

CORPORATE SCRUTINY COMMITTEE

Minutes of the meeting held on 13 January 2020

PRESENT: Councillor Aled Morris Jones (Chair)
Councillor Dylan Rees (Vice-Chair)

Councillors Lewis Davies, John Griffith, Richard Griffiths, Bryan Owen
Alun Roberts.

Co-opted Member: Mr Keith Roberts (The Catholic Church)

Portfolio Members

Councillor Llinos Medi Huws (Leader and Portfolio Member for Social Services)
Councillor Robin Williams (Portfolio Member for Finance)
Councillor Richard Dew (Portfolio Member for Planning and Public Protection)
Councillor R.G. Parry, OBR FRaGS (Portfolio Member for Highways, Property and Waste)

By Invitation: Councillor Dafydd Roberts (Chair of the Finance Scrutiny Panel), Councillors R. Llewelyn Jones, Peter Rogers

IN ATTENDANCE: Chief Executive
Deputy Chief Executive
Director of Function (Resources)/Section 151 Officer
Director of Social Services
Head of Children and Families' Services
Head of Housing Services
Head of Profession (HR) & Transformation
Head of Democratic Services
Legal Services Manager
Programme, Business Planning and Performance Manager
Scrutiny Manager (AGD)
Committee Officer (ATH)

APOLOGIES: Councillors Richard O. Jones, J. Arwel Roberts, Nicola Roberts, Mrs Anest Frazer (Co-opted Member), Councillor R. Meirion Jones (Portfolio Member for Education, Libraries, Culture and Youth)

ALSO PRESENT: Sioned Rowe (Scrutiny Officer)

The Chair welcomed all those present to this meeting of the Corporate Scrutiny Committee and he extended a particular welcome to Sioned Rowe as the newly appointed Scrutiny Officer, and to Councillor Peter Rogers who was returning to Council business following a period of recuperation after knee surgery.

1 DECLARATION OF INTEREST

No declaration of interest was received.

2 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting of the Corporate Scrutiny Committee held on 21 November, 2019 were presented and were confirmed as a correct record.

3 2020/21 BUDGET SETTING - REVENUE BUDGET INITIAL PROPOSALS

The report of the Scrutiny Manager outlining the context to the 2020/21 budget setting process was presented for the Committee's consideration. The report incorporated at Appendix 1, the report of the Director of Function (Resources) and Section 151 Officer on the initial proposals for the 2020/21 Revenue Budget and the factors having an impact thereon.

The Chair clarified that the budget setting process for 2020/21 has been delayed due to the General Election in December, 2019 and consequently, the later than usual announcement of the provisional local government settlement.

The Portfolio Member for Finance summarised the situation by saying that although the budgetary position for 2020/21 is better than anticipated due to an increased provisional settlement announced by Welsh Government on 16 December, 2019 which is to be welcomed, the financial circumstances overall remain challenging. The Council's reserves have reduced having been used to meet cost pressures in areas where demand has been and continues to increase including Adult Social Care and Education which suggests that those services' base budgets may need to be reviewed and/or realigned. Welsh Government assumes a 7.1% increase in Council Tax levels, and the settlement although improved, in real terms is only on a par with the Welsh Government support received back in 2012/13. The Portfolio Member said that he therefore advised taking a prudent approach in terms of making recommendations with regard to the 2020/21 Revenue Budget.

The Director of Function (Resources)/Section 151 Officer guided the Committee through each of the sections in the report at Appendix 1 on the proposed revenue budget for 2020/21. The following main points were highlighted and elaborated upon –

