Appendix
18

0 The Executive

Minutes of the meeting held on 8 December, 2008

PRESENT:	Councillor P. M. Fowlie (Leader) (Chairperson) Councillor R. G. Parry, OBE (Deputy Leader) Councillor E. G. Davies Councillor R. Ll. Jones Councillor R. Ll. Hughes Councillor Bryan Owen Councillor Goronwy Parry, MBE Councillor E. Schofield Councillor Ieuan Williams
IN ATTENDANCE:	Managing Director Corporate Director (Finance) Corporate Director (Environment & Technical Services) (Items 3 & 4 only) Acting Corporate Director (Housing & Social Services) (Item 3 only) Head of Service (Finance) (Items 3 - 5 only) Head of Service (Property) (Item 5 only) Head of Service (ICT) (Item 4 only) Head of Service (Housing) (Item 3(a) only) Head of Service (Economic Development) (Item 3(a) only) Committee Services Manager
APOLOGY:	Councillor C. McGregor

1 DECLARATIONS OF INTEREST

Councillor E. Schofield declared an interest with regard to any item of business on the agenda which might relate to the employment of his grandson in the Highways Department.

Councillor G O Parry,MBE, declared an interest in Item 4 of these minutes and was not present at the meeting during any discussion or voting thereon.

Councillor Bryan Owen declared an interest in Item 5 of these minutes and was not present at the meeting during any discussion or voting thereon.

2 URGENT MATTER CERTIFIED BY THE MANAGING DIRECTOR - (OR HIS APPOINTED OFFICER)

None to declare.

3 (a) ADEQUACY OF RESERVES

This report updated the previous assessment of financial reserves, to ensure that they were still required, adequate for the purpose intended and not excessive. This review was conducted each year in advance of considering the budget, but was especially important this year given the worse financial position facing the Council and the economic situation facing the community. The Corporate Director had hinted in previous reports that the use of financial reserves to support the revenue budget may be required in 2009-10. This report evaluated what amount would be reasonable without harming the authority's financial standing.

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The approach outlined here followed that adopted in recent years as part of the budget round, updated to take account of this year's projections.

The report began by reviewing the financial reserves which were stated in the Council's balance sheet as at 31 March 2008. The latest position could be projected and compared with the liabilities or spending which had been, or may be, met from such reserves.

- **Schools' Balances**

At 31 March 2008 the total of schools' balances were £3.2m.

WAG published figures earlier this month which showed that Anglesey's figures had grown to be the highest in Wales, both as a percentage of budget and per pupil. The increase in school reserves in 2007-08 was surprising as in that year the effect of falling rolls and budget reductions on the schools' quantum had been particularly severe.

The total reserves were now more than 8% of the total budgets, but this concealed considerable variations with a small number of schools being in deficit and in considerable difficulty. The highest balances at individual schools were, by value, £0.7m and, as a percentage of budget, 20%.

However, the sums were available only to the individual schools to support their budgets, not to the Council as a whole. Any reductions to the schools' quantum would also hit the schools in deficit.

- **Housing Revenue Account**

The current HRA budget showed spending increasing and a reduction in the projected surplus to £0.9 m by year end. The reserve was not available to Council Fund services.

- **Service Reserves**

Appendix A of the report showed the balance of service reserves as they had been on 31 March 2008. This was reported in draft to the Executive in October but had since been updated in the light of bilateral meetings with each service. This showed that, of the £4.3m of unrestricted service reserves, £1.8m was already committed as at 31 March and there were plans or commitments in place for £1.4m of the remainder.

The reserves held by the Education Service were more than required. Even after funding the part year cost of the new school meals contract, severance costs in 2008-09 and allowing for potential severance costs in 2009-10 an unearmarked balance of £0.7m remained. The Corporate Director had suggested to the Education service that part of this could be used on a one-off basis to mitigate the effect of the budget savings on the service in 2009-10. This was a use of reserves to support the budget, but presentationally retaining the sum within the service.

The reserves held by the Economic Development Service were relatively high compared to budget, but now reducing. The earmarked items mostly related to Convergence activities and would not be spent quickly, but rather over a period of years.

Môn Training was in need of reserves because of its trading position, and was facing added uncertainty because of the WAG review of training provision. In certain worse case scenarios, Môn Training may need to draw on more than the amount in hand – i.e. as a corporate risk drawing on General Balances. No change was recommended.

The remaining service reserves were judged to be adequate and not excessive.

The approach this authority had adopted towards budget carry-forwards and service reserves had been to allow considerable flexibility between years, to help value for money. It had given rise to comment from time to time when services built up large levels of reserves. It was also important that those who managed budgets had clarity as to the authority's budget treatment so that plans and commitments could be made in certainty.

There was now increasing uncertainty about inflation and other budget effects and the Council may be embarking on substantial use of reserves in support of the 2009-10 budget. In such circumstances there was more need to ensure that fortuitous savings were not accumulated and that the centre would be able to access savings, to be diverted to areas of priority. The Corporate Director was of the view that a stricter regime was required, in which an upper limit would be set on carry-forwards at, say, 1% of budget except where a commitment had been approved in advance by the virement procedures. To give budget managers adequate notice of such a change, his firm recommendation was that this should not be introduced until the end of 2009-10.

- **Other Earmarked Reserves**

Appendix B of report referred. This reproduced the figures and narrative in the 2007-08 statement of accounts, with an update on the current position where this was possible. Considering the expected difficulty of the 2009-10 budget, the Corporate Director had considered whether some of these reserves could be used in support of the budget.

The Corporate Director was of the view that the Fire Service Reserve was no longer required and that £0.4m of the Insurance Reserve, originally set aside to prevent it going into deficit in a bad year soon after its establishment, could be transferred back to General Balances. A further £0.1m of the LABGI reserve could be released if no longer required for Health and Safety and fire risk measures. These would release £0.6m from earmarked reserves.

