRESENT:** Councillor Llinos Medi Huws (Chair)
Councillor Ieuan Williams (Vice-Chair)
- Councillors Richard Dew, John Griffith, Carwyn Jones, Alun Mummery, R.G. Parry, OBE, FRAGS, Dafydd Rhys Thomas
- IN ATTENDANCE:** Chief Executive
Assistant Chief Executive (Governance & Business Process Transformation)
Assistant Chief Executive (Partnership, Community & Service Improvement)
Head of Function (Resources) & Section 151 Officer
Head of Function (Council Business)/Monitoring Officer
Head of Service (Adults' Services)
Head of Service (Housing Services)
Committee Officer (ATH)
- APOLOGIES:** Councillor R. Meirion Jones
- ALSO PRESENT:** Councillors Aled Morris Jones, Kenneth Hughes, Bryan Owen, Peter Rogers
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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. REVENUE BUDGET MONITORING REPORT – QUARTER 3 2017/18

The report of the Head of Function (Resources) and Section 151 Officer setting out the financial performance of the Council's services for the third quarter of the 2017/18 financial year along with a summary of the projected position for the year as a whole was presented for the Executive's consideration.

The Portfolio Member for Finance reported that in February, 2017, the Council set a net budget for 2017/18 with net service expenditure of £126.157m to be funded from Council Tax income, NDR and general grants. The overall projected financial position for 2017/18 including Corporate Finance and the Council Tax fund, is an overspend of £1.624m or 1.29% of the Council's net budget for 2017/18. This is an improvement of approximately £300k on the end of Quarter 2 position. The table at paragraph 2.2 of the report provides a synopsis of the main variances in service budgets. The most significant budgetary pressures and consequently the largest overspends are in the Children and Families Service (Corporate Parenting associated costs) and Learning (Out of county placements and school

transport costs). With the input of Scrutiny, measures are being taken to address the sources of overspending, and to manage expenditure in these areas. The situation is not unique to Anglesey with Children's Services across Wales and beyond experiencing similar pressures which suggests that this is an issue that requires a national solution. Much of the Children's Services budget is demand-led which makes it difficult to predict future costs and means also that the options for controlling spending are limited. Specialist placements which are sometimes required to meet individual needs can drive up costs significantly thereby leading to overspending.

The Head of Function (Resources)/Section 151 Officer concurred with the Portfolio Member's analysis and said that the position has improved marginally. Although services other than those referred to by the Portfolio Member are largely performing within budget these too are approaching the limits of their budgets. Annual cuts which have been incorporated into individual service budgets have eroded what spare capacity there was. Underspends in corporate budgets are helping to offset the overspends elsewhere this year but these savings may not be repeated next year although the financial pressures will continue. The Council is therefore facing a challenging situation mitigated by the fact that it has sufficient reserves in hand to be able to fund the overspend on the revenue budget. This reflects a deliberate strategy by the Council over the past few years to maintain an adequate level of reserves in order to be able to respond to circumstances including supporting the revenue budget if or when necessary. The Officer said that the report also refers to agency and consultancy costs full details of which are provided at Appendices DD and E respectively. During the year to date, £951k has been spent on agency staff mainly relating to staff cover in Children's Services while they seek to recruit permanent staff. Expenditure on consultancy during Quarter 3 was £746k with £377k of this funded externally from grants or contributions. There are a number of reasons for the use of consultants including the provision of specialist input and advice on specific projects.

Having considered the report, the Executive noted the following -

- The Executive noted that the budgets of those service areas that have not used all their resources this year will be aligned with expenditure next year meaning that the financial cushion will not be available to these services in 2018/19.
- The Executive noted that whilst circumstances are challenging, the Council's reserves do provide a financial buffer against such pressures in the short-term but do not provide a solution in the long-term particularly in light of continued overspending in Children's Services and the Learning Service. Having invested in prevention and intervention measures in Children's Services, it is now imperative that those deliver on the savings expected of them.
- The Executive noted that although agency staff fulfil an important function, it is expenditure that could be avoided if the Council was able to recruit on a permanent basis. It must seek to fill vacant posts as soon as possible.
- The Executive noted that the Council will have to contribute to the costs arising from the flooding in Llangefni in November, 2017. The Executive sought clarification of the position and the extent of the financial impact on the Council's budget. The Head of Function (Resources)/ Section 151 Officer said that the costs of repairs arising from the flood event in November, 2017 have been calculated at around £1.3m including staff costs at the time and in the immediate aftermath. Following an application to Welsh Government for help with the costs of repairing the Highway infrastructure, the Welsh Government has confirmed that it will contribute £374k towards the costs with the remaining costs to be borne by the Council. The Officer said that a sum in the region of £400k has been earmarked from reserves to this end. Discussions with the Highways service as to how the remainder of the work is to be programmed and accommodated are ongoing – it is

likely it will have to be incorporated in next year's scheme as part of the usual repairs and maintenance programme.

