

THE EXECUTIVE

Minutes of the virtual meeting held on 13 July, 2020

- PRESENT:** Councillor Llinos Medi (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
Deputy Chief Executive
Director of Function (Resources) & Section 151 Officer
Director of Education, Skills and Young People
Interim Director of Social Services/ Head of Children's Services
Head of Housing Services
Head of Democratic Services
Legal Services Manager (RJ)
Accountancy Services Manager (BHO)
Communications Officer (GJ)
Committee Officer (ATH)
- APOLOGIES:** None received
- ALSO PRESENT:** Councillors Kenneth Hughes, Trefor Lloyd Hughes, Aled Morris Jones, Dylan Rees, Dafydd Roberts, Bethan Roberts (Audit Wales as an Observer) Mr Gareth Wyn Williams (Local Democracy Reporter)
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The Chair welcomed all those attending this the second meeting of the Executive to be held virtually during the Covid-19 pandemic crisis.

Prior to commencing the business of the meeting a minute's silence was held as a mark of respect for all those affected by the Covid-19 pandemic who had suffered the loss of family and friends.

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. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting of the Executive held on 15 June, 2020 were presented for confirmation.

It was resolved that the minutes of the previous meeting of the Executive held on 15 June, 2020 be confirmed as correct.

4. THE EXECUTIVE'S FORWARD WORK PROGRAMME

The report of the Head of Democratic Services incorporating the Executive's Forward Work Programme for the period from September, 2020 to April, 2021 was presented for consideration and the following new items were noted -

- Item 7 – Annual Performance Report (for the September, 2020 Executive meeting)
- Item 8 – Progress report from the Social Services Improvement Panel (for the September, 2020 Executive meeting)
- Item 9 – Annual Report of the Statutory Director of Social Services (for the September, 2020 Executive meeting)

The Executive was further advised that an additional meeting of the Executive is to be convened on 17 August, 2020 and that two items of Housing Service business, namely item 10 - Adjustments to the Lettings Policy to deal with Individuals in Emergency Accommodation and item 11 - Additional Units on the Marquis Site, Rhosybol scheduled for consideration at the Executive's September meeting would now be brought forward to the August meeting in further changes to the work programme.

The Executive endorsed the additional August meeting believing it necessary given the circumstances and also in order to progress ordinary Council business as part of the early recovery process.

It was resolved to confirm the Executive's updated Forward Work Programme for the period July, 2020 to February, 2021 with the additional changes presented at the meeting.

5. CORONAVIRUS OUTBREAK EARLY RECOVERY PLANNING

The report of the Deputy Chief Executive detailing the initial approach to early recovery planning was presented for the Executive's consideration.

The Chair reported that decisions have been made recently to ease lockdown measures and to begin to reopen society. It is now the Council's statutory duty to lead the Island's recovery and it is committed to planning for and undertaking this role fully whilst continuing to collaborate effectively with its regional partners. As such, the Council will focus on local needs and will use its voice to influence the regional recovery process in a way that meets those needs. Outlined in the report presented are the regional structures in place to plan for the recovery phase along with the local and internal structures and the reporting and accountability arrangements. The scale, continued uncertainties and challenges associated with the coronavirus emergency has led to a parallel approach meaning that response and recovery planning are currently operating in tandem at regional and local levels in what can be described as a transitional phase.

The Chair referred to the enormity and complexity of the recovery phase which is made more challenging by the uncertainty and by the risk of a resurgence in the number of coronavirus cases. A regional Recovery Co-ordinating Group (RCG) has been established to work alongside the regional Strategic Co-ordinating Group (SCG) which has been responsible for the emergency response phase in North Wales to ensure an aligned and co-ordinated strategic regional approach to recovery planning which mirrors that during the emergency period. The RCG's early recovery planning is centred on three thematic areas – Health and Care recovery; Economic recovery and Community Resilience recovery each

with its dedicated group with oversight and co-ordination provided by existing regional and local structures. Track, Trace and Protect has been lately added as a thematic area.