- **General Revenue Balances**

The Council's general revenue balance as at 31 March 2008 stood at £6.4m. Since then, the Executive had written-off the accummulated deficit in the Social Services, reducing this figure to £5.0m. The Head of Service's report on the current year's revenue budget was presented to the Executive on 28 November. It was necessary to take account of the projection in that report and also on the likely treatment of overspent and underspent service positions against corporate resources. There was a balance of the contract contingency which may not be required by year end to deal with contract indexation. The best judgement that could be made at present was that reserves at year end would be in the region of £5.0m.

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Before the approach to balances was reviewed, the Council had a long-term target for general balances that they should be 5% of the net revenue budget. This target would now be £5 .5m.

Given that Anglesey's schools had an acceptable level of reserves, the schools' budget could be excluded before calculating the 5% target. In previous reports the Corporate Director had outlined a risk-based approach which took account of certain types of risk and their possible impact, building up to the amount required in a credible worst case. Both these approaches resulted in a figure in the region of £4m.

There was therefore an excess of £1.0 m between the projected figure at the end of 31 March 2009 and the amount which the Corporate Director considered adequate. This could be said to be "available ". It might be possible in an exceptional year to go below the amount normally judged adequate.

- **HR Issues**

The outcome of the salary and grading review remained a major uncertainty affecting staffing budgets. An annual £350k had been set aside in revenue budgets for both JNC and NJC pay groups and the accumulative reserve was projected at around £1.7m at year end. It may be difficult to accommodate an agreed settlement within these sums, so this remained a risk to reserves.

Some loss of teaching staff was likely again this year in the light of falling rolls and budget reductions. The Corporate Director expected that severance costs could be met from school reserves or education service reserves.

Based on bilateral budget discussions so far, it was anticipated that further staff reductions could be made from natural wastage. Bearing in mind the outlook in the medium term financial strategy it was possible that there would be savings opportunities which needed one-off release of money to fund severance costs, not always available in service reserves. The Corporate Director did not consider this lightly – severance costs could be significant, and were wasteful in the sense that the authority got nothing in return for the payment. Nevertheless, the Executive was invited to consider earmarking a sum within General Balances (say £0.25m to £0.5m) to be set aside towards severance opportunities that may arise during the year.

- **Conclusion**

To assist in budget planning, the Corporate Director advised the Executive that it may be able to release the following:-

£0.3m from Education reserves in support of the Education budget.
£0.6m from earmarked reserves in support of the general budget.
£1.0m from General Balances in support of the general budget.

The Executive was invited to express an initial view on:-

- the release of these sums from reserves ;
- the proposed change of treatment of service reserves from 31 March 2010;
- the earmarking of a sum within General Balances for potential staff severance costs.

Councillor E. Schofield welcomed the recommendation in the Director's report as to the release of reserves. However, this report was based on figures based up to 31st March, 2008 and that up to date figures were not available for consideration by the Executive.

The Corporate Director (Finance) in reply stated that only upon the closure of accounts on 31st March of any year were officers able to provide the final figures for reserves. Therefore, figures to 31st March, 2008 were the best figures available.

Councillor Schofield considered that there should be some sort of system in place which showed exactly to members and officers what the latest position was as regards service reserves.

Councillor Schofield referred members to the planned or earmarked service reserves detailed in column 'ch' of Appendix 'A' to the report. He considered that the report was not complete in that it should provide full details of what these schemes were and how far they had progressed.

The Corporate Director (Finance) in reply stated that some of these individual schemes contained elements of confidentiality, since they dealt with contracts and therefore any report would need to protect the financial or business affairs of the Authority. These schemes had been discussed at the recent bilateral meetings on a service by service basis and should Portfolio Holders require further details these could be provided by their respective Heads of Service.

Councillor R. Ll. Jones stated that it was a regrettable that the Council did not have the authority to erect social housing which would provide houses for local people and kick-start the housing market on the Island and also provide employment for local workers.

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The Leader in reply stated that he had been in discussion with the Housing Portfolio Holder in this respect and that negotiations were in place with the Welsh Assembly.

Members also referred to the high risk associated with office accommodation and looked forward to receiving details as to the future of Môn Training in the context of the Assembly Government transformation agenda.

The Deputy Leader questioned whether it was fair to reduce Education funding in favour of the Social Services Department?

The Corporate Director (Finance) in reply stated that the Executive would have to give careful consideration to such matters when drawing up its priorities for the 2009/10 budget.

Councillor Ieuan Williams referred to HR issues within the report and requested officers to make every effort to complete the pay and grading review as it remained a major obstacle in determining staffing budgets.

Councillor G. O. Parry, MBE, Portfolio Holder (Finance) proposed the recommendations within the report and that should Portfolio Holders require further information as regards planned or earmarked reserves that they should contact their respective Heads of Service.

Councillor Schofield remained concerned that Executive members should know exactly what was being spent within their Departments and that a decision should not be reached until that information was to hand.

The Leader proposed that the Executive should note the contents of the report and that he be given authority in conjunction with the Portfolio Holder for Finance to discuss in detail the level of planned or earmarked service reserves with individual Portfolio Holders and their respective Heads of Service.

The amendment by the Leader was carried.

RESOLVED

- **To note the contents of the report and that authority be given to the Leader in conjunction with the Portfolio Holder for Finance to discuss in detail the level of planned or earmarked service reserves *(as detailed in column 'ch' of Appendix 'A' of the report)* with individual Portfolio Holders and their respective Heads of Service.**
- **That the Managing Director and the Management Team be requested to make every effort to expedite the outcome of the pay and grading review as it remains a major obstacle in determining staffing budgets.**

3 **(b) MEDIUM TERM STRATEGY**

Reported by the Portfolio Holder (Finance) - That the Council's Improvement Plan identified the need for a Medium Term Financial Strategy. The Council Constitution allowed for a "Budget Strategy" to be adopted by the full Council which, once adopted, would provide a framework for annual budgets. While this approach was followed in the Capital Plan, it had not to date been extended to the revenue budget.

