

THE EXECUTIVE

Minutes of the meeting held on 12 November, 2018

- PRESENT:** Councillor Ieuan Williams (Vice-Chair in the Chair)
- Councillors Richard Dew, Carwyn Jones, R. Meirion Jones, Alun Mummery, R.G.Parry, OBE, FRAGS, Dafydd Rhys Thomas, Robin Williams
- IN ATTENDANCE:** Chief Executive
Assistant Chief Executive (Partnerships, Community and Service Improvement)
Assistant Chief Executive (Governance and Business Process Transformation)
Head of Function (Resources) & Section 151 Officer
Head of Function (Council Business)/Monitoring Officer
Head of Housing Services
Revenues and Benefits Service Manager (GHJ)(for item 5)
Committee Officer (ATH)
- APOLOGIES:** Councillor Llinos Medi Huws
- ALSO PRESENT:** Councillors Aled Morris Jones, Bryan Owen, Shaun Redmond, Dylan Rees
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The Chair referred to the absence of the Leader and Chair, Councillor Llinos Medi Huws due to a family bereavement. He extended his and the Executive's condolences to the family at this difficult time.

1. DECLARATION OF INTEREST

Councillors Richard Dew, R. Meirion Jones and Robin Williams declared a personal but not prejudicial interest with regard to item 5 on the agenda.

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

None to report.

3. MINUTES OF THE PREVIOUS MEETINGS

The minutes of the previous meetings of the Executive held on 15 October, 2018 (extraordinary) and 22 October, 2018 (extraordinary) were presented for confirmation.

It was resolved that the minutes of the previous meetings of the Executive held on 15 and 22 October, 2018 be confirmed as correct.

4. BUDGET CONSULTATION PLAN

The report of the Head of Profession (Human Resources) and Corporate Transformation incorporating the proposed 2019/20 Budget Consultation Plan was presented for the Executive's consideration. The Plan would be implemented during the period from 12 November, 2018 to 31 December, 2018.

The Portfolio Member for Corporate Business reported that the Budget Consultation Plan is scrutinised and reviewed each year so that future plans can be improved. The 2019/20 Consultation Plan seeks to engage more widely with young people and to make more extensive use of social media as a means of raising awareness of the Council's Budget proposals and of reaching people to obtain their views thereon. The Portfolio Member said that Members too have an important role to play in helping people understand how the Council is funded, how it spends public money and why it has to make cuts to budgets and services.

Councillor Dylan Rees, Vice-Chair of the Corporate Scrutiny Committee said that the Scrutiny Committee had considered the 2019/20 Budget Consultation Plan in its meeting on the 6th November, 2018. In accepting the Plan the Committee had commented on the importance of ensuring that there are robust arrangements in place for effective engagement with children and young people as part of the consultation process and also, that the well-being of future generations should form an integral part of the process with the Public Services Board being consulted as one of the Council's key strategic partners.

The Executive considered the Plan and suggested that in order to help the public form a view about the proposals which the Council is putting forward in order to be able to deliver a balanced budget, a short video clip and/or fact sheet might be prepared setting out the context in relation to why the Council has to save money, the extent of the savings it has had to make to date and the challenge it is facing in trying to meet the demand for services when its funding is being cut year on year.

The Head of Function (Resources)/Section 151 Officer confirmed that those elements will be covered by the consultation package when it is published.

It was resolved to approve the Budget Consultation Plan 2019/20 to be implemented in the period 12 November to 31 December, 2018.

5. COUNCIL TAX PREMIUMS -SECOND HOMES AND LONG-TERM EMPTY PROPERTY (REVIEW OF FIRST YEAR)

The report of the Head of Function (Resources)/Section 151 Officer on the first year's operation of the Council Tax premium during the 2017/18 financial year and to date for 2018/19 was presented for the Executive's consideration. The report sought to establish whether the premiums applied in 2017/18 (25% of the standard rate of council tax for both long-term empty homes and second homes) met the aims of the Executive and the Council and whether, as a consequence, the premium levels need to be varied or revoked when the Full Council sets its Council Tax requirement for 2019/20.

