

# THE EXECUTIVE

## Minutes of the meeting held on 18 February, 2019

- PRESENT:** Councillor Llinos Medi Huws (Chair)  
Councillor Ieuan Williams (Vice-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 (Partnership, Community & Service Improvement)  
Head of Function (Resources) & Section 151 Officer  
Head of Function (Council Business)/Monitoring Officer  
Interim Director of Social Services  
Head of Service (Housing Services)  
Head of Democratic Services  
Head of Learning  
Interim Head of Highways, Waste and Property  
Supporting Families Unit Manager (for item 19)  
Committee Officer (ATH)
- APOLOGIES:** None
- ALSO PRESENT:** Councillors Aled Morris Jones, R. Llewelyn Jones, Kenneth Hughes, Shaun Redmond (from item 10), Dylan Rees, Peter Rogers
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### 1. DECLARATION OF INTEREST

The Head of Function (Council Business)/Monitoring Officer reported that some members of the Executive had sought her advice with regard to declaring interests arising in the context of item 13 on the agenda - the Medium Term Financial Strategy and Budget for 2019/20. She had advised that the interests to be declared are personal rather than prejudicial and that the Members concerned are entitled to participate in the discussion on the item and to vote thereon.

The following members subsequently declared a personal interest in relation to item 13 on the agenda –

Councillors Richard Dew, R. Meirion Jones and Robin Williams in respect of the Council Tax Premium.

Councillors Llinos Medi Huws and Carwyn Jones in respect of the price of school meals.

Councillor Carwyn Jones also declared a personal interest in relation to item 8 on the agenda.

The Chief Executive declared a personal interest in relation to item 8 on the agenda.

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

None to report.

## **3. MINUTES**

The minutes of the previous meeting of the Executive held on 28 January, 2019 were presented for the Executive's consideration.

**It was resolved that the minutes of the previous meeting of the Executive held on 28 January, 2019 be confirmed as correct.**

## **4. REVENUE BUDGET MONITORING REPORT – QUARTER 3 2018/19**

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 2018/19 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 the overall projected financial position for 2018/19 is an estimated overspend of £1.589m which is a significant improvement on the predicted overspend of £2.66m at Quarter 2. However, it must be noted that although the overspend on services has also reduced, they are still forecasted to overspend by £2.972m (2.61%) as at 31 March, 2019. If this trend continues in accordance with the Quarter 3 forecast, the Council's General Reserve Fund is likely to reduce to £4.720m by the year-end which is well below the minimum balance of the general reserve which has been set at £6.5m as approved by the Full Council on 28 February, 2018.

The Head of Function (Resources)/Section 151 Officer said that the improved financial position at Quarter 3 is mainly due to the following –

- Quarter 3 data reflects a greater proportion of actual recorded expenditure and consequently, is based to a lesser degree on estimates thereby making the figure more accurate.
- In November, 2018, Heads of Services on the authority of the Senior Leadership Team were sent a briefing note advising them of the need to make savings. This suggested a number of measures needed to reduce expenditure/increase income by year-end e.g. delaying recruitment on vacant posts, limiting overtime and introducing fee increases earlier. It is commendable that these suggestions were made and that Heads of Service have implemented the advice on the expenditure within their control.
- An underspend in Corporate Finance, specifically on capital financing costs – Minimum Revenue Provision and interests charges - which has helped reduce the figure by approximately £500k.

The Officer said that notwithstanding the projected overspend is an improvement on Quarter 2 it should not be lost that there is still a predicted overspend of £3.5m on the Council's three main services – Education, Children's Services and Adults' Services. The savings on Corporate Finance is a one- off windfall and is unlikely to be available in 2020/21; therefore action needs to be taken to address the shortfall in funds, the cost of services and to control the demand for services. Although this level of overspending can be funded from the general reserves in 2018/19, it will deplete the general reserves to a figure well below the generally accepted minimum which is a cause for concern particularly if the pattern of overspending continues. It will be necessary during the 2019/20 or 2020/21 budget setting process to fund the underlying level of overspending and to begin the process of replenishing the general

balances. This is a prudent approach and is necessary to ensure the long-term financial viability of the Council.

The Executive in considering the report, acknowledged the efforts made by the Council's services to reduce expenditure in the last quarter. The Executive noted that the services that are currently overspending – Children's Services, specifically the Looked After Children budget and Adults' Social Care are particularly susceptible to demand pressures with increasing demand a key factor in the financial pressures which these services are experiencing. The Executive noted that there is therefore a crucial distinction to be made between being "overspent" and being "underfunded." These budget lines will be allocated increased funding in the budget next year. The Executive noted that the impact of austerity – which has seen the Council's budget reduce over successive years – comes through clearly in the report, and it emphasised that if the Council is to continue to deliver services in the way expected of it especially its statutory responsibilities in adults' and children's social care, then it has to be properly funded. This needs to be recognised by Welsh and Central Governments as a matter of priority.