Uncertainty in relation to funding from WAG, in relation to the prospect for inflation and other costs, and in relation to the authority's own plans, had all contributed to the difficulty of developing such plans. There was always the risk that such plans would be quickly invalidated by developments.

As outlined in previous reports on the budget strategy generally, the Corporate Director expected 2009-10 to be a year when the authority was required to draw on its revenue reserves, in support of the budget.

This heightened the need for a medium term financial plan, to show how the authority's financial position could recover. The one-off use of reserves in a single year might appear reckless unless accompanied by a plan to show that this was part of a sustainable approach to the authority's finance.

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- **The Financial Outlook**

In a very short period of time the outlook for the economy had deteriorated significantly.

At the same time, inflation had risen sharply in 2008, but was now expected to tumble, with the possibility that it might turn negative in 2009.

The response of the authorities to the economic position was also having a direct effect on finances as interest rates and taxes changed.

It was already a tight time in relation to public spending with the authority having made budget savings, year after year. These became more difficult to achieve. Even without the economic woes, the year 2009-10 was going to be the toughest year ever, with WAG funding increasing by only 1.5%.

The downturn in inflation in the period of the plan ought to assist the financial strategy. Although we were seeing a squeeze on spending in the current year, with inflation well in excess of what was foreseen when fixed allocations were set, the Corporate Director now expected a reversal in 2009-10. A key assumption was that lower inflation in prices would be reflected in lower (below 2%) pay awards.

There were also risks from the outlook for interest rates. In the past two years, the authority had benefited from LIBOR rates being above the official base rate because this increased the interest earned on balances. Base rate had already fallen and was projected to fall again. This would mean further cuts in the authority's budget. A net loss approaching £1m was not implausible and it would be necessary to revisit these projections before the budget was completed.

The use of reserves in 2009-10 was not to avoid making savings. In fact, the Corporate Director expected the budget reductions that the Council needed to make in 2009-10 would be worse than in recent years and increasingly difficult to describe simply as efficiency savings. The use of reserves would be intended to avoid even greater cuts – cuts which would add to the economic downturn by reducing the authority's ability to support people in need, and by the effect of the council's own spending.

Detailed at Para 3 of the report were the following issues within the Authority affecting the medium term plan:-

- Schools Budgets
- Waste Management
- Demand-led Growth
- Planning for Savings
- Development Aspirations and High Risks
- Revenue Effects of Projects and Capital Schemes
- Single Status, Equal Pay and Job Evaluation

- **Some Projections**

To illustrate the affordability envelope for medium planning, it was possible to make some projections. It was necessary at this stage to make some assumptions for Council Tax income. In his February 2008 projection the Corporate Director used a figure of 3% per year. In these projections he had used a figure of 5%. This was not meant as a forecast of what the Council would do, but the fact that he was using 5% rather than 3% was a sign of how tight the budget had become. (These projections were detailed in the table at Para 4.1 of the report to this Committee)

These illustrative projections used for 2009-10 the latest estimates. Rolling these forward used WAG indicative figures for 2010-11 funding and an assumed 1.5% for 2011-12. Inflation in the two later years was assumed to have fallen to 1.5%.

They allowed for £1.2m to meet both unavoidable growth and policy-led growth, rising to £1.5m in 2011-12. To achieve this, it was necessary to achieve budget savings at the 1.5% level throughout the period. On these projections there was no slack to fund debt charges on unsupported borrowing.

This was a very demanding agenda but did show that from using reserves in 2009-10, the budget was close to break-even in 2010-11 and was able to replenish reserves in 2011-12.

The Corporate Director's advice to the Executive was that the use of financial reserves was reasonable given the situation to be faced in 2009-10 but cannot be considered in isolation of the recovery plan. The medium term plan should be part of the budget proposals. Consultation with stakeholders on the budget proposals should include details of the medium term plan.

The Executive would need to consider as the budget was developed to what extent they wished to reflect this as a Budget Strategy within the meaning of the Constitution. A Budget Strategy gave the medium-term plan added strength to aid planning – but might also constrain the Executive in its annual budgets.

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Councillor Ieuan Williams referred members to the Bentley Jennision report which stated that the Council had accepted historical budgets and that they were not being reviewed. He asked whether consideration could be given in future to zero based budgeting as part of the medium term strategy?

The Corporate Director (Finance) in reply stated that zero based budgeting was seen, especially in the private sector, as good practice but it was also very time consuming and the Department did not have the resources to undertake such work. The Bentley Jennsion report touched on some of the areas where one would be looking at zero based budgets in some services but additional expenditure would be required to introduce such a system across the Council. There was within the table attached to the report an annual allowance for growth, because if budgets were rolled on from year to year one fell into the trap of historical budgets. This strategy would be looking at annual savings in order to create a pot of money which was prioritised according to annual growth and through that he hoped a medium term plan would be able to do more than just roll budgets forward.

Councillor Williams suggested that such an exercise should commence with a Department that had the lowest expenditure. The Corporate Director (Finance) again stated that additional resources would be required in this respect in terms of staff time and possibly consultants. He was prepared, however, to give the matter further consideration.

RESOLVED

- **The Executive is of the opinion that the use of financial reserves is reasonable given the situation faced in 2009-10 but that it cannot be considered in isolation of the recovery plan. The medium term plan should also be part of the budget proposals.**
- **That consultation with stakeholders on the budget proposals should include details of the medium term plan.**
- **That the Executive will need to consider as the budget is developed to what extent it wishes to reflect this as a Budget Strategy within the meaning of the Constitution. *(A Budget Strategy gives the medium-term plan added strength to aid planning, but may also constrain the Executive in its annual budgets).***
- **That as part of the medium term financial strategy, the Corporate Director (Finance) be requested to give consideration to zero based budgeting by means of a pilot exercise within one of the smallest budget holders in the Authority.**
- **To note the concern expressed by the Corporate Director (Education and Leisure) on the need for improved financial contributions from statutory bodies towards joint initiatives undertaken with this Authority.**

That the Leader be requested to draw the above concern to the attention of Councillor P.S.Rogers, this Council's representative on the North Wales Police Authority.