The Portfolio Member for Finance reported that when the Welsh Government gave discretion to local authorities to charge a premium on top of the standard rate of Council Tax it was meant as a tool to bring long-term empty homes back into use and to support local authorities in increasing the supply of affordable housing and enhancing the sustainability of local communities. The Portfolio Member said that all the various options for the future application of the Council Tax premium have been considered as they are outlined in the report having regard to a number of factors in relation to the operation of the premium

following its implementation in April, 2017. The Portfolio Member referred to Appendix A to the report which provides details of the estimated income that would apply for different premium percentages for both long-term empty homes and second homes and to Appendix B which provides information about the premiums applied by other local authorities in Wales and their future plans where known. Taking into account all the information provided by the review of the premium's first year of operation, and in light of the fact that there remains many long-term empty homes across the Island which the Council is keen to see being brought back into use, the recommendation is that a full public consultation be undertaken on raising the premium for second homes to 35% of the standard rate of council tax and to 100% for long-term empty homes.

The Head of Function (Resources)/Section 151 Officer said that the review shows that the decision to levy the premium and its application since have not had a significant effect on the number of second homes or long-term empty homes in terms of prompting owners liable to pay the premium into taking action to market or sell their properties or seeking to transfer properties to business rates to claim an exception, nor has the application of the premium had a noticeable effect on the Council Tax base. Although there is £13,988 outstanding as unpaid Council Tax premium for 2017/18, the collection rate for 2017/18 at 98.5% is very good. Increasing the premium for 2019/20 will generate more income thereby allowing additional funding to be allocated to schemes designed to assist first time buyers if the Council is so minded. However, increasing the premium also brings with it the following risks

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- Owners of second homes could seek to avoid paying the premium by transferring use to business rates. Should that happen the Council will lose Council tax income as well as income from payment of the premium. Owners of properties transferring to business rates use could also claim small business rates relief meaning they would not pay business rates either.
- Owners of a second home normally resident in England where there is no second home premium could claim that their second home in Anglesey is occupied as their main dwelling. Although this can be confirmed or rejected by process doing so means additional administrative work for the Council's Revenues and Benefits Service.
- Second home owners could refuse to pay the increased premium. Notwithstanding it is possible for the Council to recover unpaid Council Tax/Council Tax premiums it will have an impact on cashflow as it follows that if second home owners are not paying the premium they are not paying the Council Tax either.
- Owners could take action to sell their properties possibly leading to a glut of homes coming onto the market with a knock-on effect on house prices. Neither is it certain that such homes would be accessible to local people and could be sold to buyers from outside Anglesey willing to pay the premium.

The Executive in noting the risks involved in raising the premium as proposed also highlighted the following –

- That the review of the first year of operation of the Council Tax premium shows that under the Empty Homes scheme supported by the additional income raised from charging the premium, 7 properties have been returned to use with a further 7 currently under renovation and that by the end of December, 2018 it is anticipated that 18 empty properties will be brought back into use. The scheme will therefore have supported 18 first time buyers across Anglesey to purchase their own home thereby confirming that the Council Tax premium has met the primary objective for which it was applied.
- That there are over 600 long-term empty properties on Anglesey affecting nearly all communities which is disheartening for local young people seeking a place of their

own. Economic initiatives on the Island bringing with them opportunities for employment require a supply of housing so schemes that bring properties back into use for young local people to live in or to purchase are important.

- That an increasing trend for commercial or business interests to purchase residential properties for occasional/leisure or holiday use sometimes affecting the amenities of the residents in the locality and depleting the available housing stock is a cause for concern and should be addressed at national level.
- That there are over 2,500 second homes on Anglesey and it is reasonable that their owners be expected to contribute towards the provision of local services. Second homes also reduce the stock available for local people so it is only fair that they make a contribution towards local housing needs and to help the Council provide social housing.

For the reasons above, the Executive was supportive of consulting on raising the Council Tax premium as recommended by the Portfolio Member for Finance with the following proposals -

- That the public consultation be conducted simultaneously with the consultation on the 2019/20 Budget proposals.
- That representations be made to Welsh Government to press for action to be taken to close the legal loophole that currently allows second home owners to transfer their properties to business rates if they are commercially let for 70 days in a 12 month period thereby leading to a loss of premium income for the Council as well as a loss of standard Council Tax income. It was suggested that the Chief Executive and Head of Function (Resources)/Section 151 Officer in consultation with the Portfolio Holder write to Welsh Government to this effect.
- That additional funding generated from the premium to the amount of £170k per annum for the next two years (£340k in total) should be allocated to the schemes designed to assist first time buyers as requested by the Head of Housing Services in the report under Appendix C.