The Portfolio Member for Finance referred to the Wales Audit Office's 2017/18 Audit Letter for the Isle of Anglesey County Council dated 5 February, 2019 in which the Auditor General recognises that "austerity funding remains the most significant challenge facing all local government bodies in Wales and that these financial pressures are likely to continue in the medium term." The Letter notes that "the 2018/19 local government funding settlement saw the Council's settlement increase by only 0.7% when inflation is more than 2%." The Portfolio Member said that he believed that one of the root causes of the financial stress which councils are experiencing are decisions taken by the Central Government over a period of years to reduce the income tax burden meaning it has less resources to allocate to the Welsh Government which in turn is reducing its funding to Welsh councils with the result that the burden of taxation is shifting to local taxation resulting in more pressure on, and year on year increases in Council Tax as councils try to make up the funding gap.

**It was resolved –**

- **To note the position set out in in appendices A and B to the report in respect of the Authority's financial performance to date and expected outturn for 2018/19.**
- **To note the summary of Contingency budgets for 2018/19 detailed in Appendix C to the report.**
- **To note the position of the invest-to-save programmes in Appendix CH to the report.**
- **To note the position of the efficiency savings for 2018/19 in Appendix D to the report.**
  - **To note the monitoring of agency and consultancy costs for 2018/19 in Appendices DD and E to the report.**

## **5. CAPITAL BUDGET MONITORING REPORT – QUARTER 3 2018/19**

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 2018/19 was presented for the Executive's consideration.

The Portfolio Member for Finance reported that the total expenditure at the end of Quarter 3 is £19,043m against a Capital Budget for 2018/19 of £61.920m. The forecast underspend on the Capital Programme for 2018/19 is £29.644m with this being potential slippage into the 2019/20 Capital Programme. The funding for this slippage will also slip into 2019/20. Whilst the majority of projects are on target to be completed within budget there are 4 major

projects which are expected to significantly underspend the budget in 2018/19. These are noted in the report. However, it is not anticipated that any funding will be lost due to the delays.

The Head of Function (Resources)/Section 151 Officer confirmed that there were no significant developments in capital budget activity to report since Quarter 2. Some schemes have not progressed as well as expected and others have not started due to factors beyond the Council's control. The improvements to the A5025 which is one of the four major projects that have not yet started may not commence at all as all works are currently suspended on the project. The Officer also confirmed that the Authority will endeavour to ensure that no grant funding is lost by ensuring that sufficient expenditure is incurred by year end.

**It was resolved to note the progress of expenditure and receipts against the capital budget 2018/19 at Quarter 3.**

## **6. HRA BUDGET MONITORING – QUARTER 3 2018/19**

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 2018/19 was presented for the Executive's consideration.

The Portfolio Member for Finance reported that the revenue financial position for the HRA at Quarter 3 shows an underspend of £110k. The capital expenditure is £4.1m below the profiled budget. The forecast surplus (combining both revenue and capital) is £7.9m better than the budget largely as the result of lower than budgeted capital expenditure. The HRA is ring-fenced and its reserves cannot be transferred to the General Reserve Fund meaning they cannot be put to any use that is not related to the Council's housing stock.

The Head of Function (Resources)/Section 151 Officer reported that the HRA reserve balance is earmarked for new housing investment which will be outlined in the 30 year HRA Business Plan due to be presented to the Executive in March, 2019.

**It was resolved to note the following –**

- **The position set out in respect of the financial performance of the Housing Revenue Account (HRA) for Quarter 3 2018/19.**
- **The forecast outturn for 2018/19.**

## **7. 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 2019/20 was presented for consideration.

The Portfolio Member for Finance reported that non-domestic properties (apart from certain exemptions, such as agriculture, places of worship, property used by the disabled etc) are liable to payment of non-domestic rates. These are commonly termed business rates although not all ratepayers are businesses in the ordinary sense. Local Authorities in Wales must grant mandatory rate relief to charities provided for within the Local Government Finance Act 1998 as amended by the Local Government Act 2003. The report sets out Council's proposed framework arrangements for 2019/20.

The Head of Function (Resources)/Section 151 Officer said that on 19 February, 2018 the Executive extended its Discretionary Business Rates Relief Framework for Charities and

Non-Profit Making Organisations, with a view to undertaking a consultation on the framework during the first half of 2018/19 with a revised framework coming into effect on 1 April, 2019. Even though the a consultation document has been approved, no consultation has been carried out as the Service was aware of possible significant announcements from either the central Westminster or devolved Cardiff administrations with regard to possible further business rates relief for businesses. Such announcements could have had an impact on the consultation to be undertaken. The Officer said the substance of the announcements actually made in 2018/19 is detailed in the report; the consultation document in respect of the Council's discretionary business rate relief framework has been amended to take account of the changes announced by the Welsh Government in December, 2018. As there was a possibility of budgetary implications following such a consultation and with the final financial settlement for 2019/20 not received until 19 December, 2018 which included an additional £2.4m (unhypothecated) support for small businesses nationally in Wales, the timetable does not allow sufficient time to consult and for any revisions to the framework, with possible costings to be discussed and reflected in the proposed budget for 2019/20. Consequently, it is recommended that the current policy is adopted for a further year with the consultation to be undertaken in the first half of 2019/20 allowing sufficient time for response and budgetary implications, if any, to be considered before the new framework is implemented from 1 April, 2020.