The Executive was agreed that the Finance Scrutiny Panel should be asked to look at this matter in greater detail, in particular the impact of the flooding event on Highways expenditure and programming with a view to drawing lessons for future planning for similar events.

It was resolved –

- **To note the position set out in Appendices A and B in respect of the Authority's financial performance to date and expected outturn for 2017/18.**
- **To approve a transfer of any underspend on Maritime to an earmarked reserve to fund the repainting of the Beaumaris Pier.**
- **To note the summary of Contingency budgets for 2017/18 as detailed in Appendix C.**
- **To note the position of the Invest to Save programmes set out in Appendix CH.**
- **To note the position of the efficiency savings 2017/18 set out in Appendix D.**
- **To note the monitoring of agency and consultancy costs 2017/18 set out in Appendices DD, E and F.**
- **To ask the Finance Scrutiny Panel to examine the impact of the severe floods in November, 2017 on Highways Service expenditure and programming, with a view to improve future planning for similar events.**

4. CAPITAL BUDGET MONITORING REPORT – QUARTER 3 2017

The report of the Head of Function (Resources) and Section 151 Officer setting out the financial performance of the capital budget for the third quarter of 2017/18 was presented for the Executive's consideration.

The Portfolio Member for Finance reported that the Council approved a Capital Programme for non-housing services of £27.630m for 2017/18 and a Capital Programme of £12.873m for the Housing Revenue Account. In June, 2017 the Council approved capital slippage of £4.677m to be brought forward from 2016/17 and there was also slippage of £1.758m carried forward from the 21st Century Schools Programme. Since the budget setting process, there have been additional schemes added onto the programme, most of which are grant funded and these amount to £2.552m. The Authority has also received Capitalisation Direction for Equal Pay totalling £2.566m which brings the total capital budget for 2017/18 to £52.056m as set out in Table 2.1 of Appendix A to the report.

The profiled budget spent to the end of the third quarter for the General Fund is 96%; however only 40% of the annual budget has been spent to date. The reason for this is that some capital schemes are weighted towards the latter part of the financial year, or the scheme is no longer going to be completed in this financial year. A number of Capital Grant schemes in the Capital Programme for 2017/18 are underway and are progressing as summarised in section 3.3.1 of Appendix A. There are also schemes in the Capital Programme that have not started or are awaiting approval from funding providers; these are summarised in section 3.1.2 of Appendix A.

Projected capital receipts at 31 March, 2018 is £3.025m against a budget of £4.370m, with the shortfall due to the sale of two schools not expected to be completed until the next financial year.

The Head of Function (Resources) / Section 151 Officer confirmed that the funding for schemes likely to slip into the 2018/19 financial year will still be available for those schemes at that time meaning there will be no loss of funding to the Council.

It was resolved to note the progress of expenditure and receipts against the capital budget 2017/18 at Quarter 3 2017/18.

5. HRA BUDGET MONITORING – QUARTER 3 2017/18

The report of the Head of Function (Resources) and Section 151 Officer setting out the position in respect of the financial performance of the Housing Revenue Account (HRA) for the third quarter of 2017/18 was presented for the Executive's consideration.

The Head of Function (Resources)/Section 151 Officer reported that the revenue side of the HRA is largely on budget whilst there is some slippage on the capital side. It was anticipated originally that the HRA Reserve balance would decrease from £7.5m to £2.8m as balances are used to fund capital expenditure. Due to the slippage in capital expenditure the forecast HRA reserve balance at 31 March, 2018 is now approximately £5.6m. However, the funding will still be available for capital purposes in 2018/19 and will be used to develop new council housing on the Island.

It was resolved to note the position set out in respect of the financial performance of the Housing Revenue Account (HRA) for Quarter 3 2017/18.

6. FEES AND CHARGES 2018/19

The report of the Head of Function (Resources)/Section 151 Officer incorporating a proposed schedule of fees and charges for the Council's services for 2018/19 was presented for the Executive's consideration.

The Portfolio Member for Finance reported that the previous Executive set an objective that all non-statutory fees and charges be increased by an average of 3% across each individual service. This has allowed Service Heads to increase individual fees by more or less than 3%, but ensuring that overall the increase across the service equates to 3%. The report brings together in a composite schedule the fees and charges across all Council services apart from those relating to Social Care which are dealt with separately. The Portfolio Member said that it is considered sensible to be raising fees and charges incrementally each year so that they keep pace with inflation; so that the Council keeps up with other authorities, and also in order to be fair both to those who receive a service and to the taxpayer.

The Head of Function (Resources)/Section 151 said that from a budget setting perspective every service was expected to increase income by 3% with each Head of Service given the freedom to determine how this would be achieved by reviewing the fees and charges within their particular service. This means that some fees and charges are increasing by more than 3% whilst the increase for others is less than 3%.