At a local level, it is proposed that the structures and working relationships established with Menter Môn and Medrwn Môn, with local community delivery and strong volunteer networks, are reinforced and maintained where possible for the recovery period. A positive outcome of the crisis has been the community response and particular thanks are due to all the volunteers who have supported the Council during this difficult time. Economic recovery for all sectors is recognised as especially important and the Council will need to determine how it can deliver services differently to enable economic development and job creation whilst at the same time playing its part in a “green recovery”. The importance and value of the tourism and hospitality sector cannot be underestimated and the Council will seek to maximise the opportunities that exist as part of the new normal to reinvent the Island as a tourist destination. Social Services will continue to safeguard the citizens of Anglesey both within the community and in residential settings. Consequently the resilience in the staffing of Social Services will have to be considered and managed to ensure business continuity.

In terms of internal structures and governance arrangements, consistency and alignment with the regional co-ordination structures is important, whilst also ensuring that local delivery plans are established, prioritised and resourced. The Senior Leadership Team (SLT) will be responsible for recovery planning and delivery with the Executive providing oversight for the recovery planning and delivery efforts and making decisions on resource allocation and/or redirection as appropriate. The SLT will engage and fully utilise the two Programme Boards (recently expanded to include the four political group leaders) to influence and inform the recovery planning progress. The political groups and Scrutiny Committees as they return to business will need to consider the recovery plans. The recovery work will be phased in gradually as the Council eases through the unlocking period safely.

The Deputy Chief Executive in advising on the detailed substance of the report highlighted the following points-

- Although the outlook in terms of moving towards recovery appears promising the situation can change suddenly and rapidly. The Council must be prepared for such a scenario and be ready to take a step-back and amend plans where necessary.
- Local work in terms of establishing where the Council is at currently and the direction in which it wants to go has begun some weeks ago, and whilst some elements of recovery will be within the control of the Council, most aspects will be dependent on the resource and policy interventions of Welsh Government and to a lesser extent, Central Government. In drawing up its recovery plans therefore, the Council will seek to establish at an early stage the areas where it can take action itself either through expenditure or by doing things differently, and those areas where the decisions fall within the domain of national or central governments. Regional co-operation will be key in successfully bringing influence to bear on the interventions to ensure they are timely and meet the needs of the Island.
- One of the key messages from the crisis is that when decisions are made in a timely way and, where it has a role to play, they are made in conjunction with local government, then it has been possible to address the challenges that exist be they within the community, the economy or elsewhere.
- That for the present, the Council will continue to focus on dealing with the crisis whilst keeping an eye on the recovery process. Whilst it is recognised that recovering from the crisis will pose many challenges, the recovery process also offers opportunities deriving from the good practices that have been developed during the crisis period for example working collaboratively with partners and volunteers, working remotely and making use of digital tools thereby saving on time and resources and reducing carbon. The Council

will need to review the opportunities that are available to it and assess how it can best act on those opportunities to work more effectively and efficiently in future.

- The Council will have to prioritise the use of time and resources which are limited, and this will be challenging. Also, the recovery process should not be seen as something separate or detached but needs to be integrated within and become a natural part of services' plans and day to day work over the course of the next eighteen months in much the same way as information technology, equality and Welsh language requirements have become embedded in the Council's daily business over time.
- Recovery is also as much about how the Council does business as what it does and provides an opportunity to develop the Council and to bring forward and accelerate planned changes in terms of making the Council more energy and carbon efficient for example. Throughout the focus will remain local, and whilst the Council is committed to collaborating and to working alongside its partners in the region, it will prioritise the Island and seek to make a difference where it can.

The Executive welcomed the report as informative and highlighted the key principles informing the initial approach outlined in the report – taking a measured and proportionate approach to thematic work; working flexibly but not slavishly, within the Government's recovery strategy; using the existing regional partnership frameworks to the full; balancing regionalism and localism in planning and action; avoiding the creation of bureaucratic machinery and empowering regional leaders to give political strategic direction – as providing a sound and sensible steer to the recovery process.

Members of the Executive referred to the following as key messages they had taken from the response to the pandemic crisis thus far –

- The importance of maintaining and building on the excellent community and volunteer response to the crisis which has provided valuable support for the Council's own community and emergency response efforts.
- The importance of making more use of digital democracy methods - virtual meetings and remote working - to save time and resources and to reduce the Council's carbon footprint. This will require investment in IT services.
- The importance of using the Council's ability to adapt to new risks, challenges and demands as demonstrated by its response to the crisis, to implement lasting improvements to services and processes.
- The importance of collaborating regionally to bring influence to bear on Westminster and Welsh Government interventions to ensure that the needs of the region and in particular the needs of Anglesey, are met.