In noting the report the Executive also noted that business rates in their entirety need to be reformed on a national basis because at their current levels they are having an adverse impact on high street businesses. The discrepancy between the rates paid by high street retail businesses and online retail businesses also needs to be addressed. The Head of Function (Resources)/ Section 151 Officer said that local councils' capacity to make a difference in respect of high street business rates is limited as most of the rules and regulations affecting business rates reside with the Welsh Government.

**It was resolved –**

- **To adopt the current Discretionary Business Rates Relief Framework – Charities and Non-Profit Making Organisations as detailed in Appendix A to the report for the financial year 2019/20 only and to instruct the Head of Function (Resources) and Section 151 Officer to ensure that administrative procedures before 31 March, 2019 advise relevant charities and non-profit making organisations that the policy will apply for 2019/20 only and will cease on 31 March, 2020.**
- **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 2019/20 with a revised framework coming into effect on 1 April, 2020.**

## **8. COMMUNITY BASED NON-RESIDENTIAL SOCIAL CARE SERVICES – 2019/20 FEES AND CHARGES**

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 2019/20 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 2019/20 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 Telecare Services as outlined in Table 4 of the report.**

**Tier 1 everyone will be paying £46.60**

**Tier 2 & 3 everyone will be paying £92.93**

- **To approve the Telecare Annual charges outlined in Table 5 of the report.**

**Services and Maintenance £110.80**

**Services only £71.60**

**One off installation £44.30**

- **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 3% to £33.18.**
- **To approve an increase in fees paid for commissioned domiciliary care for Learning Disability Care packages – over one hour of services care will be paid £15.91 and under one hour will be £16.86.**

#### **9. 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, 2019 to March, 2020 was presented for consideration.

The Chair and Portfolio Member for Social Services presented the report and the recommendations therein to the Executive.

The Interim Director of Social Services/Head of Adults' Services said that the proposals entail increasing the standard charge (the fee which the Authority is obliged to charge those residents who have the financial means to pay the full cost of their residential care) by 3% in line with the guidance for increasing fees and charges determined by Members plus each user's share of the a third of the subsidy given to self-funders, thereby reducing the gap between the cost of provision and what self-funding residents pay for the services. The Officer said that consideration was given to increasing the charge to the full cost of provision, but was rejected on the basis that this would require a significant and disproportionate increase for residents from the 2018/19 standard charge of £601.82 per week to £752.58.

**It was resolved –**

- **That whilst the Council acknowledges the costs incurred within residential care, the actual cost of delivery is not fully reflected in the charge to residents.**
- **That in line with savings proposal made to remove the subsidy given to self-funders over the next three years, the increase for those contributing towards the cost of care is set at 3%, plus each user's share of a third of the subsidy given to self-funders.**

- **That the fee for 2019/20 is therefore set at £601.82 +3% + ( $\frac{1}{3}$  x £132.70) = £664.11.**

## **10. INDEPENDENT SECTOR CARE HOME FEES 2019/20**

The report of the Head of Adults' Services seeking the Executive's approval for proposed independent sector care home fees for 2019/20 was presented for consideration.

The Chair and Portfolio Member for Social Services reported 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. 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 done in previous years. It is proposed to continue to use this model for 2019/20 which has reflected legislation changes in terms of pensions, national living wage and inflation. As part of fee setting for 2019/20, Anglesey consulted on the fees proposed by the methodology 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; and Basic Nursing Care Social Care element. The Service is recommending an increase in ROI on Nursing EMI placements of 12% in recognition of the pressures in this area. Consistent with the strategic direction the Council is taking in developing alternatives to residential care in the form of Extra Care Housing and care at home, and having due regard to the affordability of the increase proposed for residential care homes, it is proposed to set a rate for adults' residential care based on a lower return of investment of 9%.

The Interim Director of Social Services/Head of Adults' Services said that it may be necessary to consider individual submissions from providers regarding the fees proposed. Exceptions to the fee rates will be considered if there is clear evidence to indicate that the fee set is not sufficient in any individual case.

### **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 2019/20 (Appendix 2 to 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 requests 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 budgets. If no agreement can be made, the matter will go back to the Executive.**

## **11. HOUSING RENT HRA AND HOUSING SERVICE CHARGES 2019/20**

The report of the Head of Housing Services seeking the Executive's approval for increases in rent and service charges for 2019/20 was presented for consideration.

The Portfolio Member for Housing and Supporting Communities reported that Welsh Government in a letter dated December, 2018 confirmed that it had agreed to maintain the Welsh Government Policy for Social Housing Rents for 2019/20 only pending the outcome of the Affordable Housing Supply Review. The review is considering the need to introduce a revised rent policy which gives certainty to local authorities and registered social landlords

and balances the need for continued development with affordability for tenants. The Panel is due to report its findings in April, 2019.