The Portfolio Member for Housing and Supporting Communities said that he did have a concern about charges for school buses and wished to propose that school bus charges are not subject to an increase for inflation in 2018/19. The Executive approved the proposal. The Portfolio Member for Housing a Community Support further emphasised that payment by direct debit should be facilitated.

It was resolved –

- **To approve the schedule of fees and charges for 2018/19.**

- **That school bus charges will not be subject to an increase for inflation in 2018/19, and that payment by direct debit be facilitated.**

7. HOUSING RENT HRA AND HOUSING SERVICE CHARGES 2018/19

The report of the Head of Housing Services seeking the Executive's approval for increases in rent and service charges for 2018/19 was presented for consideration.

The Portfolio Member for Housing and Supporting Communities reported that Welsh Government confirmed in December, 2017 that it has agreed to maintain the Welsh Government Policy for Social Housing Rents for 2018/19. The formula for the annual rent increases will be the Consumer Price Index (CPI) value at the previous September plus 1.5%. In September, 2017 the CPI was 3% thereby giving a total of 4.5% for 2018/19. As the Council's current rent levels are significantly below the intended policy target rents, to achieve convergence with other social housing providers will require that Council rents (which currently fall below the policy target rents) be subject to an additional weekly increase up to a maximum of £2 above inflationary rent increases. Using the methods outlined in paragraph 2.5 of the report will move the Authority towards achieving the Target rent and reach convergence in rent levels. The charges for services that the Authority provides during 2018/19 are based on actual costs incurred during 2016/17 and are shared equally among tenants and leaseholders. Currently, 2,795 of the Council's tenants (73%) will face no additional hardship as a consequence of the proposed rent increase and service charges as they are in receipt of full or part Housing Benefit.

It was resolved –

- **To approve the rent increase in line with the Welsh Government target rent based on collection over 51 weeks.**
- **That all rents below target of between £0.06 - £6.15 be increased by 4.5% plus an amount up to the maximum of £2.00 per week to bring to target rent and towards convergence.**
- **That all rents below target rent of between £4.75 - £6.69 be increased by 4.5% plus £2.00 per week.**
- **That the rent for the 19 properties that are above target rent should remain at their current levels.**
- **That the rent of all garages be increased by 40p per week.**
- **That the service charges costs set out in section 3.3 of the report be applied to all tenants who receive the relevant services.**

8. LOCAL AUTHORITY HOMES FOR OLDER PEOPLE – SETTING THE STANDARD CHARGE

The report of the Head of Adults' Services seeking the Executive's approval to set the level of the Authority's Standard Charge for local authority care homes for the year April, 2018 to March, 2019 was presented for consideration.

The Chair and Portfolio Member for Social Services reported that although a general guideline of a 3% increase for fees and charges has been set, the charge in relation to local authority owned residential accommodation can be treated as an exception as it is governed by a statutory provision which sets out how it should be calculated. The report sets out the estimated cost per resident per week for the year to 31 March, 2019 which comes to £703.03. Although this is higher than the estimated cost for the year to 31 March, 2018 as a result of increased salary costs and inflation, it is not as high as expected due to the increase in the occupancy rate for the homes (from 89.7% to 93.4%) which leads to a lower unit cost. However, mindful of the Council's decision in 2017/18

and acknowledging the significant rise that a move from the 2017/18 standard charge of £584.29 to £703.03 would entail, it is recommended that as in 2017/18, the charge to residents should not reflect the actual cost of provision. By not charging self-funding residents the full cost of placement within these homes, the Council is subsidising each user by an estimated £101.21 a week or £5,262.92 per year. Over the current 29 self-funders, this equates to an estimated £152, 625 a year.

It was resolved –

- **That whilst the Council acknowledges the costs incurred within residential care, the actual cost of delivery is not reflected in the charge to residents.**
- **That the increase for those contributing towards the cost of care is consistent with the guidance for council services and set at 3%, and that a fee of £601.82 is set.**

9. COMMUNITY BASED NON-RESIDENTIAL SOCIAL CARE SERVICE

The report of the Head of Adults' Service seeking the Executive's approval for proposed fees and charges for community based non-residential social care services for 2018/19 was presented for consideration.

The Chair and Portfolio Member for Social Services reported that it is usual practice to review the charges in respect of domiciliary services annually to coincide with Central Government's revision of benefit and pension levels. The report sets out proposed community based non-residential social care fees and charges for 2018/19 in accordance with the Social Services and Well-Being (Wales) Act 2014.

