

THE EXECUTIVE

Minutes of the extraordinary meeting held on 9 November 2015

- PRESENT:** Councillor Ieuan Williams (Chair)
Councillor J Arwel Roberts (Vice-Chair)
- Councillors Richard Dew, Kenneth P Hughes, Aled Morris Jones, H Eifion Jones, Alwyn Rowlands
- IN ATTENDANCE:** Chief Executive
Director of Sustainability
Head of Resources and Section 151 Officer
Head of Highways, Waste and Property
Committee Officer (ATH)
- APOLOGIES:** None
- ALSO PRESENT:** Councillors Lewis Davies, John Griffith, Victor Hughes, Llinos Medi Huws, R Meirion Jones, Richard Owain Jones, Alun Mummery, R G Parry, OBE, Dylan Rees
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1 DECLARATION OF INTEREST

No declaration of interest was received.

2 DRAFT REVENUE BUDGET 2016-17

The report of the Head of Resources and Section 151 Officer incorporating the initial draft high level standstill revenue budget for 2016/17 (Appendix A) was presented for the Executive's consideration.

The Portfolio Member for Finance reported on the following underlying financial considerations relating to the draft Revenue Budget –

- The draft proposals as presented signal the launch of the engagement with stakeholders on the 2016/17 Budget. The budget consultation process this year is commencing sooner and will include drop-in sessions with the Leader of the Council in locations around the Island. Credit is due to services for succeeding in formulating their proposals in preparation for the earlier consultation start date.
- A programme of savings amounting to £3.919m has been put forward by the Directorates (Appendix B) which is the result of work undertaken over the course of the summer entailing a detailed review of service budgets and a series of Member involved budget workshops which have sought to identify budget reductions with the least direct impact on the Council's operations and frontline services.
- A higher than usual level of uncertainty applies to the Budget setting process this year on account of the timing of the Funding Settlement with the results of the

National Government's Spending Review not due until 25th November and the announcement of the Welsh Government's indicative provisional budget settlement for local government for 2016/17 expected in December with the definitive settlement figure to follow thereafter in March, 2016. Thus the process of agreeing and setting the budget is tighter and more uncertain this year and consequently, the budget report will have the potential for considerable change upon receipt of the Final Settlement.

- The draft Revenue Budget is based on a prudent estimate of a cut of 4.5% on the Aggregate External Finance. Cuts in grant funding are also anticipated, and where those are confirmed, services affected will be expected to respond flexibly and to be able to adjust their budgets accordingly.

- The budget gap at the draft initial standstill position is £5.57m. Savings to the value of £3.319m have been identified which still leaves a significant funding gap of £1.652m. The funding gap has increased due to the impact of increased national insurance costs from April, 2016 which have been provided for as a contingency budget at this stage.

- The savings proposals submitted to date do not include any anticipated redundancies. The Executive has previously approved the inclusion of the Voluntary Redundancy Scheme as part of the 2016/17 Budget options and the Council's staff have been given the opportunity to apply for voluntary redundancy. Subject to the feasibility of the applications submitted, and to there being no impact on the effective delivery of the service involved, the release of staff may contribute to bridging the savings gap.

- It is assumed that there will be no use of reserves to fund the Revenue Budget in 2016/17.

However, this will need to be revisited dependent on the Final Settlement.

- It is intended to increase the Council Tax by 4.5% which is considerably higher than the rate of inflation and regarding which the public's views will be sought. However, a reduced increase in the Council Tax will mean that additional savings measures will have to be identified.

The Head of Resources and Section 151 Officer said that the report puts forward initial proposals for the 2016/17 Budget and that it is the Finance Service's intention to work with departments to go through their savings proposals in order to formulate a specific plan and timetable to ensure their timely delivery. Whilst it is hoped that the settlement from the Welsh Government will be better than that projected in the report, a budget shortfall will still remain meaning that the Council's reserves may have to be drawn upon. Although the Council's position as regards its reserve balances is sound at present, there could be pressure on those reserves during the winter months meaning that balances might be reduced by the time of the Final Settlement in March, 2016 and the confirmation of the 2016/17 Budget. In any event the use of reserves to support revenue expenditure can only be on a one-off basis and is not sustainable in the longer term.

Members of the Executive were given the opportunity to put forward their views on the 2016/17 Budget proposals and there was consensus that the degree of uncertainty and the scale of the savings required whilst still seeking to improve standards and efficiency makes the formulation of next year's budget a very difficult challenge.

The Chair emphasised that work on reducing the budget shortfall is ongoing including the separation of the Council's statutory and non-statutory responsibilities with more detailed work to be undertaken with regard to the latter. The additional uncertainty in relation to the details of grant allocations is also recognised as a financial risk.

It was resolved:-

- **To adopt the draft standstill budget as a basis for the 2016/17 Revenue Budget.**
- **That the Executive should seek to make sufficient savings in 2016/17 to balance the Revenue Budget without the use of reserves.**
- **That the Executive should plan to cover unavoidable costs of severance or other one-off costs of delivering savings through use of contingencies without the use of reserves.**
- **That the opinion of the public on the proposed savings should be sought.**

3 CAPITAL BIDS 2016/17

The report of the Head of Resources and Section 151 Officer incorporating a schedule of capital bids proposed by departments for inclusion in the 2016/17 to 2020/21 Capital Programme was presented for the Executive's consideration.

The Portfolio Member for Finance reported as follows –

- That the items shaded on Appendix A to the report to the value of £26.301m are recommended for inclusion in the Capital Programme for 2016/17 to 2020/21. Whilst the programme is an ambitious one, capital resources are shrinking partly because of the year on year reduction in the Council's revenue stream.
- An estimate of capital resources was prepared (Appendix C) against which the schedule of bids was compared.
- To fund the proposed Capital Programme for 2016/17, it is recommended that the Authority undertake Unsupported Borrowing of £4.497m; Appendix D shows the cost of borrowing this amount over a number of years and, in the event that it is determined an alternative amount needs to be borrowed to fund more schemes, the cost of borrowing £1m, £5m and £10m over a 30 year period also shown.
- To reduce the costs that come with borrowing, the Council needs to ensure that it is maximising capital receipts and as part of that endeavour, it will need to examine its portfolio of assets and their use for the future. There is a challenge for the Council in managing borrowing and generating a greater level of income.

The Head of Resources and Section 151 Officer said that although unsupported borrowing is higher than in previous years, it is linked to the two new 21st Century schools in Holyhead and Y Llannau and that process brings savings on the revenue side. The Officer said that the list of capital bids has been generated by a scoring matrix and he referred to two specific schemes in this context – the bid for a new waste collection system (weighted rank 33) which is included because of the revenue savings it will produce per annum and the Amlwch Extra Care Housing scheme which although it has scored highly is omitted because if it was to be included, due to its scale a number of other schemes would then have to be taken

out of the programme and also because it has not attracted external investment to date. In response to a question by the Executive, the Officer confirmed that the capital programme as presented remains comfortably within the Authority's borrowing limits. A formal report in confirmation of this will be presented to the Executive in the next two months in accordance with the normal timetable.

It was resolved –

- **That the items shaded on Appendix A to the report (to the value of up to £26.301m) be included in the Capital Programme for 2016/17 to 2020/21.**
- **That the items for the HRA shaded in the second table on Appendix A to the report (to the value of up to £11.636m) be referred to the Housing Services Board for consideration for the Capital Programme 2016/17 to 2020/21.**

**Councillor Ieuan Williams
Chair**