**It was resolved –**

- **To approve a rent increase in line with the Welsh Government target rent based on collection over 52 weeks.**
- **That all rents below target of between £0.01 - £4.19 be increased by 2.4% 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 £3.58 and £4.66 be increased by 2.4% plus £2.00 per week.**
- **That the rent for the 14 properties that are above target rent should remain at their current levels.**
- **That the rent of all garages be increased by 20p 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.**

## **12. 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 the purpose of the report is to set out the Section 151 Officer's assessment on the level of general balances and reserves for 2019/20 and to make recommendations as to the allocation of general balances for use during 2019/20. The Portfolio Member said that it is appropriate in this context to refer again to the Wales Audit Office's Audit Letter for the Isle of Anglesey County Council for 2017/18. The Letter highlights the Council's reserves position noting a recent trend of reduction in the Council's general fund balance which the Auditor General deems unsustainable and which the letter notes the Section 151 Officer and the Council have recognised as a risk. The Auditor General advises that "continued careful consideration of reserves balances and how they might be used to support financial plans is particularly important as it is not sustainable to rely on reserves to support ongoing cost of demand led Care/Children's Services. Once reserves have been depleted, other sources of funds or efficiencies must be identified." The Auditor General goes on to say that the Executive's resolution to seek to balance the revenue budget in 2019/20 without resorting to the use of general reserves by making sufficient savings and ensuring they are achievable, is welcomed.

The Head of Function (Resources)/Section 151 Officer said that at the end of 2015/16 the Council's general fund balance, its earmarked reserves and schools' balances stood at in the region of £27m or 22% of the Council's net budget; by the end of 2018/19 they are forecast to reduce to £15m or 12% of the Council's net budget. The Officer said that reserves are held as security against unexpected events or unplanned for expenditure; the general reserves were drawn upon in 2017/18 to help meet the cost of over expenditure on the revenue budget; it is likely they will again be utilised for this purpose this year as the 2018/19 revenue budget is projected to be overspent. Funds are also allocated to budgets to meet the in-year costs of events e.g. the reserves were used to support a Legacy Team in Children's Services to deal with historical cases and were also used in 2017 to meet the additional cost of flood damage (outside of the Highways budget) following the severe flooding event in November that year. The Council's earmarked reserves are set aside for various specific and known purposes e.g. Insurance reserve to meet the estimate of future claims to enable the Council to meet the excesses not covered by insurance, Grants reserve



which holds grant income not yet spent and a reserve for specific one-off projects which span more than one year which are not financed by the revenue budget.

The Head of Function(Resources)/Section 151 Officer said that whilst there is no hard and fast rule as to the level of general balances that a council should hold, as a general rule of thumb, 5% of a council's net revenue budget is considered to be an acceptable level, which for Anglesey for 2019/20 is £6.76m. The estimated balance at 31 March, 2019 for the general balances is £4.7m which is £2m lower than the calculated minimum. The Officer said that he accepted that in the current financial climate it is not possible to budget for a budget surplus in order to bring the general reserves back to the minimum level and that the increase in general reserves must be done gradually over a period of 5 to 7 years. Having a level of general balances which is below the minimum level is a financial risk and the longer the general balances remain below this level, the greater the risk that the Council will not be able to financially weather an emergency or unexpected event.

With regard to the recommendation that the Edge of Care reserve be transferred from the earmarked reserves to the General Reserves, the Officer clarified that there had been a delay in the setting up of the Edge of Care Team and as a result, a balance of the £250k allocated will be unspent at the end of this financial year. From 2019/20 the Edge of Care Team will be funded from the revenue budget on a permanent basis, thereby enabling the release of the earmarked fund balance back into the General Reserves.

The Executive considered the report and made points as follows –

- The Executive noted that the situation is very challenging and that the Council will likely struggle to bring the reserves back up to an acceptable level when it is still facing having to make cuts for the foreseeable future. The situation is unsustainable unless the Council receives an improved funding settlement from Welsh Government in 2020/21 and beyond.

The Head of Function(Resources)/Section 151 Officer whilst acknowledging that building up the reserves back up to the 5% level during a period of continued austerity will not be easy, said that it should be the Council's aim to do so as part of its financial plan over the medium term. It will not be achieved in one financial year and may take between 3 to 5 years or even longer to achieve depending on the detail of the budget settlements which the Council receives from 2020/21 onwards.

- The Executive noted that pressure needs to be brought to bear on Welsh and Central Governments by concerted lobbying of Anglesey's Assembly Member and Member of Parliament for fairer funding for public services. The Executive emphasised that it is the Council that has to make difficult choices because of a shrinking budget and it is the Council that then has to account for those choices to the Island's citizens.
- The Executive noted that increasing the level of Council Tax has an impact on the public. The Executive sought clarification of how sustainable is the approach that seeks to use reserves to reduce, or avoid Council Tax rises and whether a "fire sale" of assets is an option were the Council to find itself under financial pressure with insufficient reserves to draw upon.

The Head of Function (Resources)/Section 151 said that the Council's level of general balances will at the end of 2018/19 be at a level that is below the minimum recommended level. Reducing the general balances even further would increase the financial risks to the Council in limiting its ability to deal with the unexpected or to address budget overspend as was necessary in 2017/18 and is likely to be the case for

the 2018/19 financial year. A council that has run down its reserves is technically insolvent. In such a case a fire sale would not provide a solution as the capital receipts generated from such a sale could not be used for revenue purposes to support services. Therefore a council finding itself in such a position would have to reduce services to the statutory minimum in order to reduce expenditure and create the circumstances wherein it is able to pay its way going forwards. The Officer said that it was his professional opinion that this Council's level of general reserves has reached a critical point and should not be allowed to fall any further. To do so could put the Council at risk financially were the unexpected to happen.

