

THE EXECUTIVE

Minutes of the virtual meeting held on 18 January, 2021

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: Deputy Chief Executive
Director of Function (Resources) & Section 151 Officer
Director of Function (Council Business)/Monitoring Officer
Director of Education, Skills and Young People
Interim Director of Social Services
Head of Profession (HR) and Transformation
Head of Housing Services
Head of Democratic Services
Committee Officer (ATH)

APOLOGIES: Mrs Annwen Morgan (Chief Executive)

ALSO PRESENT: Councillors Glyn Haynes, Kenneth Hughes, Trefor Lloyd Hughes, MBE, Aled Morris Jones, R. Llewelyn Jones, Bryan Owen, Dylan Rees, Dafydd Roberts, Communications Officer (GJ), Mr Gareth Wyn Williams (Local Democracy Reporter)

The Chair extended a warm welcome to all those present at this virtual meeting of the Executive.

1. DECLARATION OF INTEREST

Councillor Richard Dew declared a personal and prejudicial interest with regard to item 6 on the agenda and was not present when the matter was discussed.

Councillor Ieuan Williams declared a personal interest with regard to item 4 on the agenda.

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

None to report.

3. INITIAL CAPITAL BUDGET 2021/22

The report of the Director of Function (Resources)/Section 151 Officer incorporating the initial capital budget for 2021/22 was presented for the Executive's consideration.

Councillor Robin Williams, Portfolio Member for Finance introduced the report by explaining that as part of the budget setting process the initial proposed capital budget along with the draft revenue budget proposals under the subsequent item will be the subject of formal consultation with the Corporate Scrutiny Committee and the general public following which the Executive will make its final 2021/22 budget recommendations to the County Council.

The Full Council meeting on 9 March, 2021 will then approve a budget and related Council Tax demand for 2021/22.

The Portfolio Member said that formulating the capital budget has been made more difficult this year due to a funding shortfall meaning that additional funds will have to be identified in order to realise the recommended capital projects in full. The General Capital Funding received from Welsh Government for 2021/22 (excluding the 21st Century Schools programme and the Housing Revenue Account) based on the provisional Local Government settlement figures totals £4.321m. From this allocation, £4.167m is required to support the programme for refurbishing and replacing existing assets in line with the Council's adopted Capital Strategy. Four one off capital projects are recommended for inclusion in the capital programme for 2021/22 and these amount to £1.105m which exceeds the available funds by £921k. A potential underspend in the revenue budget for 2020/21 may mean an additional £1m could be added to the general reserve which could be used to fund the additional capital expenditure in 2021/22. However, this is not guaranteed and should the revenue budget position deteriorate over the second half of the financial year, the level of funding available may be less than £1m. Of the 4 one off schemes detailed in Table 4 of the report the match funding for Economic Development projects (£95k) and the purchase of chrome books for pupils (£305k) are considered a priority which means that if sufficient reserves are not available then the other two schemes – resurfacing play areas and flood relief schemes may have to be scaled back. A total capital programme of £36.155m is proposed for 2021/22.

The Director Of Function (Resources) and Section 151 Officer advised that one of the key principles of the Capital Strategy is that capital funding will be allocated each year to ensure investment in the Council's existing assets to protect them for the future; this priority has been delivered in the main through Welsh Government's Capital Grant and supported borrowing. These two headings have remained fairly constant over a number of years with Welsh Government supporting specific capital expenditure projects through grant funding. This means that the core funding available for capital purposes has in effect been reducing year on year making it more difficult to fund investment in existing assets. The Council has in the past used capital receipts as a source of additional capital funding; however the potential for any significant capital receipts is now limited as the majority of any remaining assets which remain unsold have already been earmarked to fund existing or future capital projects e.g. 21st Century schools, leisure improvements and smallholdings. Likewise in previous years funding has been available from an earmarked reserve which was specifically set up to fund capital projects. Use of this funding over the past few years means that the balance has fallen considerably and the remaining balance will be held to fund any emergency capital works which may arise during the year or to provide match funding if the offer of significant grant funding was received during the year which requires a small amount of match funding. The capital budget is therefore becoming increasingly constricted hence the proposed application of a potential underspend from the revenue budget to the capital programme. This is not sustainable in the long term and without a change of strategy by Welsh Government in terms of increasing core capital funding, it will become increasingly difficult to fund any new items of capital expenditure in future.

The Vice-Chair sought clarity with regard to the potential progress of the Red Wharf Bay Flood Risk scheme and whether in the event of its slipping due to shortage of capital funds, it would be re-visited and the timeline for doing so.

The Director of Function (Resources)/Section 151 Officer advised that the Welsh Government's grant funding of 85% for the scheme must be spent in the next financial year; should the Council be unable to provide the remaining 15% match funding then the grant will have to be renegotiated with Welsh Government.