It was resolved –

- **To approve the Home Care charges outlined in Table 1 of the report.**
- **To approve charges for Meals in Day Services as outlined in Table 3 of the report**
Meals in Day Services for adults (excluding people with Learning Disability) £5.90
Mid-day Snack in Day Services for people with Learning Disability £2.40
Other refreshments (tea/coffee/cake) in Day Services £1.30
- **To approve charges for Telecare Services as outlined in Table 4 of the report.**
Tier 1 everyone will be paying £45.24
Tier 2 & 3 everyone will be paying £90.22
- **To approve the Telecare Annual charges outlined in Table 5 of the report.**
Services and Maintenance £107.55
Services only £69.50
One off installation £43.00
- **To approve a rate for Direct Payments of £11.30/hour**
- **To maintain a charge of £10 for the administration of Blue Badge requests and replacements as outlined in the report.**
- **To increase the fee for purchasing day care services in independent residential homes by 5% to £32.21**
- **To increase fees paid for commissioned domiciliary care from £15.90 to £16.53 per hour as an interim rate.**

10. INDEPENDENT SECTOR CARE HOME FEES 2018/19

The report of the Head of Adults' Services seeking the Executive's approval for proposed independent sector care home fees for 2018/19 was presented for consideration.

The Chair and Portfolio Member for Social Services reported that the Local Authority is required to review independent sector care home fees annually to coincide with Central Government's changes to benefits and pension levels.

The Head of Adults' Services said that in setting levels for independent sector care homes, the Council needs to show that it has fully considered the costs of the provision in determining its standard care fees. This is done in collaboration with the other Authorities in North Wales and the Health Board by utilising a Regional Fee Methodology as was done for 2017/18 fee setting. It is proposed to continue to use this model for 2018/19 which has reflected legislation changes in terms of pensions, national living wage and inflation. As part of fee setting for 2018/19, Anglesey consulted on the fees proposed by the methodology for 2018 which is summarised in Appendix 2 to the report. Following discussion with the Section 151 Officer, the Authority is proposing to use the Regional methodology for EMI Residential; Basic Nursing Care Social Care element and Nursing EMI Social Care element. Implementing the model in full across all sectors was not deemed to be affordable. Having due regard to the affordability of the increase, and the strategic direction the Council is taking in developing alternatives to residential care in the form of Extra Care Housing and care at home, it is proposed to set a rate for adults' residential care based on a lower return of investment of 9%.

It was resolved –

- **To acknowledge the North Wales Fee Methodology as implemented hitherto by the authorities in North Wales as a basis for setting fees in Ynys Môn during 2018/19 (Appendix 2 of the report).**
- **To approve the increase in the fee level as noted in Table 2 of the report.**
- **In line with other authorities, to authorise the Social Services and Finance Departments to respond to any request from Homes to explore their specific accounts and to utilise the exercise as a basis to consider any exceptions to the agreed fees. Any exceptions to be agreed with the Portfolio Holder, the Head of Function (Resources) and the Head of Adults' Services from within current budget. If no agreement can be made, the matter will go back to the Executive.**

11. RESERVES AND BALANCES

The report of the Head of Function (Resources)/Section 151 Officer on the use of reserves and balances was presented for the Executive's consideration.

The Portfolio Member for Finance reported that as at 31 March, 2017, the level of general balances stood at £8.355m, a decrease of £0.531m on the previous year. In the 2016/17 budget, a £1m fund was created from general balances in order to fund individual projects that could generate efficiency savings for the Council. The overall financial standing of the Council is currently good with an acceptable level of general balances and earmarked reserves as reflected in Table 4.2 of the report. Notwithstanding, there are a number of risks that have to be assessed in determining the level of general balances required; these are documented in section 3.3 of the report. There is a rule of thumb which indicates that the level of general balances should be 5% of the net revenue budget (excluding the delegated schools budget). However, due to the depleting school balances, the calculation for the 2017/18 level included the delegated schools budget. Based on the proposed 2018/19

budget, the balance of general reserves needs to be in the region of £6.5m which is in line with the minimum balance projected at 31 March, 2018.

The Head of Function (Resources)/Section 151 Officer said that there are two types of reserves – general reserves and earmarked reserves. The Section 151 Officer reviews and determines the level of general reserves required by the Council each year taking into account the risks it faces and having regard to the general rule of thumb that 5% of the net revenue budget is considered an acceptable level. The Section 151 Officer has assessed that for 2018/19 the Council should be holding £6.5m as a minimum level of general balances; the general reserve fund will be approaching that figure at the end of March, 2018. Earmarked reserves are held for specific projects/commitments; these have been reviewed to ensure they are still required for the purpose for which they were intended and the outcome of the review is set out in Appendix B to the report.

The Executive noted that the report on the 2018/19 Budget (item 12 on the agenda) refers to a number of items which will have to be funded from general reserves in 2017/18 bringing the level of general balances down to £5.882m and that it is intended to replenish the fund from earmarked reserves. The Head of Function (Resources) and Section 151 Officer clarified that the earmarked reserves include £996k held to part fund the cost of Equal Pay Claims. The vast majority of claims have been settled and the Welsh Government has authorised the capitalisation of this expenditure, which will allow the Council to borrow to meet the cost. Although some work is required to finalise the remainder of the claims and pay any fees incurred it is likely that over £700k of this reserve will not be required and can be added to the general balances thereby bringing them back up to £6.56m which is at minimum value.