**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 approve the amendments to the general policy on reserves and balances adopted on 1 March, 2016 at Appendix A.**
- **To set the minimum level of general balances for 2019/20 as £6.76m in accordance with the Section 151 Officer's assessment.**
- **To plan for an increase in general balances over a 3 to 5 year period in order that the actual level of reserves reaches the minimum level. This increase will be achieved by budgeting for planned annual surpluses.**
- **To confirm the continuation of the existing earmarked reserves.**
- **To approve the transfer of the Edge of Care reserve from the earmarked reserve to the General Reserves.**

### **13. MEDIUM TERM FINANCIAL PLAN AND BUDGET 2019/20**

The report of the Head of Function (Resources) / Section 151 Officer incorporating the detailed revenue budget proposals for 2019/20 was presented for the Executive's final review. The report also updated the Medium Term Financial Plan which provides a context for the 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 2019/20.

The Portfolio Member for Finance said that the challenge of setting a balanced budget for 2019/20 has already been reported and that he had previously described the concurrence of negative factors – a reduced funding settlement from Welsh Government, general price inflation and rising costs, pay inflation and increased teachers' pension costs - as creating a "perfect storm" of challenges leading to an initial budget gap of £7.156m (before Council Tax increase and the application of savings). Savings to the value of £3.747m were identified which included a proposed £1.76m reduction in the delegated Schools' budget. The Portfolio Member said that it had become clear from the public consultation on the 2019/20 budget proposals that people are not happy for cuts to be made to education or if they have to be made at all, they are of the view they should be kept to a minimum. The Executive has taken heed of this and other messages from the public consultation and has responded accordingly by making adjustments to the savings proposals as outlined in section 9.1 of the report.

The Portfolio Member said that the situation remains extremely challenging not forgetting that the Council has already made savings in the region of £25m since 2013/14. It could be said that the Council is very near the end of its ability to make service savings and that it is very difficult to see where any further cuts can be made without having a serious impact. The Council was overspent on its revenue budget in 2017/18 and will most probably be overspent again in 2018/19 due to a large extent to pressure on the Children's Services budget. There is an argument to be made that funding for Children's Services has not kept pace with the doubling of demand over recent years with the cost

of child placements in the most complex cases reaching as much as £5,000 per week. In addition, the reduction in the Council's level of reserves makes addressing any future service overspends potentially problematic.

The Portfolio Member said that he proposed the budget as presented with a heavy heart but with the reality being that the funding which local authorities receive from Central Government via the Welsh Government is not enough having been reduced year on year over the course of several years. The Portfolio Member quoted from an article in the 16 February edition of The Guardian on the English Council Tax system which raises points that are pertinent to Wales – it highlights the pressure that has been put on the Council Tax system because of the cuts in councils' funding leaving councils nowhere else to turn to raise revenue for services other than by increasing Council Tax which impacts heavily on low income families. The article makes the case for overhauling the system and in the short-term, for increasing general taxation in order to increase funding for local government, to properly support local services and to take pressure off the Council Tax system.

The Head of Function (Resources)/Section 151 Officer said that the 2019/20 budget setting process had been difficult in terms of reflecting the costs and demands faced by services and then balancing those with the income the Council receives via the funding settlement and the Council Tax. It is a requirement under the Local Government Act 2003 that the budget set reflects what the Council views as the true costs of providing services i.e. that its revenues covers its spending, and that it was his professional opinion having regard to the risks as noted in the report that the budgets are robust and deliverable and that the resources the Council has available will cover the cost of services. Looking forwards, no indication has been given by Welsh Government as to the level of future funding, and in the absence of this information, the Medium Term Financial Plan continues to assume no increase in the Aggregate External Finance over the next three years. Council Tax is assumed to rise by 5% per annum; if the increase was less than this figure each 1% below the 5% would require additional savings of £0.41m. Therefore, the need to identify savings continues into the future. The Officer said that no confirmation has been received whether or not the UK Government will fund the increased pension costs for Teachers which for the Authority amounts to £800k. The budget assumes that no contribution will be forthcoming, but if additional funding is received, the Executive will consider how to use the funding at the point when the additional sum allocated is known.

Councillor Aled Morris Jones, Chair of the Corporate Scrutiny Committee reported from the Committee's 4 February, 2019 meeting where the 2019/20 final budget proposals were scrutinised. The Committee had noted the key messages from the public consultation process noting also that the ideas presented would be scrutinised further by the Scrutiny Finance Panel as a basis for possible savings in 2020/21 and beyond. The Committee had made recommendations as to how the public consultation process could be improved by better reflecting the demographic profile of respondents; by differentiating between service users/non-service users; by preventing multiple /duplicate responses by respondents and by showing how different percentage increases in Council Tax are linked to services cuts or service gains. The Committee had also heard representations by a secondary and a primary head teacher who had outlined the impact on schools of the proposed cut in the delegated schools budget - the Committee had serious concerns about the cut in the schools budget and the repercussions for the quality of education. Having carefully considered the options, the Committee had by a majority voted to recommend a minimum 10% increase in the Council Tax in order to maintain services and to reduce the reduction in the delegated schools budget. Councillor Jones said that those were the majority views of the Committee but were not necessarily his own views.