4 ICT STRATEGY

Reported by the Corporate Director (Finance) - That this report outlined the result of work undertaken in the authority's Information and Communication Technology (ICT) Strategy Group over the past twelve months or so, with a view to better planning and focussing of the ICT function. In the past, there had been a tendancy for ICT developments to be taken forward in an opportunist way by their promoters rather than being planned across the authority. By planning this work in a more strategic way it was expected to improve service in a way which took account of corporate priorities and avoided duplication.

After a series of meetings, including one with external facilitation, officers had identified two key headings for a five years vision:-

- Delivering services to the public in a manner which allowed them choice and flexibility as to how they accessed services or information.

  This was about the external service user and ICT. Recognising the low penetration of internet access in Anglesey (compared to other areas) and the choices many users made, the emphasis on choice and flexibility rejected the notion that putting everything online would satisfy everybody. It may place grater emphasis on inititatives such as mobile computing rather than electronic access.

- Maximising the electronic storage, access and sharing of information in the way the authority works.

  This was about a direction of travel within the authority which supported the first, and improvements in efficiency generally. Recognising that progress would be gradual, it meant that we expected to move with the times as technology advanced. It was likely to give priority to authority-wide initiatives over single-service projects).

The following other headings identified during the visioning were more about means to an end (Para 3 of the report referred):-

- Infrastructure and Environment

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- Policies and Standards
- An upgrade and replacement programme
- Priorities

It was inevitable that there would be tensions between the desires of individual services and the corporate direction. To help the group achieve the corporate perspective it had been deliberately made up of Heads of Service, chaired by the Corporate Director (Finance).

The Group had also identified several workstreams in train, or which it had set in train, in support of its objectives. These were (in no particular order) (Para 4 of report referred):-

- Development Plan
- ICT Strategy Documents
- Procurement
- Business Continuity and Disaster Recovery
- ICT Security
- Geographical Information
- Document Management and Workflow
- Mobile Computing and Flexible Working
- Communications Plan

One high risk identified by the ICT Strategy Group had been the lack of sufficient ICT related project management capacity to take forward the ongoing system support and development identified as essential in the Development Plan.

Some larger projects had in the past brought in specialist project management support as part of the development cost of the project, and this was likely to continue. There were two ICT project managers on the permanent establishment, but with these currently supporting 56 projects, this was seen as insufficient.

Until mid-2008 a third project manager had been engaged by the authority. Originally engaged in support of a specific project, the DRAIG consortium for Social Services systems, his contract was rolled-forward several times, in total extending his engagement to five years. In that time his resource was also used in support of other Corporate ICT projects. The post was not established and it was, in practice, funded by a combination of grant funding, virement and reserves. Since that individual left, there had been a loss of capacity. The DRAIG system was now unsupported, in a situation where other members of the consortium have one or more full-time equivalent in similar roles, meaning that Social Services were not in a position to take forward the use of this system.

The ICT Strategy Group therefore wished to support a bid to create a third established project manager post.

This level of workload was likely to continue for the forseeable future - i.e. once 2009-10 developments were complete there would be more projects to be managed as systems were replaced, upgraded and developed.

Officers had therefore begun to draft a rolled-forward development plan for 2009-10 on two bases - first, with existing resources and second, with an additional project manager (Appendix). This confirmed that with existing resources we are unable to give adequate support to the DRAIG project and unable to allocate resources to a number of corporate projects such as document management. This draft development plan would need to be firmed-up by the ICT Strategy Group once the resources available were confirmed.

The grade of any new post would be subject to job evaluation. Having regard to existing posts in the structure, the Corporate Director (Finance) proposed that the post should initially be set as PO36-39, a cost at scale maximum, including oncosts of £41,000.

Councillor Ieuan Williams referred members to the report published by PWC entitled "Review of the fitness of ICT to support the future aspirations of the Authority."

Para 24 of that report referred to a very high level strategy. There were four recommendations contained within that document, one of them being the establishment of a 5 year strategy, together with the resources required, targets to be set and the monitoring of performance. Without such a strategy, members were unsure as to the direction within the Authority and as to how they could support officers in reaching their goals. He asked that officers move ahead as a matter of urgency in the preparation of such a strategy.

Out of those 4 recommendations, the Department had managed to set up an IT Users and strategy Group. He considered that it would be advantageous if members were able to access the minutes of that Group via the Council's internal Monitor system.

He enquired as to what sums were paid to the Consultant employed by the Council in this respect?

The Head of Service (ICT) replied that Social Services were paying an hourly rate not a daily rate and that this was in the region of £30 per hour.

Councillor Williams was of the opinion that this had been wasteful expenditure and that it would have been far more economical to have appointed a project manager from the outset. He supported recommendation (a) of the report, on condition that further work was done to develop this vision and to have a wider strategy so that everybody was aware of the projects prioritised for the next three years and the requirements as regards finance and staff. Secondly, that the Finance Department provided details of expenditure on each IT project and thirdly, that a 5 year renewal programme be costed in the New Year.

The Corporate Director (Finance) in reply stated that what had been mentioned was acceptable and that it was work which the Department had intended to carry out. However, he remained concerned as to whether this work could be completed early in the New Year.

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Councillor Ieuan Williams was prepared to accept a strategy by next spring but he would welcome a renewal programme before next year's budget was decided. This would then feed into the medium term financial strategy.

The Corporate Director (Finance) stated that this was ongoing work and that it was not possible to have a renewal programme until one had a strategy and vice-versa. He did not consider that a 5 year renewal programme would be ready by the New Year but that work would continue in that respect.

RESOLVED

- **To approve the overall vision for ICT at the Authority as outlined in the report, on condition:-**

  that further work is done to develop this vision and to have a wider strategy by the spring of 2009.

  that the Finance Department provides the Executive with details regarding expenditure on I.T. to ensure that matters are identified and a plan put in place for each project.

  that a 5 year I.T. renewal plan be prepared in advance of setting the budget for 2009-10.

  that in view of the fact that Councillor G.O.Parry,MBE is required to declare an interest in this matter, authority be given to Councillor Ieuan Williams to become more involved in the preparation of the ICT strategy.