Councillor R.G.Parry, OBE, FRAGS, Portfolio Member for Highways, Waste and Property commented that he thought it important that the scheme should proceed given the availability of 85% funding to enable that to happen; however the crux of the matter is whether the grant funding will still be available in the 2022/23 financial year should the Council be unable to match fund the scheme in 2021/22.

The Deputy Chief Executive suggested that it may be advisable for the Portfolio Member for Highways, Waste and Property to write to Welsh Government Ministers to highlight the pressure on the capital budget and to request that they therefore consider fully funding flood risk schemes in future. He added that it is important that grant funding should not be lost especially when it is at a level of 85%.

The Chair agreed that setting the capital budget for 2021/22 is a challenge and further in light of this, she proposed that the Portfolio Member for Finance write to the Welsh Government to make representations about the capital budget situation in Anglesey due to there having been no increase in the capital allocation for many years and its implications for the Council's capital expenditure in future. The Executive was agreed that the suggested representations should be made.

It was resolved -

- **To recommend the following capital programme for 2021/22 to the Full Council –**

2020/21 Schemes Brought Forward	£ 3.970m
Refurbishment/Replacement of Assets	£ 4.167m
New One Off Capital Projects (Priority Projects)	£ 780k
New One Off Capital Projects (subject to Funding being available)	£ 325k
21st Century Schools	£ 6.6m
Housing Revenue Account	£20.313m
Total Recommended Capital Programme	£36.155m

Funded By:

General Capital Grant	£ 2.163m
Supported Borrowing General	£ 2.158m
General Balances	£ 596k
General Balances (if sufficient funding available)	£ 325k
21st Century Schools Supported Borrowing	£ 2.897m
21st Century Schools Unsupported Borrowing	£ 498k
HRA Reserve & In Year Surplus	£15.639m
HRA Unsupported Borrowing	£ 2.0m
External Grants	£ 5.909m
2020/21 Funding Brought Forward	£ 3.970m
2021/22 Total Capital Funding	£36.155m

- **To note the potential future funding requirements for 2022/23 onwards as set out in Appendix 1, Table 3 and paragraph 5.3 of the report.**
- **That in light of the pressure on the capital budget, the Portfolio Member for Highways, Waste and Property make representations by letter to the Welsh Government's Minister for Environment, Energy and Rural Affairs that for the future, local authority flood prevention/mitigation schemes are 100% funded by Welsh Government grant, and**
- **That the Portfolio Member for Finance make representations by letter to the Welsh Government's Minister for Finance to highlight the pressure on the capital budget in Anglesey due to the lack of increase in the general capital allocation over a number of years and the limitations this is likely to place on the Council's future capital activities and investment.**

4. DRAFT REVENUE BUDGET 2021/22

The report of the Director of Function (Resources)/Section 151 Officer incorporating the draft Revenue Budget for 2021/22 was presented for the Executive's consideration.

Councillor Robin Williams, Portfolio Member for Finance reported that the Revenue Budget for 2020/21 i.e. the current financial year was £142.146m. For 2021/22 a number of known committed changes are likely to affect the budget and these are detailed in section 3 of the written report and they include variations in pupil numbers, payments to the North Wales Growth Bid, historic Pension costs and investment in Information technology. The most significant change is the increased cost of the new Refuse Collection and Street Cleansing Contract with Biffa which is £909k above the current budget. Taking into account all the adjustments and assumptions as set out in Section 3, the standstill budget for 2021/22 totals £147.076m, an increase of £4.930m on the 2020/21 final budget. An increased provisional settlement from Welsh Government will meet £3.821m of the increased costs leaving a funding shortfall of approximately £1m to be funded through Council Tax.

The standstill budget of £147.076m would allow the Council to maintain its existing services; however the Council faces new budget pressures and new demands for services which have not been allowed for in the budget. These pressures and demands – some of which are in services that have suffered reductions during austerity - have become more apparent as the Council has responded to the Covid pandemic. The priority areas identified as requiring additional funding are detailed in section 10.6 of the report and encompass reinstatement of the professional trainee programme; strengthening Public Protection capacity; Education Inclusion; IT support for schools; management of tourism and climate change. Having considered the standstill budget and in light of the fact that an increase of 2.55% is mainly required to fund the increase in the cost of the new refuse collection contract, an additional rise of 1.2% in the Council Tax has been considered as a means of funding the additional budget pressures and demands. An additional increase of 1.2% above the level required to fund the standstill budget (Table 4 at para. 9.2 refers) would generate an additional £494k in funding. It is therefore proposed that the Council Tax be increased by 3.75% which translates to a 94p weekly increase for a Band D property.