The Vice-Chair noted the intention to reinvent the Island as a destination and requested a report on how this aspiration might be achieved. The Chief Executive in confirming that such a paper was already in the offing said that it was also the intention to develop concrete action plans under each thematic heading to publicise what will happen in a practical sense under each theme. A further progress report will be made to the Executive's August meeting which will set out those plans more fully. She echoed the Deputy Chief Executive's comments about the challenges ahead agreeing that there would also be opportunities for the Council borne out of the good practices applied as part of the emergency response. The Council will be taking advantage of the new ways of working developed during the crisis whilst also retaining many of the established processes.

It was resolved to endorse the Council's approach to early recovery planning with priority and focus given to local delivery and achieving positive outcomes.

6. FINANCIAL IMPACT OF THE COVID-19 PANDEMIC

The report of the Director of Function (Resources)/Section 151 Officer setting out the estimated financial impact of the Covid-19 pandemic on the County Council's finances in 2020/21 as well as its longer term implications for the Council's financial position was presented for the Executive's consideration.

The Portfolio Member for Finance reported that the Covid-19 pandemic has created a significant level of uncertainty in the 2020/21 budget and also for the future funding for local government in Wales. The report presented is based on a number of assumptions and estimates and the final outcome may change from this initial impact assessment. The report will feed into the Council's Medium Term Financial Plan which will be presented to the Executive in September, 2020 and will set out the financial strategy for the 2021/22 revenue budget. The financial position will also influence the Council's recovery planning approach and activities.

The Director of Function (Resources)/Section 151 Officer advised that the report sets out the areas where the financial impact of the Covid-19 crisis is likely to be felt the greatest and seeks to provide an estimation of the scale of the problem. In summary –

- **Preparing for the Pandemic** – a risk of a global pandemic has been on the Council's risk register and is one of the issues which required the Council to maintain adequate financial reserves (£7.06m in general reserves as at 31 March, 2020). Section 2 of the report shows how decisions made in relation to maintaining financial reserves, treasury management and Council Tax (by sending bills out as lockdown began thereby ensuring a flow of income from those who could pay) has helped the Council's day to day cash flow position thus enabling it to meet the additional costs of the crisis.
- **Short-term Expenditure to deal with the Pandemic** – section 3 of the report sets out the areas where the Council has incurred additional costs in dealing with the pandemic crisis. The vast majority of these costs have been covered by the Welsh Government which has made a total of £120m available to Welsh Councils to meet the additional expenditure. To date, Anglesey Council has claimed £858k for costs incurred in March, April and May. A further claim for June will be submitted in July which is likely to be in excess of the May claim of £526k
- **Loss of Income from Fees and Charges** – the Council generates over £5m in income annually from fees and charges for services provided. Where services have been withdrawn – Leisure Centres, school meals, car parks, school care clubs, libraries, Oriel Ynys Môn – the income normally generated is lost. Some services - Planning, Building Control, Registrars, Recycling and Bulky Waste Collection, Land Charges and Highways Street works - that have not been operating may have had their income delayed although the income may be received when the lockdown is eased. It is difficult to accurately estimate the loss of income as it is dependent on the number of service users and seasonal factors but based on the 2019/20 figures it is estimated that for the period April to June, 2020 the Council could lose £1.23m in income (£950k permanently lost and £280k potentially lost). Taking the calculations further, by using the information collected during 2019/20 and the assumptions set out in Appendix B to the report about each service's income generating capacity in light of social distancing measures and individuals' ability to spend as the economic impact takes effect, the potential loss of income to the Council to the end of the financial year could total £3.426m. Welsh Government has recognised that the loss of income will have a significant impact on the financial viability of councils and has announced an additional £78m in funding support two thirds of which will be used to compensate councils for the loss of income although there is no confirmation to date on how this income will be distributed.
- **Expenditure Savings during lockdown** – as services shut down, some expenditure savings resulted because buildings were not used, thus saving on energy and other

building related costs, school bus operators and school caterers were not required to provide services and administration cost were lower as staff worked from home. The savings quickly diminish once lockdown is eased and buildings come back into use even at reduced capacity i.e. they still have to be lit, heated and cleaned. The total estimated expenditure savings for the period April to June 2020 is £370k (Table 3 of the report refers). It is estimated that the combined savings across all the headings in Table 3 will be £71k in July, 66k in August and £7k in September and minimal thereafter assuming that all Council services will be operating at some capacity from October 2020 onwards.