- **To take forward the proposal for an additional Project Manager as part of the budget deliberations for 2009-10.**

5 REQUEST FOR ASSET TRANSFER TO LOCAL SOCIAL ENTERPRISE

Reported by the Head of Service (Property) - That at it's meeting on 11th September, 2008 the Executive considered a request from Menter Môn for transfer of property assets at the Town Hall, Llangefni, Llys Llywelyn Aberffraw and Prince's Pier, Menai Bridge. The Executive resolution was detailed at Para 1.1 of the report together with details of the action taken by officers since that meeting (Para 1.2 - 1.5 of report).

During the above period Menter Môn had expressed an interest in acquiring property at Amlwch Port. The property concerned was currently on lease to Amlwch Industrial Heritage Trust and Menter Môn were advised to approach the Trust initially and to advise as a matter of urgency if this interest were to be purchased.

A letter requesting consideration of transfer of these properties was received on 21st November, 2008 which included reference to exchange of contracts and payment of monies by 19th December, 2008. In view of the complex nature of the sale documents which would be necessary to secure the long term interests regarding use of these properties, if the Executive were to so decide, this was an extremely ambitious time scale for completion of these sales. As a consequence preparatory work had been considered necessary in advance of the Executive meeting and decision as to have delayed such work until after the meeting would leave insufficient time to carry out the necessary legal work.

Details were provided at Paragraph 3 of the report with regard to proposed uses for the property following transfer, at Paragraph 4 with regard to valuation matters and at Paragraph 5, general disposal consent in accordance with the guidance circular issued by WAG in 2003.

The proposals from Menter Môn identified a 30% discount in these instances, based on the valuations obtained by Menter Môn. With the exception of properties at Amlwch, the valuations from DVS for unrestricted use were broadly in line with the Menter Môn valuations, however there was some difficulty with regard to the extent of the proposed discount due to the need for the usage to be defined in clear terms. The Head of Service (Property) stated that this element had now been clarified at a meeting between the DVS and Portfolio Holder during the previous week.

The decision to sell at below market value must be balanced against the expected benefit for the local communities. The proposed usage of this asset was key to this consideration and the sale documents needed to include appropriate restrictions to ensure such usage either by Menter Môn or by any future owners should further disposals occur in the future. Future disposals by Menter Môn which represented a commercial usage could be viewed as being contrary to the intended safeguarding provisions, and the clauses in the legal sale documents needed to ensure that the basis of the Council's decision was secured.

Subject to such safeguards, the Head of Service believed it was appropriate for the Council to consider discounted disposals in the interests and well being of these communities.

The Executive was requested to determine whether it was in the interests of the well being of local communities to sell these properties to Menter Môn at discounted prices and if so, to determine the proposed terms of usage which would be acceptable to the Council and to provide guidance on matters relating to the acceptable level of discount for any such sales, having regard to the provisions of the General Disposal Consent and the advice of the District Valuer Service.

The Director of Legal Services/Monitoring Officer stated that the reason why the decision needed to come back to the Executive for further consideration was because there was a lack of clarity in the earlier report (11th September, 2008) on the difference between the unrestricted market value and the disposal value. The actual discount value in total for the four properties was some £482,000 and she considered that the Executive needed to be made aware of that figure. In the September report, and in particular the report by Mr. Dylan Williams of Economic Development, there was reference to two of the three properties (Amlwch having been added later) being disposed of at close to market value. In fact that was not the case and three out of the four properties were going to be subject to a 30% discount. The Director of Legal Services/Monitoring Officer did not think that this had been made clear to the Executive at the time.

The decision that was taken on 11th September, and the decision she thought the Executive needed to take today, in principle, was whether or not the evidence of well-being justified the financial discount. There was a further consideration in that there was an implication in the earlier report that the use by Menter Môn would not be commercial. However, legal officers had received new instructions on Wednesday last, that in fact the user clauses were to be changed so that 70% of three of the sites (ie, all the sites except the Town Hall, Llangefni) would actually be permitted commercial use. This she considered was a significant change. There was also an additional property in Amlwch to consider.

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The Director of Legal Services/Monitoring Officer also referred to the contents of an e-mail from the Head of Service (Finance) which stated that following conversation with PWC, the Council's Auditors had to be informed whenever there was an intention to dispose of Council property at an under value. The e-mail stated that PWC would wish to review the decision making process and also look at the substance of the proposed transactions in the context of their own responsibilities with regard to value for money and the use of any well-being argument. The Executive therefore needed to be clear that this matter would be looked at in detail by the Auditors.

On Page 4 of the original report (Para 4.2) there was reference to the Council's Valuer having recently reviewed earlier estimates of possible open market value in relation to Prince's Pier, Menai Bridge, which stated *"that even in light of the present difficult market situation, a capital receipt for open market sale of the site in the region of £1m may be considered to be realistic."* There was a very significant difference between the valuation of £400,000, which is referred to here as the unrestricted open market value of that site and then with the 30% discount it reduces to £280,000. There was therefore a big question mark over the £400,000 valuation and this would need to be taken into consideration.

If all the Executive had was the District Valuer's valuation and nothing else, the Executive would be perfectly entitled to accept it but the Director of Legal Services/Monitoring Officer considered that the Executive were on notice of an issue Council officers had flagged up.

Also, because the advice given in the original report, and which was reflected in the current report, Para 4.4 stated *"that in view of the potential value and importance of this site (Menai Bridge), I would recommend that the freehold is not disposed of without prior market testing"* and that *"a lease be offered subject to the usual safeguards but if the Executive decides instead to dispose of the freehold of the site. I would recommend market testing of interest, and the value of the site before any decision is finalised."*

The Director of Legal Services/Monitoring Officer stated that on 11th September the Executive took a decision to go against the advice of Property Services. They were entitled to do that if they had a reasoned justification for it. However, looking at the minutes of that meeting, she did not find one and that was a matter which the Auditors would question. There was also the other contextual issue. This was already a property "hot spot" but the Executive still had the potential of Gallows Point, Beaumaris & Ty Mawr, Llanfair. Maybe in two years the Menai Bridge site could be worth considerably more than even the valuation given by Council officers.