It was resolved –

- **To note the content of the report reviewing the first year's operation of the Council Tax premium during the 217/18 financial year and to date for 2018/19.**
- **To undertake a full public consultation on raising the Council Tax Premium to 100% on long-term empty homes and to 35% on second homes. This to be undertaken as part of the public consultation on the 2019/20 Budget proposals.**
- **To recommend that an additional £170k per annum generated from the premium should be allocated for the next two years (£340k in total) to the schemes designed to assist first time buyers in order to increase the number of applicants that can be assisted.**
- **That the Chief Executive and Head of Function (Resources)/ Section 151 in consultation with the Portfolio Holder write to Welsh Government to highlight the need to close the legal loophole whereby second home properties in the Council Tax system are transferred to business rates.**

6. DRAFT REVENUE BUDGET 2019/20

The report of the Head of Function (Resources) incorporating the draft Revenue Budget for 2019/20 was presented for the Executive's consideration.

The Portfolio Member for Finance reported that setting the Revenue Budget for 2019/20 was always going to be a challenge - this task has become yet more difficult after the disappointing provisional settlement which Anglesey has received from Welsh Government

which has left the Council with a funding gap of approximately £7m (before any savings and Council Tax increase are taken into account). The Council is therefore facing having to make some very difficult decisions. Although services have identified a total of £3.747m savings to date, the current 2018/19 budget is forecast to overspend due mainly to pressures on Children's Services, and this will have to be funded from general reserves meaning that the Council's balance of general reserves will reduce further to below the minimum recommended balance. The Portfolio Member said that the provisional budget including the list of proposed savings in Appendix 4 as well as the level of Council Tax increase will be subject to public consultation. The impact of various levels of Council Tax increase is shown in the table at section 10.2 of the report with options to increase the Council Tax by between 5% and 10% being considered. The financial situation going into 2019/20 is difficult and savings will have to be implemented as will a significant increase in the Council Tax. The exact level of increase is dependent also on whether Welsh Government passes on any or some of the extra funding which it received in the Chancellor's Budget to local government and if so, what will be Anglesey's share of this money.

The Head of Function (Resources)/Section 151 Officer said that the first step in setting the Revenue Budget for 2019/20 is to create standstill budget i.e. a budget required to provide the same level of service as in 2018/19 but adjusted for any known or committed changes (e.g. increase or decrease in costs) – the main changes are detailed in sections 3 and 4 of the report - and after adjustments for staffing changes and pay and price inflation which are detailed in sections 5 and 6 of the report. However, in order to ensure that the budget provides a realistic level of funding, additional changes are required to reflect the current demand and any additional known budget pressures - especially in Children's Services to support the increasing number of children in care, and as a result of that, in Education Out of County fees as outlined in section 7 of the report. The Officer pointed out that the Welsh Government has transferred two grants (Teachers' Pay Grant and Free School Meals Grant) that it intends to award Councils in 2018/19 into the settlement in 2019/20. For the reasons given in paragraph 7.5 of the report it is recommended that these two grants are not transferred into the service budgets but are treated as additional general funding.

Based on all of the adjustments and assumptions set out in section 3 to 7 of the report, the standstill budget for 2019/20 comes to £137.402m – an increase of £6.457m or 5% on the 2018/19 final budget which is a significant increase and which is due to the combined effect of a number of factors all impacting on the Council at the same time – pay increases, teachers pensions revaluation, pressures on Children's Services, National Living Wage etc.

On the other hand, Anglesey has received a provisional reduction of 1% in the settlement from Welsh Government for 2019/20 so although the Council's costs have increased by 5%, the funding it has been given which is used to meet $\frac{3}{4}$ of its costs has reduced by 1% meaning that the funding shortfall (before savings and an increase in Council Tax) is even greater and totals £7.156m. Although there does not appear to be one clear reason why Anglesey has fared so badly in this year's settlement, the funding formula appears to have favoured urban areas in South Wales which is likely due to population increases in those areas which results in the formula allocating more funds to those areas. It is hoped the final settlement due to be announced on 20 December, 2018 will improve on the provisional figure; efforts are being made to achieve a better final settlement outcome for local government.

The Officer said that the total savings found to date is £3.747m which leaves £3.4m of the £7.156 shortfall to be funded through Council Tax and/or an increase in the Council Tax premium. Section 10.5 of the report outlines some of the options available either as one option or a combination of options to close this gap – it would require a Council Tax increase of 9.72% to completely close the gap without implementing any other option. Using the Council's reserves to plug the gap in 2019/20 as well as drawing on them to fund the

overspend on the 2018/19 budget could possibly take the balance of reserves down to under £4m which is well below the minimum level assessed by the Section 151 Officer as appropriate for the needs of the Council (around £6.5m) thereby increasing the financial risk faced by the Council and meaning that further cuts would be required in 2020/21; although it is an option, it is not a course of action that is recommended.