- **Council Tax Reduction Scheme (CTRS) Costs** – the Council budget to cover the cost of CTRS for 2020/21 is £6.016m with Welsh Government providing £5.037m in the Council's Standard Spending Assessment which then feeds through to its Revenue Support Grant. As the economic situation worsens and unemployment increases, the number of CTRS claimants will increase. Up to the end of May, the estimated cost has increased by £148k to £6.19m and is expected to continue to rise when the furlough scheme ends. Estimating how the caseload will increase over the coming months is difficult, but a conservative estimate of 10% would increase the cost of the scheme by £600k. Discussions between the councils, the WLGA and Welsh Government are ongoing as to whether Welsh Government will fund part or all of these additional costs.
- **Council Tax Collection** – the total debit for Council Tax for 100% of the tax base is £42.1m with an additional £10.9m collected in precepts for the North Wales Police and community councils, making a total sum to be collected of £53m less £6.1m through the CTRS giving a net sum to be collected of £46.9m. The Executive has made the decision not to charge the empty homes premium for the first 6 months of the year and also to extend the exemptions for empty properties which will reduce the debit by an estimated £191k. It is anticipated that the economic situation will make it more difficult to collect the Council Tax. Taxpayers have been granted a deferment of the 1st instalment from April to June and this together with the fact that no recovery action has commenced has already resulted in 1.5% less income being collected in May, 2020 compared to May, 2019. Each 1% below the normal collection rate reduces the income by approximately £400k.
- **Pressures on Service Budgets** – at the end of the 2019/20 financial year Children's Services and Adults' Services continued to experience budget pressures and were overspent. An additional £1.3m was included in the Adults' Services budget to cover the £1.085m shortfall on the service budget. The elderly population has been particularly affected by the virus with a higher number of deaths in this group. It is unclear at this point how the pandemic will impact on the number of clients in future and the service they will require/request; it is likely to affect future costs but to what extent is unclear. Based on the current service provision and caseload it is likely that the services for the elderly budget will overspend by £250k but offset by an estimated £100k saving in staffing costs leading to an overall estimated overspend of £150k. Additionally the pandemic has resulted in the postponement of the retendering process for the Supported Living Service meaning that the planned savings will not be achieved, and there remains uncertainty about the availability this year of Welsh Government's £300k Winter Pressures grant bearing in mind the significant additional funding it has already provided to deal with the pandemic. Further, there may be additional costs arising from a higher than budgeted for pay increase for non-teaching staff and additional investment needs to be made in IT resources which have been key in supporting the shift to home working during the pandemic. The overall shortfall on the budget whatever that may be taking everything into consideration, will have to be funded from the Council's General Reserve balance of £7m and although this is possible, it will severely weaken the Council's financial position as it moves into 2021/22.
- **The 2021/22 Budget and Beyond** – the pandemic has delayed the Council's budget setting process which would normally commence in June and July and has also introduced a significant amount of uncertainty around the local government settlement

and the ability of the Council to increase Council Tax. With the receipt of improved Welsh Government funding of 3.8% in 2020/21, it was hoped that austerity had come to an end and that future settlements would at least cover pay and price inflation. That assumption may need to change but as yet no indication of future financial settlements has been forthcoming from Welsh Government. The Medium Term Financial Plan (MTFP) approved by the Executive in September 2019 assumed a Council Tax increase of around 5% in both 2021/22 and 2022/23 in order to fund services at their current level. The economic impact of the pandemic on Anglesey will have to be considered to establish whether it is necessary to change this planning assumption. An updated MTFP will be presented to the Executive in September, 2020.

The Executive considered the report and thanked the Director of Function (Resources)/Section 151 Officer for the clear and comprehensive analysis.

The Portfolio Member for Finance in reflecting on the decision taken in March, 2019 to raise the Council Tax by a significant amount in preference to using the Council's reserves to fund a reduced increase in Council Tax in 2019/20 deemed it to have been a prudent course to have taken in light of events and the call now on the Council's reserves to help see it through the present crisis. He highlighted that although local authorities are oft criticised for holding what appear to be significant amounts in reserve, such reserves are maintained specifically to help councils deal with unexpected events such as the current pandemic; the importance of having access to reserves at the present time cannot be overstated as it has enabled the Council to meet the immediate financial challenges presented by the coronavirus outbreak.