The Executive needed to be aware of all of this and that it was on record that they had considered it before they took their decision in principle.

She recommended that the Executive discuss these issues, take a recommendation in principle with regard to the disposals, some or all of them, but even so officers were still not in a position to give them definitive advice that it could proceed safely because many of these instructions were arriving very late in the day and changing quite regularly. There had been changes of instruction on Wednesday, Thursday and Friday last and they were all quite significant issues.

The Executive should therefore decide in principle and delegate the final decision to an individual member of the Executive. This would give the Council the best chance of completing the transactions but also protect the best interests of the Council.

Councillor E. Schofield thought that the original decision in respect of Menai Bridge, had incorporated that the Council would be consulting with the District Valuer in so far as the sale and the value was concerned and because of that he didn't feel at the time that the Executive was going against the recommendation of the Head of Service (Property). However, further information received necessitated the Executive re-considering its original decision. All the Executive could do today was to come to a decision in principle and any legal hurdles would need to be addressed before officers were in a position to complete the transfers. He stated that meetings had taken place with the respective local members to ascertain their feelings on the matter.

Councillor Schofield referred members to Paragraph 10 of the letter from the Welsh Assembly Government of December 2003 which was appended to the report which mentioned the rights and limitations to transfer under the General Disposal Consent (Wales) 2003 Act. He was concerned as to the State Aid rules lest the 30% discount amounted to State Aid as far as this Council was concerned, which meant that match funding could not take place and as a result Menter Môn would not be able to draw funds from Europe in this respect. He had been given to understand that the application had gone to Europe and WEFO had approved and accepted the report by Menter Môn, indicating that WEFO must be satisfied that the application did not contravene State Aid principles. Also in Paragraph 8 mention was made as to what needed to be done in respect of advertising the disposal of "open space". There were pedestrian rights at Menai Bridge pier and this clause requested a newspaper advertisement for at least 2 weeks to meet that requirement. This could be overcome by imposing a condition in the legal contract to safeguard that right and Menter Môn he understood had no objection to that taking place.

He further stated that the local member, Councillor Keith Evans had also pointed out that if a transfer took place, a legal commitment was required to make sure that the development took place within a reasonable period of time.

Councillor Schofield referred to the totality of the transfer from the Authority and that at the end of the day over £700k would come to the Council's coffers from these transfers. All of these sites at the present time were a loss to this Authority. He referred to the fact that the assets of Menter Môn were subject to "asset lock", i.e this Authority would be given first refusal in respect of the Town Hall. The other sites were being transferred to Annog Cyf and they were not subject to "asset lock." He therefore considered it essential that the conditions should include first refusal to this

Authority and if the Council decided they didn't want to take up their offer, then the 30% discount on the valuation at the time should also come to Anglesey. He agreed that the Executive should agree in principle to transfer these assets and that it be subject to meeting all legal requirements outlined at today's meeting.

The Corporate Director (Finance) advised that the Council should give serious consideration as to why it was considering disposal at an under value of nearly £500k and this needed to be justified that it was in the economic, social and environmental well-being of the area of Anglesey. The Executive needed to be absolutely clear when this decision was taken, of the rationale and how it would be defended against the well-being powers. The difference between Menter Môn and Annog Cyf were that Menter Môn's objectives through its constitution were limited to the area of Anglesey and that it had an "asset lock" which meant that in the event of it being wound up, it's assets could only be transferred to someone who had similar objectives. Annog was different in that it did not have an "asset lock" and neither was it restricted to Anglesey. There was therefore the potential that an asset could be spent on something other than Anglesey's well-being.

If there was a suggestion of disposal to Annog, then the Corporate Director (Finance) would have doubts about that. It could not be justified to be in accordance with the well-being powers, if it was intended that there was to be commercial use of the building. Either it had to be limited to the use of a building or it had to be limited to the use of Menter Môn only. He did not consider that it was possible to have both or the Council would be outside the well-being powers.

The Head of Service (Property) reported that as part of discussions held with Menter Môn, he had been seeking clarity as to the terms of the disposals. The revised proposal submitted by Menter Môn in mid November was to transfer all of the properties to Menter Môn. He had some doubts in this regard in that perhaps Menter Môn still intended to transfer certain properties to Annog. This would be clarified at a meeting with Menter Môn this Wednesday.

Councillor E. Schofield sought clarification as to the conditions of General Consent contained in the annex to the letter by the Head of Local Government Modernisation Division of December 2003. Those conditions did not confine it to a particular owner, what the transfer did was to impose a condition on the use and where the use was i.e on Anglesey. In his opinion, these objectives would be carried out with any would be owner. The well-being would still exist for that area and within Anglesey and that would be the Council's protection at the end of the day.

The Director of Legal Services/Monitoring Officer in reply stated that Councillor Schofield was correct in his assumption. If Menter Môn no longer existed then assets would be subject to the asset lock.

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The Corporate Director (Finance) stated that if a property was disposed of to Menter Môn, the Council could impose conditions as to what its use would be. Commercial use by Menter Môn would be acceptable since the Company existed for the benefit of the people of Anglesey and whatever benefit they made out of that would be spent in Anglesey.

Once a property was given away at an under value to somebody who was going to make commercial use of that property and they were not restricted as to how they would use any profits, they would potentially spend those profits somewhere else. If the Council sold to someone else apart from Menter Môn, it might have to attach additional conditions on the use made of that property i.e. no commercial use.

Councillor E. Schofield stated that employing local people was of social well-being and economic benefit to that locality. He questioned whether it would be legally possible to include a condition that the general use of these buildings would be for the well-being of Anglesey and the immediate locality?