The Officer concluded by saying that a set of unfavourable circumstances has made what was a challenging situation worse leaving the Council having to make some very difficult choices if it is to balance the budget for 2019/20.

The Executive thanked the Head of Function (Resources)/Section 151 Officer for the report and presentation which it believed explained the Council's position clearly and fairly and would help the public understand all the competing factors which have to be considered and addressed in setting the 2019/20 budget. In responding to the report and the proposals presented the Executive made the following points –

- That the financial situation is regrettable. It was noted that local government has again lost out to the NHS in the Welsh Government's proposed spending plans for 2019/20 and that Anglesey is close to the bottom of the local government pile having seen its funding settlement reduce by 1% which is a blow to all the people of Anglesey.
- That it is irresponsible of the Westminster Government to announce that austerity is coming to an end when local government budgets clearly reflect the opposite.
- That the options for closing the funding gap faced by the Council as outlined in section 10.5 of the report are difficult and will likely have an impact on the residents of Anglesey.
- That as much as the Authority would like to avoid having to raise the Council Tax being amongst the lowest charging councils in Wales for Council Tax - this is not an option ; where in previous years the Council has managed to lessen the impact of cuts by focusing savings on reducing administrative costs, supporting functions and on implementing efficiency measures, this is no longer possible leaving the Council with very little room to manoeuvre as the cuts that can be made without affecting services and the public have been made.
- That the Council's services across the board are undergoing review to identify where savings can be made.

Councillor Aled Morris Jones, Chair of the Corporate Scrutiny Committee reported from the Committee's 6 November, 2018 meeting which had considered the initial 2019/20 Budget proposals. The Committee recognised the financial challenge facing the Authority in 2019/20 and was concerned by the implications for the Council of the provisional Welsh Government settlement. The Committee was agreed that it should formally respond to the Welsh Government expressing its disappointment with the provisional settlement and to press for additional funding in the final settlement. In terms of how the Council should close the funding gap, the Committee recommended that an increase in Council Tax and the empty homes /second homes premium should be the method by which the funding gap is closed and the budget balanced. Councillor Jones said that those were the views of the Committee collectively but not necessarily his own views.

It was resolved –

- **Not to allocate the two grants incorporated in to the AEF to the budget of the relevant services as the additional costs have been allowed for in the standstill budget.**
- **To approve the standstill budget for 2019/20 of £137.402m and that this should form the basis of the 2019/20 revenue budget.**

- That the Executive determine the proposed increase in the Council Tax for 2019/20 which will be subject to public consultation.
- That after allowing for the proposed increase in Council Tax, the Executive should seek to make sufficient savings in 2019/20 to balance the revenue budget without resorting to the use of general reserves and to ensure that the required savings in 2019/20 are achievable.
- That the Executive should seek the opinion of the public on the proposed savings.

7. CAPITAL BUDGET 2019/20

The report of the Head of Function (Resources)/Section 151 Officer incorporating a proposed capital budget for 2019/20 was presented for the Executive's recommendation.

The Portfolio Member for Finance reported that the Executive is required to propose a capital budget for 2019/20 which will then be presented to the Full Council at its meeting on 27 February, 2019. The report set out the proposed main capital programme for 2019/20 as well as bids for additional schemes regarding which the Executive's guidance is sought.

The Head of Function (Resources)/Section 151 Officer said that the core capital budget reaffirms previous capital strategies which are based on investing in existing I.T, vehicle and building assets, road surfacing work and providing disabled facilities grants as statutorily required. As in previous years the level of core capital funding which the Council receives from Welsh Government (encompassing the General Capital Grant and the Unhypothecated Supported Borrowing) is largely unchanged meaning that its purchasing power reduces year on year thereby limiting what the Council can do. The Council has over the years made use of capital receipts from the sale of surplus assets as a contribution towards capital expenditure. However, apart from surplus school sites which have become available as a result of the Schools' Modernisation Programme the proceeds from the sale of which are earmarked for building new schools, the Council has very few other assets to sell and so the sum available from capital receipts to fund new capital expenditure is much reduced from previous years.