It was resolved –

- **To note the general policy on reserves and balances adopted on 1 March, 2016, as at Appendix A to the report.**
- **To set the minimum level of general balances for 2018/19 at £6.5m in accordance with the Section 151 Officer's assessment.**
- **To confirm the continuation of the existing earmarked reserves.**

12. MEDIUM TERM FINANCIAL PLAN AND BUDGET 2018/19

The report of the Head of Function (Resources) / Section 151 Officer incorporating the detailed revenue budget proposals for 2018/19 and the resulting impact on the Isle of Anglesey County Council's revenue budget was presented for the Executive's consideration. The report also updated the Medium Term Financial Plan which provides a context for work on the Council's future budgets. The Executive was asked to make final recommendations to the County Council to enable it to adopt a budget for 2018/19.

The Portfolio Member for Finance reported that the process which has led to the final budget proposals for 2018/19 has been a long, challenging but comprehensive undertaking and thanks are due to everyone who has participated in the process both inside and outside the Council and in particular, the staff of the Finance Service for their hard work and professionalism throughout the process. The initial budget proposals were approved by the Executive on 6 November, 2017; these were published for public consultation on 7 November, 2017. The proposals were based on an increase of 0.1% in the Welsh Government's provisional revenue settlement which accounts for most of the Council's funding and although this was better than expected, it was still insufficient to bridge the funding gap. The Welsh Government announced its final settlement figure in December, 2017 giving a total AEF of £95.8m – an increase of £0.888m (0.7%) from the provisional figure but still leaving the Council with a budget shortfall. With most of the Council's costs relating to staff, the pay award this year which is expected to be around

2.5% to 3% will have a budgetary impact; additionally, service budgets are under pressure with the most seriously affected being the Children's Services budget and the Out of County education service budget. The draft budget proposals which were consulted upon identified potential savings of approximately £3.3m; having considered the feedback from the public consultation and the issues raised therein, the savings proposals have been amended as set out in section 10.1 of Appendix 1 in a way that addresses the main concerns raised during the consultation process. The amendments made reduce the total value of the savings proposals to £2.522m. Section 12 of the report updates the Medium Term Financial Plan in light of the improved settlement as well as possible future settlements. However, because of the uncertainty regarding settlements after 2018/19 and the difficulty in making predictions with any accuracy, section 12 outlines two possible models – the worst case scenario as at Table 9 where savings of £5.26m are envisaged over the next three years, and the best case scenario as at Table 10 where the savings requirement over the same period drops to £2.8m depending in both cases on the changes in Aggregate External Funding and budget pressures and inflation at the time. The Portfolio Member for Finance referred to section 10.3 of Appendix 1 which sets out the options for allocating budget savings of £490k from the delegated schools budget deferred from 2017/18, and he proposed that the savings be apportioned across the school sectors based on the level of balances as at 31 March, 2017 i.e. the second of the four options. The proposed final budget for 2018/19 is £130.945 funded by means of the AEF of £95.812m and a 4.8% increase in Council Tax. The increase of 4.8% in the Council Tax raises the Band D Council Tax for 2018/19 by £52.20 to £1,140.21 at a level that still compares favourably with other North Wales authorities. It is further proposed that the funding generated by a 0.8% increase in Council Tax i.e. above the initial 4% proposal, is allocated to Children's Services as a contribution to the increasing costs faced by the service as a result of the increase in the number of looked after children.

The Head of Function (Resources)/Section 151 Officer confirmed that having considered all the risks and mitigating actions as set out in the report, he was of the view that the budgets proposed are robust and deliverable. He echoed the Portfolio Member's comments by saying that although at face value the situation is better than at first forecasted, with a higher than expected end settlement, the extra funding received is not enough to cover the increased cost and pressures which the Council is facing in the form of general inflation, pay inflation/increases, additional responsibilities and cuts in specific grant funding. The Council therefore has no option but to try to make up the deficit by increasing Council Tax, and this continues the shift over recent years whereby an increasing proportion of councils' funding is met by local taxation i.e. Council Tax. There is some uncertainty as regards future budgets as reflected in the report at Appendix 1 which offers two possible scenarios going forwards. Much depends on the level of funding allocated by the Central Government to the Welsh Government and then on the latter's priorities in distributing that funding. There is also uncertainty surrounding future pay costs; whilst local government pay increases have been pegged back at 1% for a number of years there is now pressure to lift the cap; consequently the Council is preparing for a pay increase of 3% both in 2018/19 and possibly in 2019/20 (not including teachers' pay). The Officer said that he therefore saw no indication that the need to identify savings will ease; conversely as the need to make savings continues, finding those savings becomes increasingly difficult. The long-held strategy of making cuts and efficiencies is no longer enough; the Council will have to look at the services it provides, and how it can continue to provide them. Over the next three years the Council may have to identify savings of between £3m and £6m, if pay increases exceed expectations, the savings required could be even higher.