The Director of Function (Resources)/Section 151 Officer highlighted the following risks to the budget –

- Uncertainty in respect of the potential pay awards for the two main groups of local government workers – teachers and NJC staff. Although a pay freeze for all public sector workers (excluding NHS) earning over £24,000 was announced in November, 2020 with

the award for those earning less than £24,000 being at least £250, the pay award for local government workers NJC staff is set not by the UK Government but by the body which represents local government employers. In addition, the setting of the annual teachers' pay award has been devolved to the Welsh Government. A 1% increase has been allowed in the standstill budget for pay inflation for teachers' pay and for NJC staff pay.

- A provision has been put into the budget for the Council Tax Reduction Scheme equivalent to the proposed 3.75% increase in Council Tax. However, there is no funding available in the budget should the number of claimants increase significantly. Welsh Government has been providing additional support this year to meet the cost of the rise in demand on the scheme due to the impact of Covid 19 and it is understood that this support will be available next year if applications under the scheme increase significantly.
- No provision had been made in the budget for Covid related costs. Welsh Government has to date met the increased costs faced by the Council as a result of the pandemic as well as providing reimbursement for loss of income and this arrangement will continue until the end of the current financial year. In indicating that it will be publishing the arrangements for the next financial year Welsh Government has made it clear that additional funding will be made available to the Council but at what level remains to be seen. It is anticipated that Welsh Government will fund ongoing additional costs incurred as a result of Covid and will make good any loss of income that the Council may suffer due to enforced closure of its facilities from April onwards.

In thanking the Finance Service for the information and report compiled in a tight timescale since the announcement of the provisional Local Government settlement on 22 December, 2020, the Executive welcomed the recognition in the draft budget of the key role of Public Protection in the pandemic as well as the investment in a trainee programme to develop the next generation of local government professionals. In response to a request by Councillor Carwyn Jones, the Director of Function (Resources)/Section 151 Officer provided a synopsis of the Council Tax Reduction Scheme with regard to how the scheme works, who it is for and the application process.

It was resolved to approve the following –

- **The Budget adjustments included in the Standstill Budget as set out in Paragraphs 4 to 7 of the report.**
- **The standstill budget for 2021/22 of £147.076m and this should form the basis of the 2021/22 revenue budget.**
- **A proposed increase in Council Tax for 2021/22 of £3.75% which will be subject to public consultation.**
- **Additional proposed budget amendments as set out in Table 5 of the report.**
- **An initial proposed budget for 2021/22 of £147.531m**
- **That the Executive should seek the opinion of the public on the proposed budget proposal and Council Tax rise for 2021/22.**

5. EXCLUSION OF PRESS AND PUBLIC

It was considered and it was resolved –

Under Section 100 (A0(4)) of the Local Government Act 1972 to exclude the press and public from the meeting during the discussion on the following item on the grounds that it involved the disclosure of exempt information as defined in Schedule 12A of the said Act and in the Public Interest Test as presented.

6. FULL BUSINESS CASE – A NEW SCHOOL BUILDING TO REPLACE YSGOL CORN HIR

The report of the Director of Education, Skills and Young People incorporating the Full Business Case (FBC) for a new school building to replace Ysgol Corn Hir in Llangefni was presented for the Executive's consideration.

Having declared a personal and prejudicial interest in this matter, Councillor Richard Dew withdrew from the meeting during the discussion and determination thereof.

Councillor R. Meirion Jones, Portfolio Member for Education, Libraries Culture and Youth introduced the report by saying that the Full Business Case has been prepared to secure capital funding for a new school building for Ysgol Corn Hir under the 21st Century Schools Band A Programme which if successful, will mean Welsh Government funding 50% of the costs of the proposal with the remaining costs to be funded through the Council's capital resources.

The Director of Education, Skills and Young People recapped on the background to the proposal advising that all the elements of the FBC are based on the Council's new preferred option after holding a statutory consultation between 6 February and 20 March 2020 and approved by the Executive on 17 December, 2020 which is to build a new school for Ysgol Corn Hir and leave Ysgol Bodffordd as it is. The Business case has been compiled in line with the 21st Century Schools Business Case guidance based on the Five Business Case Model and provides information in relation to each stage of the proposal's development with regard to the strategic case, the economic case, the commercial case, the management case and the financial case for the proposal.

The Executive thanked the Learning Service and the Transformation Service staff for their work on the FBC.

It was resolved –

- **To approve the Full Business Case (FBC) for a new school building to replace Ysgol Corn Hir**
- **To approve the submission of the FBC to Welsh Government**
- **To approve ring-fencing capital receipts for the construction of the new school building to replace Ysgol Corn Hir, subject to no problems arising with selling the site.**
- **To delegate authority to the Director of Education, Skills and Young People in consultation with the Director of Function (Resources)/Section 151 Officer and Director of Function (Council Business)/Monitoring Officer to amend the FBC if necessary – if the changes do not result in material changes (in terms of policy, principles, financial contribution, risks and harm to third parties).**

**Councillor Llinos Medi
Chair**