- The main assumptions in the Medium Term Financial Plan approved by the Executive in September, 2019. These have been taken into account in calculating the standstill budget for 2020/21.
- The calculation of a standstill budget for 2020/21 as a starting point for the budget setting process. The standstill budget is a budget which provides resources to operate services at 2019/20 levels but updated to reflect any known changes outside of the control of the services (committed changes) and to reflect the costs in 2020/21.
- The committed changes and their impact in terms of adjustments made to the budget as set out in paragraphs 3.1 to 3.10 of the report.
- Changes made to contingency budgets (built into the budget to cover fixed term costs, potential risks or to meet unexpected events) as shown in Table 1 of Appendix 1. The improved financial position in 2020/21 allows the Council to reduce the Salary and Grading Contingency as it is not expected that significant reductions will have to be made to staffing numbers in 2020/21.
- Staffing costs and their effects on the budget. Uncertainty around the pay award for non-teaching staff as from April, 2020 and for teaching staff from September, 2020 is a risk to the budget. The budget for the Council's non-teaching staff is in the region of £45m per annum inclusive of NI and pension contribution costs – every 1% increase in the pay award therefore equates to an additional £450k in costs.

- Budget pressures and demand led services. Increased demand for Adult Social Care means the service is expected to exceed its budget by £1.21m in 2019/20. For the purposes of the 2020/21 budget £980k has been included in the service budget as additional funding, but it may not be sufficient to meet the growing demand for services especially in light of the uncertainty over future grant funding specifically the Social Care Workforce and Sustainability Pressures Grant (confirmed for 2020/21) and the Winter Pressures Grant (unconfirmed for 2020/21).
- Delegated Schools Budget. As part of the 2019/20 budget a reduction of £800k was planned to the delegated schools budget deferred for one year and funded from the additional Teachers Pay grant and 50% of the Teachers Pensions Grant. As these grants have now been transferred into the settlement, it is open to the Executive to reverse the budget reduction decision.
- Standstill Budget. Based on all of the adjustments and assumptions made, the standstill budget for 2020/21 is £142.203m, an increase of £6.993m on the 2019/20 final budget. The provisional total Aggregate External Finance for 2020/21 is £101.005m leaving £41.198m to be funded from Council Tax. The 2019/20 Council Tax Budget adjusted for the change in the tax base is £39.370m meaning there is a funding shortfall of £1.828m before an increase in Council Tax.
- The impact of various levels of Council Tax increases on the Band D equivalent charge and on bridging the funding shortfall as shown in Table 4 of the report. An increase of 4.64% in the Council Tax would meet the budget requirement for 2020/21.
- The savings proposals identified by services that can be implemented in 2020/21 without having an unmanageable impact on services which amount to £343k (listed in Appendix 4 to the report). Whilst the better than expected settlement has reduced the need to implement those savings, implementing some or all of the savings does provide some flexibility in terms of the options available if they were implemented e.g. increase the budgets of under pressure services; increase the level of general balances; contribute towards funding 2020/21 capital expenditure; reduce the increase in Council Tax.
- The continuing uncertainty regarding the financial position in 2021/22 and beyond. The report notes that a return to austerity and a need to make further savings remain a possibility. Implementing the savings and using the funding to increase the level of general balances to fund capital expenditure in 2020/21 would leave the Council in a better financial position in 2021/22 and would not increase the revenue budget on a permanent basis nor reduce the funding available.

Councillor Dafydd Roberts, Chair of the Finance Scrutiny Panel reported from the Panel's meeting of the 9 January, 2020 where it had given detailed consideration to the initial 2020/21 revenue budget proposals. The Panel had –

- Noted that the improved settlement in effect only takes the Council back to 2012/13 funding levels;
- Acknowledged the risks in the 2020/2021 budget especially in relation to demand on services which it is difficult to predict or quantify.
- Recognised the need to increase and maintain Council reserves at an appropriate level.
- Recommended that the £800k planned reduction in the delegated schools budget deferred from 2019/20, should not be implemented.
- Recommended that Council Tax should not be increased by more than 5%.
- Recommended that the £343k savings identified be implemented in full apart from the proposed increase in parking fees specifically in urban areas on the reasoning that the public should not be discouraged from visiting town centres because of parking charges. (The Director of Function (Resources)/Section 151 Officer clarified that the potential total savings from increasing car park fees is £83k made up of £57k from increasing the rate in town sites and £26k from increasing the rates in sites elsewhere)

- Recognised the uncertainty around future years' funding and the need for the 2020/21 budget setting process to therefore incorporate an element of flexibility.