The Executive in considering the information, noted the following –

- The Executive noted that the Central Government's austerity agenda, in force for a number of years, is now having a real effect, and that the options put forward are the best the Council can do in an increasingly difficult situation where budgets are reducing and pressures are increasing. The alternative to increasing the Council Tax is to make deeper cuts in services which is a route the Council is keen to avoid. This is the hand the Council has been dealt with and is trying to make the best of while minimising the impact on taxpayers.
- The Executive noted that having regard to the public consultation, to the input by stakeholders and by Scrutiny, it has reviewed the proposed schedule of savings in response to public opinion and has amended the proposals accordingly. It has noted and has responded to the concerns raised specifically in relation to education, to school transport, to grant funding for community groups and to schools' repair and maintenance.
- The Executive noted, and it highlighted that a number of grants are now being combined and/or assimilated within the general revenue settlement to the Council, but in the process of assimilation the grant funding is actually being cut e.g. the Waste Disposal Grant in being incorporated within the settlement has reduced by 20%, the Education Improvement grant has reduced by 8%.
- The Executive noted that the Employers pay award is 2% for all staff on pay point 20 and above but is considerably higher for staff on lower pay scales and is 9.19% for staff on pay point 6.
- The Executive noted that the calculations in the Medium Term Financial Plan (MTFP) as presented in September, 2017 were based on a Council Tax increase of 4% over the term of the plan; the updated MTFP is based on a Council Tax increase of 5% for the same period. The increase has been revised upwards in recognition of the mounting pressure on the Council's budgets and the desire to still protect services for the vulnerable as far as resources allow. The Executive further noted that the 5% unofficial ceiling on Council Tax increases is now coming under pressure with some councils in Wales considering increases above this threshold.
- The Executive noted that although the Council is continuing to strive to improve performance whilst at the time having less resources at its disposal, year on year cuts are not sustainable in the long term; there has to be an end point to the reductions in local government funding.

It was resolved –

- **To note the formal consultation meetings on the budget and the resulting feedback as outlined in Section 2 of Appendix 1 and in Appendix 2.**
- **To note the equalities impact assessment summary on the budget proposals as outlined in Section 11 and in Appendix 5.**
- **To agree the final details of the Council's proposed budget including the revised funding in response to budget pressures and the proposed savings as shown in Section 10 of Appendix 1 and Appendix 3.**
- **That the savings on the delegated schools budget deferred from 2017/18, be allocated across the 3 school sectors on the basis of school balances as at 31 March, 2017 (the last known figure). This would allocate the savings as follows: £399,940 to the primary sector; £53,460 to the secondary sector; £36,600 to the special sector.**
- **To note the Section 151 Officer's recommendation that a minimum of £6.5m general balances is maintained for 2018/19.**
- **To note the comments made by the Section 151 Officer on the robustness of the estimates made as set out in Section 8 of the Appendix 1.**

- To recommend a net budget for the County Council and resulting increase in the level of Council Tax to the Full Council, noting that a formal resolution, including the North Wales Police and Community Council precepts, will be presented to the Council on the 28 February, 2018.
- To authorise the Section 151 Office to make such changes as may be necessary before the submission of the final proposals to the Council.
- To agree that any unforeseen pressures on demand led budgets during the financial year will be able to draw upon funding from the general contingencies budget.
- To request the Council to authorise the Executive to release up to £250k from general balances if the general contingencies budget is fully committed during the year.
- To delegate to the Section 151 Officer the power to release funding from the general contingency up to £50k for any single item. Any item in excess of £50k not to be approved without the prior consent of the Executive.
- To recommend to the Council a 4.8% increase in the level of the Council Tax.

13. CAPITAL BUDGET 2018/19

The report of the Head of Function (Resources) and Section 151 Officer setting out the final proposals for the 2018/19 Capital Programme was presented for the Executive's consideration and for recommendation to the full Council on 28 February, 2018.

The Portfolio Member for Finance said that having regard to the capital strategy adopted by the Executive in October, 2017 he commended the capital programme for 2018/19 to the Executive as presented. He drew attention to the two Invest to Save project bids at section 4 of the report; the Executive needs to determine whether to support either or both of the bids received. The Executive needs to come to a determination also on two unsupported borrowing bids by the Leisure Service – replacement of existing artificial football pitch with a 3G football pitch at Plas Arthur Leisure Centre and upgrading the fitness equipment at Holyhead Leisure Centre - as summarised in section 5 of the report and as detailed in full in Appendix 5.