The Corporate Director (Finance) in reply stated that if it was clear that the disposal to Menter Môn in all three cases, then it was not a problem, but if it was suggested that it went to Annog, then the matter would have to be given consideration.

The Director of Legal Services/Monitoring Officer pointed out that the user covenants were there to limit the way in which the landholding was used, not the way any profit was spent afterwards. There were therefore two different considerations and one could not compel, in a transaction involving disposition of land, how the new owner was going to spend any revenue from the use of the building. Menter Môn did not have an option to spend that outside Ynys Môn, whereas Annog did.

The Head of Service (Property) agreed with Councillor Schofield that the interpretation of social economic and environmental well-being was really quite broad in the General Disposal document. The question to be asked at the end of the day was, why was the Council considering disposing at a discount to Menter Môn rather than talking to someone else for the same purposes.

Councillor E. Schofield enquired that as the Executive was entering into perhaps commercial sensitive areas of discussion, to what degree was the meeting open to the general public?

The Director of Legal Services/Monitoring Officer in reply stated that once this transaction was completed, the documentation was going to be in the public domain with H.M Land Registry. She therefore had no particular concerns as to the discussion in public and the minutes represented a reasonable counter balance to the issue about call-in, since this decision was not going to be capable of call-in. The more transparent and open the Executive were now the better.

Councillor E. Schofield was glad to hear the response. He asked on what grounds the Executive were going to justify these transfers? As far as he was concerned, the three grounds were mentioned in the conditions referred to earlier under the General Consent. These were so broad in terms of what the use and justification could be. The concern by members today was whether any profit would be ploughed back and confined to Anglesey. He asked whether it was impossible to get a condition imposed in the transfer of assets to secure that?

The Director of Legal Services/Monitoring Officer confirmed that it was impossible to do that in the transfer but Menter Môn did come with a guarantee because of the way it had been set up.

Councillor Schofield enquired whether it was possible or not to tie up another company in order to do it?

The Director of Legal Services/Monitoring Officer in reply stated that it was not possible to do it by means of a transfer of property because it was not a property related issue. It was to do with how they then disposed of their profits and not with the use of the land.

Councillor E Schofield considered that the transfer would still meet the requirements of disposal.

The Director of Legal Services/Monitoring Officer in reply stated that this was a matter for the Executive to decide. The Executive would have to reach a decision as to whether the well-being elements to be delivered by these four projects justified the discount.

Councillor Schofield enquired as to whether or not the Legal or Property Departments would have difficuly in supporting that?

The Director of Legal Services/Monitoring Officer replied not in principle, and that is why officers were recommending a two tier approach, i.e. a decision in principle if the Executive was satisfied that the well-being justified the discount and thereafter delegating the decision to the Leader or the Deputy Leader with regard to completing the transactions themselves.

Councillor G. O. Parry, MBE considered that the Executive needed to be careful in the direction it wished to pursue. There was reference to Europe and to state aid and this Authority could be penalised from that direction if it did not comply. Although he was anxious to see the transfer take place and supportive of the objectives of Menter Môn, the Executive had to be sure as to the provisions that existed there in order to secure the interests of this Council. The information was changing on a daily basis and this needed to be taken into account as well. The Prince's Pier at Menai Bridge was an exceptional commercial site and the Council needed to be careful not to undervalue it.

Councillor R. Ll. Hughes considered that there would be added value to the Island in having a third party in commercial operation, although there would be no control as to where their profits went.

The Head of Service (Property) considered that the problem facing Officers was coming up with a form of words that went into the sale document that reflected the feelings of the Executive.

Councillor E. Schofield considered that the Executive could comply with all 3 conditions of General Consent. Secondly, there was no problem as to security of property, as there were going to be conditions. The only problem left was the difficulty of imposing retention of profits and could the project be justified on that basis. He was prepared to support the transfers in principle subject to legal confirmation that it could proceed by the 19th December deadline.

The Corporate Director (Finance) stated that the well-being powers were so wide and vaguely drawn that the Executive needed to be specific as to why it would improve the socio economic well-being notwithstanding the risks involved.

Councillor E. Schofield considered that the broad conditions in the General Consent were meant to be taken as an enabling procedure and were not restrictive conditions. He accepted that there was a possibility that profits might go elsewhere but the Executive were trying to prevent that.

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The Director of Legal Services/Monitoring Officer in reply stated that in relation to the spending of profits on the Island, the Head of Service (Property) had done all that he could to ensure that took place by insisting that the transactions be between the Council and Menter Môn, rather than Annog. As far as well-being provisions were concerned, it certainly was an enabling provision but the Executive needed to identify, transaction by transaction, how, as a matter of fact, they saw each transaction provide social economic and environmental well-being. The Executive needed to be specific in what benefits it expected to achieve for the discount.

Councillor E. Schofield requested guidance as to what could be secured and were officers happy to proceed?

The Director of Legal Services/Monitoring Officer in reply stated that officers could only proceed if the Executive took the decision in principle that the demonstrable benefits from these 4 transactions justified the discounted price. Delegation had to take place to the Leader or the Deputy Leader to proceed before 19th December, 2008.

Councillor E. Schofield stated that the District Valuers valuation figure was £35,000 and not £1m because of the restrictive elements and therefore this Council would be achieving a higher sum than the District Valuer had quoted. The District Valuer he stated had acquiesced to the new valuation.

He proposed that the Executive agree in principle to the asset transfer, subject to conditions being satisfactory to the Legal and Property Departments.

The Director of Legal Services/Monitoring Officer stated that this was not an acceptable proposal as far as officers were concerned. The delegated authority to allow the transaction to go ahead actually rested with the Head of Service for Property under the Scheme of Delegation, but that scheme also provided for Heads of Service to request a final Executive decision where they were not happy to proceed, and this was such a situation.

Councillor Ieuan Williams considered that the Executive should again look at the transfers individually. As regards Llys Llywelyn and the Town Hall, Llangefni, he considered that there were clear benefits of well-being for these to be transferred.