It was resolved to note the contents of the report.

7. SUMMARY OF THE DRAFT FINAL ACCOUNTS 2019/20

The report of the Director of Function (Resources)/Section 151 Officer incorporating the draft main financial statements for the 2019/20 financial year was presented for the Executive's consideration.

The Portfolio Member for Finance reported that included in the report are the draft Comprehensive Income and Expenditure Statement for 2019/20 and the draft Balance Sheet as at 31 March, 2020 together with information about reserves and balances. The figures contained within the report are unaudited and may therefore be subject to change. A report will be presented to the Council following the completion of the External Audit. In presenting the report the Portfolio Member for Finance took the opportunity to thank the Finance Service's staff for their work over the course of the pandemic and he also thanked the Director of Function (Resources)/Section 151 Officer for the guidance he had provided through this difficult time. Those sentiments were echoed by the Executive as a whole.

The Director of Function (Resources)/Section 151 Officer advised that the full draft Statement of the Accounts for 2019/20 is available on the Council's website and will be presented to the Audit Committee on 21 July, 2020. In summary –

- The draft Comprehensive Income and Expenditure Statement attached at Appendix 2 to the report shows the accounting cost in the year of providing services in accordance with accounting practices rather than the amount that is funded from taxation and it includes adjustments for depreciation, revaluation of assets, and the re-measurement of pension liability. The Government accepts that council tax payers should not be required to fund such adjustments and therefore the accounts exclude the impact of these in the note called Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7 in the accounts). This note for 2019/20 shows £8.782m of accounting

adjustments which are cancelled out in the Movement of Reserves Statement. This means that the true impact on the Council and Housing Revenue Account (HRA) reserves from the provision of services is reduced from a deficit of £7.683m to a surplus of £1.1m which is an increase in Council reserves. This is due to an underspend of £0.308m on the Council Fund and an underspend of £0.210m in the HRA and transfers to the earmarked reserves.

- Table 1 of the report shows the movement in the Council's usable reserves during the year; the balance of all usable reserves as at 31 March, 2020 was £25.944m which is an increase of £1.1m (4.2%). The HRA reserve, school balances and the Capital Receipts Reserve are ring-fenced and can only be used for the designated purpose.
- Appendix 3 to the report presents the draft balance sheet for the Council as at 31 March, 2020. The overall net assets of the Council increased from £162.456m as at 31 March, 2019 to £190.618m as at 31 March, 2020 due partly to the addition of Market Hall, Holyhead and the newly built Ysgol Santes Dwywnwen, Newborough. The Balance Sheet will change once the results of the revised Pensions Valuation has been included in the Statement of the Accounts. The decision to review the Pensions Valuation was taken recently to understand the impact of the pandemic on the pension fund. This will not affect outturn for 2019/20 or the Council's usable reserves which include the General Reserve.
- Table 3 of the report shown the movement in earmarked reserves. These are funds that are allocated to meet known or potential future commitments. Table 4 of the report shows the new earmarked reserves requested for which the Executive's approval is sought whilst Appendix 4 provides a detailed update of the earmarked reserves.
- Table 5 of the report provides a summary of the school balances position. The level of school balances has fallen from a peak of £2.46m in 2015/16 to £0.197m at the end of the 2019/20 financial year – a reduction of 92% in five years reflecting the difficulties facing the majority of the Council's schools.
- The opening balance of the HRA on 1 April, 2019 was £8.387m. Slippage on capital projects during the year resulted in an underspend of £0.210m leading to a closing balance of £8.597m. This will be reinvested in the HRA in the future.

In clarification, the Portfolio Member for Finance reiterated that it is the £7.060m within the Council Fund General Reserve that is available to the Council as contingency to meet unexpected expenditure and that the other reserves – Council Fund Earmarked Reserves, HRA, School Reserves and Capital Receipt Reserves are to be used for the purposes designated.

It was resolved –

- **To note the draft unaudited main financial statements for 2019/20 (Full Statement of Accounts available on the Council's website).**
- **To note the position on earmarked reserves and to approve the use of, or increase to individual reserves as noted in Appendix 4 to the report.**
- **To approve the new reserves amounting to £0.160m as shown in Table 4 of the report.**
- **To note the school balances position.**
- **To note the HRA balances as at 31 March, 2020.**

**Councillor Llinos Medi
Chair**