The Head of Function (Resources)/Section 151 Officer said that funding received through the General Capital Grant and the level of unhyponthecated supported borrowing which the Welsh Government funds through the capital financing element of the Standard Spending Assessment have more or less stayed the same over a number of years and signifies a shift in the Welsh Government's approach which is to fund capital projects via specific capital grants e.g. new schools. This funding has therefore reduced in real terms and the capital strategy proposed that this money be used to maintain existing assets. The strategy also included approximately £600k for Highways. Also, the Welsh Government announced additional grant funding of £30m for 2017/18 of which Anglesey's share is £910k. This funding can be used to support locally sourced funding for any project in 2017/18 provided that the funds are then used for roads refurbishment in 2018/19. This will provide additional funding of £910k in 2018/19 above the general capital grant. With regard to the two unsupported borrowing project bids by the Leisure Service, the service is confident that in both cases the increased income the investment will generate will be sufficient to cover the capital finance costs.

Having considered the business case presented in each instance, the Executive was supportive of the two bids for unsupported borrowing submitted by the Leisure Service on the basis that they represent much needed investment in leisure provision and because they are expected to generate additional income which will reduce the cost of borrowing on the revenue side.

The Executive, whilst also supportive of both projects for invest to save funding, noted that the two in total marginally exceed the £250k fund earmarked for this purpose. The Head of Function (Resources)/ Section 151 Officer clarified that the two could be funded either by drawing further on funding in reserve or by allocating a reduced amount for the larger Energy Efficiency Corporate Buildings bid.

The Executive further noted that it was disappointed that the Invest to Save initiative had only generated two bids; it highlighted the need for more to be done in future to encourage services to identify opportunities for invest to save ideas.

It was resolved –

- **To recommend to the Full Council the following capital programme for 2018/19:**

	£'m
Committed schemes brought forward from 2017/18	23.399
Investing in existing assets	2.518
Invest to Save projects	0.258
Highway Maintenance	1.592
21st Century Schools	8.850
Total General Fund Capital Schemes	36.609
HRA Capital Schemes	12.417
Total Proposed Capital Programme 2018/19	<u>49.034</u>
Funded by:	
Funding B/F from 2017/18	1.040
General Capital Grant	1.334
Capital Receipts	0.500
Supported Borrowing	2.192
Unsupported Borrowing:	
21st Century Schools	3.734
Supported Borrowing:	
21st Century Schools	1.279
External Grants	28.030
Capital Reserves	0.258
Highways Refurbishment Grant	0.910
HRA Funding	9.757
Total Funding	<u>49.034</u>

- **To support the two submitted bids for Invest to Save funding as follows –**

Energy Efficiency in Corporate Buildings	£250,000
Upgrading the WiFi Capability at Canolfan Byron	£ 8,750

- **To support the following unsupported borrowing projects for inclusion in the 2018/19 capital programme -**

**The construction of a 3G Football Pitch at Plas Arthur Leisure Centre
The upgrade of Fitness Equipment at Holyhead Leisure Centre**

14. COUNCIL TAX DISCRETIONARY RELIEF POLICY

The report of the Head of Function (Resources) and Section 151 Officer incorporating a Council Tax Discretionary Relief Policy for recommendation to Full Council was presented for the Executive's consideration.

The Portfolio Member for Finance reported that Section 13A, subsections (1) (c) (6) and (7) of the Local Government Finance Act 1992 (as inserted by Section 10 of the Local Government Act 2012) give power to a billing authority to reduce the amount of tax payable in the circumstances specified within the report. This means that the Isle of Anglesey County Council can apply a discretionary relief in respect of any amount of council tax liability that is owed, even if the Council has awarded a reduction under its Council Tax Reduction Scheme by virtue of Section 13 A, subsection (1)(b). There is currently no such Council Tax Discretionary Relief Policy adopted by the Full Council, nor delegated executive arrangements to consider such requests. Any application would currently have to be considered on a case by case basis by the Full Council. In light of representations made in recent months in particular with regard to care leavers and certain classes of dwelling undergoing renovations to make them habitable which are subject to the Council Tax premium, and also dwellings affected by the recent adverse weather, it is therefore proposed that such a policy be introduced. The policy would ultimately provide relief to those in the most extreme financial hardship and would be separate to, and independent of the Council's Tax Reduction Scheme.

The Head of Function (Resources)/Section 151 Officer said that the Executive is being asked to recommend for the Council's approval, a Council Tax exemption or reduction for all care leavers in the county meeting the eligibility criteria set out in the proposed policy and to approve also an exemption from the Council Tax premium for longer than is currently allowed under Council Tax legislation in circumstances where a property is empty because it is undergoing structural work to make it habitable. The Council will also have to determine whether to delegate authority to deal with applications arising under the policy and any future changes thereto to the Section 151 Officer and the Executive respectively.