The Head of Service (Property) agreed that there was reasonable justification for the transfer of the Town Hall albeit that it was at a peppercorn rate as opposed to a 30% discount, due to recent efforts by the Council to dispose of this property to others, which had failed. In the case of Llys Llywelyn, Menter Môn had a lease there at the moment and if the same requirements in the lease could be incorporated in any sale there would be no problem. The difficulty was coming up with a form of words in the sale of the freehold which adequately protected these provisions. Similarly, the Amlwch properties were currently subject to a lease and again it is the form of words which caused difficulties.

The stumbling block if any was Princes Pier because of the nature of the site and the future potential of that site.

Councillor E. Schofield considered that the Princes Pier site was presently non-productive.

The Director of Legal Services/Monitoring Officer stated that there were too many unknowns at this stage and too much in the way of negotiation and specific clauses to be drafted and agreed for the Head of Service to be prepared to authorise her as Director to seal the contracts. This needed to be an Executive decision.

Councillor Schofield was glad to hear of the concerns of the Corporate Director of Finance and he also wanted the final penny on these transactions if possible. However, that was not a condition of asset transfer.

Councillor E. Schofield stated that having regard to the comments made, the Executive should agree in principle that these transactions take place and that delegated authority be given to the Leader or the Deputy Leader to determine these transfers subject to no legal problems being encountered before 19th December.

RESOLVED

- **To agree in principle to all the asset transfers mentioned within the report at an undervalue of £481,599.00p in the interests of social, economic and/or environmental well being of the island communities and that delegated authority be given to the Leader or the Deputy Leader, to make the final decision, following receipt of officer advice, on whether or not to proceed before the deadline of the 19th December, 2008.**

- **To note that the Chair of the Council has agreed that this decision be exempt from call-in.**

6 EXCLUSION OF THE PRESS AND PUBLIC

Resolved that under Section 100(A)(4) of the Local Government Act 1972 the press and public be excluded from the meeting during discussion on the following item as it involved the likely disclosure of exempt information as defined in the attached Public Interest Test to the report.

7 **LIBRARY AND INFORMATION SERVICE - STAFF RESTRUCTURING**

Reported by the Portfolio Holder (Lifelong Learning & Information) - Upon a proposal for the restructuring of the professionally qualified staffing of the Library and Information Service and seeking Executive authorization to implement the changes.

The current structure of the Library and Information Service was largely that which was adopted on reorganisation in 1996. Some changes had taken place, but these were in the main reactive responses to immediate needs.

It was the considered opinion of the Service's senior managers that the existing staffing structure, with all staff except the Head of Service being operational, was not designed to meet the needs of a modern Library Service. Overall this meant that the Service was poorly equipped to meet corporate and national requirements, to carry out developments or to compete for national funding.

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The proposed new structure had been designed to meet the following objectives

- To improve the staffing structure with regard to issues of professional recruitment and retention - providing more structured and sustainable responsibilities matched by fair remuneration
- To provide capacity for strategic development, planning and performance measurement.
- To provide capacity for involvement in national library initiatives
- Improved management for individual service points

Details of the existing structure were detailed at Para 4.1 of the report, which showed that there were currently three vacant posts on the establishment.

The proposed new structure showed the following features:-

- The structure had been reduced by one post and new key responsibilities would be attached to each post, (detailed at Para 4.5.of the report).
- There would be increased capacity for service development, performance monitoring and improvement vested in the key responsibilities of the newly titled Library Service Manager. This would require additional support by the Head of Service, and a new structure to team meetings which would be target led and supported, by other relevant officers within the Lifelong Learning and Information Service.
- The two Community Librarian posts recognised the need for increased management capacity to support the branch libraries. Management responsibility for the branch libraries would be allocated between the two Community Librarians, who would have responsibility for ensuring quality of service, links with the community and the presentation of the building.

A summary of costs was presented at Para 5 of the report and the Library Service staffing budget currently contained sufficient unallocated staffing commitment to fund this proposal

Councillor Ieuan Williams wished to re-iterate the stance of the Leader that there should be no further re-structuring until the job evaluation exercise had been completed. He considered that there were to many changes taking place which resulted in re-scoring posts and data cleansing. He requested officers to prioritise this work and use the full resources of the Council to complete the exercise.

The Corporate Director (Finance) in reply stated that the job evaluation exercise should not stand in the way of managers managing their respective Services where staffing changes were required within budget.

The Leader re-iterated what had been said previously that no re-structuring should take place until the job evaluation exercise had been completed. This report had been dealt with as an exception to that rule but he would not look too kindly to similar reports appearing before the Executive.

Councillor Ieuan Williams again enquired as to whether or not it would be possible to make use of full-time resources in order to complete the exercise?

The Managing Director in reply stated that it was shortly hoped to complete the job evaluation exercise and send out the relevant papers to the Trade Unions for comment. He considered that it was not possible in the meantime to freeze posts, since specialist posts were required within for example the Social Services Department. He considered that perhaps a Pay & Grading Panel could be convened before the Christmas recess in order to inform the Panel of progress made to date

The Leader considered that because of the heavy workload of Councillors, it would not be possible to convene such a meeting before Christmas. He would prefer a detailed report early in the New Year rather than a skeleton report in the meantime

Councillor Schofiled supported the contents of the report and the embargo that would apply thereafter. He did not consider that the delay was as a result of a lack of resources as far as job evaluation was concerned since the matter had been ongoing for many years.

Members were of the opinion that the Managing Director should ensure that full time resources are in place in order to complete the job evaluation exercise and that there would be a need for full accountability for the eleven year period of non-completion to date after January 2009.

RESOLVED

- **To accept the proposed structure in principle and to authorise the Head of Service to implement it subject to consultation with the Trade Unions and costs being contained within existing staffing budgets.**
- **To note that no further Departmental re-structuring is to take place until the completion of the job evaluation exercise.**

The meeting concluded at 1:10p.m.

COUNCILLOR P.M.FOWLIE

CHAIRPERSON