The Executive considered the report and made points as follows –

- The Executive noted that the pressure on Council Tax is increasing. Although this Council has historically been among the lowest charging authorities in Wales for Council Tax (18 out of 22) and based on the information published to date, remains so even with the proposed 9.5% increase (16 out of 22), it is difficult to see how increases at a similar level can be avoided in future if the Council's revenue funding continues to be cut. The Executive emphasised that if the Council is to maintain services taking into account increasing costs and increasing demand, then the only way it can do so is by raising Council Tax unless Welsh Government provides funding at a level that fully meets the Council's needs and the pressures it is facing.
- The Executive noted that the Council has over time built up its reserves through careful stewardship of resources. The reserves are now in danger of falling to an unacceptably low level meaning that the Council might not in future have enough resources to fall back on should the unexpected happen. The Executive in noting that this situation is a risk to the Council's financial well-being and is unsustainable in the long term, accepted that the Council's reserves need to be restored to the minimum acceptable level and that committing to do so is a sensible and prudent approach to take.
- The Executive noted that the process of setting the 2019/20 budget has been the most challenging yet and has involved meetings, workshops and discussions over the course of many months. The budget proposals have been assessed, scrutinised, challenged and refined taking into account the wide range of factors that influence how the budget is set.
- The Executive noted that having regard to the outcome of the public consultation on the budget proposals and to the views of Scrutiny thereon, it acknowledges the concerns raised particularly in relation to cutting the delegated schools budget and the adverse effect this could have on the provision of education in schools. The Executive further noted that it has responded to those concerns and has reviewed and amended the proposals accordingly in an attempt to lessen the impacts on services and service users as much as possible within the resources it has available to work with.
- The Executive noted that in order to ensure that the Council continues to balance its budget as legally required and continues to deliver services according to expectations and statutory obligations, it has to be properly funded in a way that fairly reflects those requirements. To achieve this requires everyone involved with public services from users to providers to lobby Welsh Government for parity of funding for local government.
- The Executive noted and accepted the recommendations for improving the public consultation process put forward by Scrutiny.

**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 the report.**
- **To note the equalities impact assessment summary on the budget proposals as outlined in Section 10 of the report 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 8 of Appendix 1 and in Appendix 3.**
- **That the proposed reduction in the delegated schools budget be allocated on the basis of the 2018/19 budget share. This would allocate the budget reduction between the three sectors as follows: £347k in the primary sector; £252k in the secondary sector; £27k in the special sector (Section 9.3 of the report).**

- To note the Section 151 Officer's recommendation that a minimum of £6.7m general balances is maintained for 2019/20.
- To note the comments made by the Section 151 Officer on the robustness of the estimates made as set out in Section 6 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 27 February, 2019.
- To authorise the Section 151 Officer 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 9.5% increase in the level of Council Tax.
- To approve the increase in the Council Tax Premium for second homes from 25% to 35% and the increase in the Council Tax Premium for empty homes from 25% to 100%.
- To accept the recommendation of the Corporate Scrutiny Committee that in order to further improve the consultation process for future years, the process should reflect and/or address the following:
  - Demographic profile of respondents
  - Differentiation between service users/non-users
  - Prevention of multiple/duplicate responses by respondents
  - How different percentage increases in Council Tax are linked to service cuts/gains.

#### **14. CAPITAL STRATEGY AND CAPITAL PROGRAMME 2019/20 TO 2021/22**

The report of the Head of Function (Resources)/Section 151 Officer incorporating a Capital Strategy for 2019/20 to 2021/22 was presented for the Executive's consideration.

The Portfolio Member for Finance reported that the revised CIPFA Prudential Code, September, 2017 requires all authorities to produce a capital strategy. This must set out the long-term context in which capital expenditure and investment decisions are made. This requirement is aimed at ensuring that authorities take capital and investment decisions in line with service objectives and properly take into account stewardship, value for money, prudence, sustainability and affordability.

The Portfolio Member said that the Authority is in a good position with this as the Head of Function (Resources)/Section 151 Officer has, since 2016/17, produced a robust Corporate Strategy to guide the Capital Programme. This strategy has been built upon to include new requirements introduced by the Code which were not covered already.

The Head of Function (Resources)/Section 151 Officer said that the Capital Strategy provides a summary of existing documents in a composite strategy as required by the Code.

The Strategy confirms the Authority's agreed principles for capital expenditure which are based on continuing with the schools' modernisation programme; investing in the ongoing maintenance of existing assets; maintaining a level of road improvement works annually and supporting projects that attract grant funding and also, projects that generate revenue savings. The Strategy takes account of the potential risks arising particularly with regard to the likely constraints on funding over the next three years and shows how it links in with the Council's other plans specifically the Council Plan 2017/22; the Treasury Management Strategy Statement and the Medium Term Financial Plan.