The Officer referred to the following as matters requiring the Executive's guidance on how to proceed –

- In previous capital budgets, £1m of capital funding has been allocated towards the Seiriol Extra Care Home project. However, as this project will now be funded in its entirety through the Housing Revenue Account, the £1m allocated can now be released to fund other capital projects – a decision needs to be made on whether to release this funding.
- In the 2018/19 Capital Programme, £1.858m of funding was allocated to the Gypsies and Traveller permanent and temporary sites consisting of £0.450m external grant for the permanent site and £1.408m from the Council's own resources. There is planned expenditure of £0.120m in 2018/19 on the scheme leaving £1.288m of unused Council funding to be carried forward into 2019/20. As planning permission for the temporary site has now been granted, £0.778m has been included in the 2019/20 draft capital programme for the completion of this project. The plans for the permanent site have not moved ahead as quickly - planning permission has yet to be given and further work is required on the financial viability of the project. A decision needs to be made therefore on whether to release the remaining £0.51m of funding which can be used to fund other capital projects in 2019/20. Once the scheme has been finalised and the costs agreed, capital funding will be allocated to the project at a future date.

- There have been 10 new capital bids submitted for inclusion in the 2019/20 Capital Programme (Table at section 3.3 of the report refers). These amount to £1.746m of which £0.949m would be externally funded with the remaining £0.797m being funded from the Council's resources. All 10 bids could be funded from the £1.510m requested to be reallocated back into the general fund (made up of the £1.0m released from the Seiriol Extra Care Home project and £0.51m unused funding for the permanent Gypsy site as outlined above).
- The Executive has in previous years approved the release of £0.25m from the capital reserve to fund small Invest to Save projects. Services were again invited to bid for the funding with two bids received totalling £0.400m (Energy Efficiency in Corporate Buildings - £250k and the Purchase of 4 new LPG vehicles and 4 electric vehicles - £150k). Both these bids could also be funded from the £1.510m that has been requested to be reallocated back into the general fund.
- The Welsh Government has announced additional grant funding of £20m for 2019/20 for Highways resurfacing of which Anglesey's allocation will be around £0.580m. A decision needs to be made on whether the grant is in addition to the minimum capital investment of £0.779m needed to meet the Highways contract in 2019/20 bearing in mind that the Highways Asset Management plan states that over £2m per annum needs to be spent on road surfacing to maintain roads to their current standard. The proposed capital budget assumes that the grant is in addition to the minimum capital investment required taking the capital budget for road maintenance to £1.359m.

The Executive considered the report and proposals and indicated that it supported releasing the £1.510m of unused funding for Seiriol Extra Care and the Residential Site for Gypsies and Travellers back into the General Fund to finance all 10 new capital bids along with the 2 Invest to Save project bids as submitted. In light of the Portfolio Member for Highways, Waste and Property's confirmation that if money was no object, £66m would be required to bring all the Authority's roads up to an acceptable standard, the Executive affirmed that the Welsh Government additional grant funding for Highways should be in addition to the minimum capital investment required.

It was resolved -

- To recommend the following capital programme for 2019/20 to the Full Council

	£'m
Committed Schemes Brought Forward from 2018/19	13.429
Investing in Existing Assets	2.539
Highway Resurfacing	1.359
21 st Century Schools	7.563
Total General Fund Capital Schemes	24.890
HRA Capital Schemes	<u>13.110</u>
Total Proposed Capital Programme	<u>38.000</u>
Funded By:	
Funding B/F from 2018/19	1.099

General Capital Grant	1.327
Supported Borrowing	2.026
Unsupported Borrowing – 21st Century Schools	1.847
Supported Borrowing – 21st Century Schools	1.943
External Grants	18.728
Highways Refurbishment Grant	0.580
HRA Unsupported Borrowing	1.000
HRA Funding	9.450
Total Funding	<u>38.000</u>

- That the £1.510m of unused funding for Seiriol Extra Care and Residential Sites for Gypsies and Travellers be released back into the General Capital Fund to finance the following –
 - The Council element of the funding for the 10 new capital bids set out in paragraph 3.3 of the report (£797k)
 - Invest to Save Projects:- Energy Efficiency in Corporate Buildings (£250k) and purchase of new LPG & Electric Vehicles (£150k)
- To confirm that the additional grant funding for Highways resurfacing (£580k) is in addition to the minimum capital investment (£779k)

(Councillor R. Meirion Jones abstained from participating and voting in that part of the matter relating to the temporary Gypsy and Travellers Site in Star, Gaerwen)

**Councillor Ieuan Williams
(Chair)**