It was resolved to recommend to the Isle of Anglesey County Council (Full Council) at its meeting on 28 February, 2018 -

- **That it approves a Council Tax Discretionary Relief Policy under section 13A (1) (c) of the Local Government Finance Act 1992 (LGFA 1992) as detailed in Appendix A to the report.**
- **That it delegates to the Executive the power to revoke, re-enact, and/or amend its Council Tax Discretionary Relief Policy.**
- **That it delegates powers to the Head of Function (Resources) and Section 151 Officer to determine applications made under section 13A (1) (c) of the LGFA 1992 and any amendment or re-enactment thereof, taking account of any policy guideline adopted by the National Assembly/Welsh Government, the Full Council or the Executive.**

15. DISCRETIONARY BUSINESS RATE RELIEF FRAMEWORK – CHARITIES AND NON-PROFIT MAKING ORGANISATIONS

The report of the Head of Function (Resources)/Section 151 Officer seeking the Executive's approval to extend the current Discretionary Business Rates Relief Framework for Charities and Non-Profit Making Organisations to 2018/19 was presented for consideration.

The Head of Function (Resources)/Section 151 Officer reported that it had been the intention to consult on a new Discretionary Business Rates Relief Framework for Charities and Non-Profit Making Organisations, but that this was held back pending the publication of the Welsh Government's new small business rates relief scheme and to allow an assessment of the impact of the scheme to be made. The Welsh Government scheme has now been announced and will become effective from 1 April, 2018 meaning that the Council can proceed with the consultation on the framework. However, there has been insufficient time to hold the consultation and to report on the outcome to the Executive so as to enable a decision to be made at this meeting. Consequently, the proposal is to extend the current discretionary rates relief policy for charities and non-profit making organisations for 2018/19 and to conduct a public consultation on the framework during the first half of 2018/19 with a view to implementing a new framework in April, 2019.

It was resolved –

- **To adopt the current Discretionary Business Rates Relief Framework – Charities and Non-Profit Making Organisations as detailed in Appendix to the report for the financial year 2018/19 only and to instruct the Head of Function (Resources) and Section 151 Officer to ensure that administrative procedures before 31 March, 2018 advise relevant charities and non-profit making organisations that the policy will apply for 2018/19 only and will cease on 31 March, 2019.**
- **To agree that the public consultation on the framework be carried out by the Head of Function (Resources) and Section 151 Officer during the first half of 2018/19 with a revised framework coming into effect on 1 April, 2019.**

16. TREASURY MANAGEMENT STRATEGY STATEMENT 2018/19

The report of the Head of Function (Resources)/Section 151 Officer incorporating the Treasury Management Strategy Statement for 2018/19 was presented for the Executive's consideration.

The Portfolio Member for Finance reported that the TM Strategy Statement for 2018/19 was scrutinised by the Audit and Governance Committee at its meeting on 13 February, 2018 and was endorsed by the Committee as presented and without further comment. The proposed strategy for 2018/19 has not changed significantly from that in effect in 2017/18. A similar prudent approach in 2018/19 is likely to secure the best value for the Council in the current period of economic austerity meaning that where possible, internal cash balances will be utilised to avoid taking out new borrowing. Despite the recent increase in the base rate, the expectation is that investment rates over the medium term will remain below long-term borrowing rates. The Section 151 Officer will continue to monitor interest rates in financial markets and to adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making-body at the earliest opportunity. The Portfolio Member said that there is a proposed change to the Treasury Management Practices (TMPs) which is to increase the minimum cash balance from £6m to £6.5m in accordance with the latest approved reserve policy.

The Head of Function (Resources)/Section 151 Officer said that the Treasury Management Strategy is adopted annually; it sets out the Council's proposed borrowing and investment arrangements for the year ahead as well as confirming the Minimum Revenue Provision

policy. The strategy for 2018/19 continues with the approach taken in 2017/18 that is, to use the Council's balances instead of borrowing where that is feasible, and to only take out borrowing when there is a specific use for it. The Council will not borrow to invest as the return on investment is considerably lower than the cost of borrowing. It is possible that the strategy may have to be reviewed during the year if there are indications that the base rate is rising faster than predicted; the situation will be kept under review to ensure that the rate the Council pays for borrowing is kept to a minimum. The Strategy as proposed is the best under the prevailing economic circumstances. As well as a change to the TMPs to which the Portfolio Member referred, the MRP policy is being amended which will result in a saving on costs of around £1m to the Council; this has been incorporated as a saving in the revenue budget for 2018/19.

It was resolved –

- **To note the contents of the covering report.**
- **To endorse the contents of, and the assumptions and proposals made within the Treasury Management Strategy Statement (including the Prudential and Treasury Management Indicators) for 2018/19 (Annex A to the report).**
- **To forward the TM Strategy Statement to Full Council without further comment.**
- **To approve the change in TMPs, increasing the minimum cash balance from £6m to £6.5m, to reflect the increase in the minimum general reserve balance.**

**Councillor Llinos Medi Huws
Chair**