**It was resolved to approve the following –**

- **The Capital Strategy for 2019/20 – 2021/22.**
- **The reduction in the amount which qualifies as capital expenditure from a de minimis of £30k to £10k per project to bring the capital de minimis in line with the capital receipts de minimis of £10k.**

#### **15. TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20**

The report of the Head of Function (Resources)/Section 151 Officer incorporating the Treasury Management (TM) Strategy Statement for 2019/20 was presented for the Executive's consideration.

The Portfolio Member for Finance reported that this report is presented to ensure that the Council is implementing best practice in accordance with the CIPFA Code of Practice on Treasury Management. In line with the Code which recommends that the TM Strategy Statement be scrutinised prior to being presented for adoption, the Statement has been considered by the Audit and Governance Committee which under the Council's TM Scheme of Delegation is charged with this function. The Portfolio Member said that the Strategy Statement was accepted by the Audit and Governance Committee at its meeting on 12 February, 2019 where it was resolved to forward it to the Executive without additional comment. He confirmed that in terms of updates to the Treasury Management Strategy Statement there are no proposed amendments to the core principles and policies of the 2018/19 Statement.

The Head of Function (Resources)/Section 151 Officer said that the proposed TM Strategy for 2019/20 has not materially changed from the Strategy in 208/19 mainly because the economic situation and level of interest rates have not changed to an extent that requires the Strategy to be reviewed. The Strategy confirms that the Council will not borrow more than, or in advance of its needs solely in order to profit from the investment of the extra sums borrowed and that it will where possible, use its own available cash balances to borrow internally. The Council's approach to investment will continue to focus on security of capital as a priority followed by liquidity and then returns on investment. These considerations will determine where the Council makes its investments and the length of time for which the funds will be committed.

The Executive in noting the Strategy sought clarification of whether there are plans being made for the various scenarios in relation to the conclusion of the Brexit process, specifically if the UK was to exit the European Union without a deal which outcome is likely to have an economic impact and consequently, an impact on the borrowing and investment climate.

The Head of Function (Resources)/Section 151 Officer said that the Authority has taken advice from its Treasury Management Advisors who have assessed the possible scenarios for Brexit. Possibly in the immediate wake of Brexit, the amount which public sector bodies can borrow may be reduced and interest rates may decrease. The Officer said that the Authority's borrowing needs are not pressing at present and the Authority's Treasury

Management Strategy over recent years still holds good – the Authority views prospects for interest rate rises as minimal and gradual thereby making it unnecessary to borrow in order to lock into low interest rates. The Officer said that despite the economic effect which Brexit may have, he was confident that the Strategy ensures that the Council is operating in the best way possible.

**It was resolved to accept the Treasury Management Strategy Statement for 2019/20 and to forward the Statement to the Full Council without additional comment.**

## **16. CAPITAL BUDGET 2019/20**

The report of the Head of Function (Resources) and Section 151 Officer setting out the final proposals for the 2019/20 Capital Programme was presented for the Executive's consideration and for recommendation to the full Council on 27 February, 2019.

The Portfolio Member for Finance reported that no comments were received on the draft capital programme during the consultation period. The recent announcement of the suspension of the Wylfa Newydd project will result in a delay in the project to improve the A5025 from Valley to Wylfa. As it is unclear when the project will re-commence the expenditure on the road improvement project has been deleted from the final proposal. The proposal was to have been fully funded from external grants and the necessary adjustment to the funding has also been made. The provisional settlement included a General Capital Grant of £1.327m. However the final settlement included an additional £0.378m, taking the revised grant to £2.065m. The additional capital grant could be dealt with in one of three ways as outlined in the report including not allocating the grant in 2019/20 and using it instead as part of the funding for the 2020/21 capital programme. Given that the funding in 2020/21 is likely to be limited and that income from capital receipts will be negligible (excluding the sale of school sites where the capital receipt has already been allocated), it would be prudent and a better use of the funding were it to be utilised as part of the 2020/21 capital programme.

The Portfolio Member said that as this was the final budget related item on the agenda of the meeting, he would like to take the opportunity to thank the staff of the Finance Service for all their hard work throughout the budget setting process and specifically, for preparing the reports for today's budget items.

**It was resolved –**

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

	£'m
<b>Committed schemes brought forward from 2018/19</b>	<b>6.429</b>
<b>Investing in existing assets</b>	<b>2.539</b>
<b>Highway resurfacing</b>	<b>1.359</b>
<b>New schemes for 2019/20</b>	<b>2.146</b>
<b>21st Century Schools</b>	<b><u>4.809</u></b>
<b>Total General Fund Capital Schemes</b>	<b>17.282</b>
<b>HRA Capital Schemes</b>	<b><u>13.110</u></b>
<b>Total Capital Programme 2019/20</b>	<b><u>30.392</u></b>

**Funded by:**

<b>Funding B/F from 2018/19</b>	<b>1.099</b>
<b>Supported Borrowing</b>	<b>2.026</b>
<b>Supported Borrowing:</b>	
<b>21st Century Schools</b>	<b>1.640</b>
<b>Unsupported Borrowing:</b>	
<b>21st Century Schools</b>	<b>0.402</b>
<b>HRA Unsupported Borrowing</b>	<b>1.000</b>
<b><u>Total New Borrowing</u></b>	<b><u>5.068</u></b>
<b>General Capital Grant</b>	<b>1.327</b>
<b>External Grants</b>	<b>11.671</b>
<b>Highways Refurbishment Grant</b>	<b>0.580</b>
<b><u>Total Grant Funding</u></b>	<b><u>13.578</u></b>
<b>Funding reallocated from other postponed projects</b>	<b>1.197</b>
<b>HRA Reserves</b>	<b>9.450</b>
<b>TOTAL FUNDING</b>	<b><u>30.392</u></b>

- That the balance of the general capital grant £893k be utilised as part of the funding of the 2020/21 capital programme.

**17. THE EXECUTIVE'S FORWARD WORK PROGRAMME**

The report of the Head of Democratic Services incorporating the Executive's Forward Work Programme for the period March to October, 2019 was presented for consideration.

The Head of Democratic Services updated the Executive on the business for upcoming meetings as follows –

- The Learning Service will report on the Full Business Case with regard to Ysgol Corn Hir and Ysgol Bodfordd to the Executive's 25 March, 2019 meeting and will present an update on matters relating to Ysgol Henblas to the same meeting. These items are not included on the Work Programme as published.
- Item 14 (Report on the statutory consultation on lowering the admission age for Ysgol Henblas) which is scheduled to be considered at the Executive's 29 April, 2019 meeting is new to the work programme as are items 21 (Learning Disabilities – Transformation of Daytime Opportunities and Item 22 (Annual Report of the Statutory Director of Social Services) which will be considered at the Executive's 15 July, 2019 meeting.

**It was resolved to confirm the updated Forward Work programme for the period March to October, 2019 with the additional changes outlined at the meeting.**



## **18. CHANGES TO THE CONSTITUTION**

The report of the Head of Function (Council Business/Monitoring Officer) outlining a proposed change to paragraph 4.5.4 of the Council's Constitution in relation to education representatives on scrutiny committees was presented for the Executive's consideration. The proposed amendment entails the removal from the Scrutiny Procedure Rules of the provision to have a representative of other faiths or denominations [in addition to a representative of the Roman Catholic Church and a representative of the Church in Wales which is a legal requirement] on the Authority's scrutiny committees given that this is not a legislative requirement its inclusion being a matter of local choice, and given also that there are no other religious denomination schools on Anglesey making it difficult to apply the provision within the definition of "other faiths or denominations."

The Portfolio Member for Corporate Business proposed the report to the Executive.

**It was resolved to recommend that the Full Council –**

- **Agrees to remove the requirement to have "one representative of other faiths or denominations" on a Scrutiny Committee when it deals with Education matters (i.e. sits as a Local Education Authority Scrutiny Committee) as is currently included in paragraph 4.5.4.4 of the Constitution as shown in Enclosure 1 to the report so that paragraph 4.5.4 reads as included in Enclosure 2 to the report.**
- **Authorises the Council's Head of Function (Council Business)/ Monitoring Officer to make the necessary changes to the Constitution to reflect the removal of the requirement noted above.**

## **19. CHILDCARE SUFFICIENCY ASSESSMENT PROGRESS REPORT AND ACTION PLAN**

The report of the Head of Learning setting out progress to date with regard to the sufficiency of childcare arrangements within the Authority's area along with a revised action plan were presented for the Executive's consideration.

The Portfolio Member for Education, Libraries, Youth and Culture reported that this is the second update and progress report with regard to the sufficiency of childcare following the first full assessment undertaken in April, 2017; it provides information on how the gaps in provision identified in April, 2017 have, and are being addressed. The revised action plan takes into account the fact that demand for childcare services and the childcare market are evolving.

The Supporting Families Unit Manager said that the assessment is undertaken annually and that the current position is stable. Childminder numbers are relatively low and there is a need to ensure sufficiency to enable parents especially women, to take up or remain in work. Welsh Government's childcare offer of 30 hours per week of free childcare for working parents of 3 to 4 year olds has saved parents a considerable sum in terms of childcare costs and is also worth in the region of £100k per month to the local economy. The Officer said that since the report was written the Authority has heard that it has been successful with a capital bid to develop childcare centres on schools sites the objective being to make it easier for parents to find childcare that fits around the working day and children's age range. The bid is worth £2.7m and will fund seven childcare centres across the Island. As part of the development attention will be given to the northern part of the Island which has not been assessed hitherto the aim having been to co-ordinate activity with the schools' modernisation process. Although a variety of provision is available on the Island childminders remains the most problematic aspect – the work can be demanding and involves long hours. Every effort is being made to generate interest and to support

businesses making sure the workforce is accessible and with the capital grant, making sure businesses are sustainable.

The Executive in noting the report acknowledged the importance of childcare in bringing parents to the workforce and consequently, in providing a boost to the local economy. Whilst the Executive noted that progress has been made which is a positive it accepted that there is still room to strengthen arrangements locally especially as regards increasing the number of childminders across the county, and that the revised action plan will take matters forward.

**It was resolved to accept the Childcare Sufficiency progress report and to approve the actions in the revised action plan.**

**Councillor Llinos Medi Huws  
Chair**

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