In considering the report and proposals therein as well as the feedback from the Finance Scrutiny Panel, the Committee –

- Noted that although the provisional funding settlement is an improvement on previous years and is better than expected, in real terms the Council is only slightly better off than it was in 2012/13.
- Discussed the proposed reduction in the civic budget noting that this funding amongst other things, supports the work and visibility of the Council Chair within the community. Councillor Dafydd Roberts clarified that around £6k will still be available to the civic budget and that he felt it was more difficult to justify elements of this service in comparison with some other services and also when benchmarked against other Councils' civic activities.
- Recognised that if the Council is to achieve one of its key strategic objectives of raising standards in education then schools must be afforded the stability to allow them to address challenges in the form of introducing the new Curriculum for example. Implementing a reduction of £800k in the delegated schools budget could have a destabilising effect and could therefore undermine the work of improving standards.
- Noted that how the Council's decision to increase fees and charges across services is affecting the public also needs to be better understood and considered in the context of setting the 2020/21 revenue budget and determining the Council Tax increase.
- In recognising that the uncertainty in connection with demand led budgets – specifically Adults' Social Care and Education - is a risk to the budget, questioned whether confining the Council Tax increase to a maximum of 5% (as recommended by the Finance Scrutiny Panel) is sufficient to meet requirements. The Director of Function (Resources)/Section 151 Officer confirmed that the additional £980k allocation for the Adult Social Care budget for 2020/21 coupled with the announced increase in Social Care Workforce and Sustainability Pressures grant should be sufficient to meet the current overspend in Adults' Social Care services. However, it is uncertain how the demand for services will change in the coming financial year and what will be the resulting impact on the service budget. The Officer further clarified that a 4.64% increase in Council Tax would balance the budget; a 4.9% increase would generate an additional £101k which together with the £343k savings would amount to £444k which could be held in reserve to respond to any increase in the demand for services in the forthcoming financial year.
- Noted that no indicative funding figures are available beyond 2020/21 but that the situation in relation to the Welsh Government's budget may become clearer with the publication of the UK Government's budget in March, 2020. The budget for 2020/21 needs to have regard to this uncertainty and to therefore incorporate an element of flexibility to be able to respond to whatever the settlements for the following two financial years may bring.
- Requested that as part of the budget setting report in future, information on the Council's reserves position be also included. The Corporate Director of Function (Resources)/Section 151 Officer clarified that a report on the Council's reserves and balances and their use will be presented to the Executive at the same time as the final budget proposals at the beginning of March, 2020.
- Acknowledged and thanked the Finance Scrutiny Panel for its detailed work on the 2020/21 initial revenue budget proposals.

Having considered the information presented both in the report and verbally at the meeting, and being mindful of the risks around the 2020/21 revenue budget in relation to workforce costs and service demand as well as the uncertainty around future years' funding, the Committee resolved to recommend to the Executive –

- **That the increase in Council Tax for 2020/21 should not exceed 5%**

- That the £343k savings identified by services as outlined in Appendix 4 of the report be implemented in full apart from increasing car park fees for town sites which should be given further consideration.
- That the £800k reduction in delegated schools budget deferred from 2019/20 be not implemented.

ADDITIONAL ACTION – Information on the Council’s reserves and balances to be included in future budget setting reports.

4 2020/21 BUDGET SETTING - CAPITAL BUDGET INITIAL PROPOSALS

The report of the Scrutiny Manager incorporating the report of the Director of Function (Resources)/Section 151 Officer on the initial proposals for the 2020/21 Capital Budget was presented for the Committee’s consideration.

The Director of Function (Resources)/Section 151 Office in highlighting the main points and elaborating thereon –

- Referred to the limited scope to consider various options for the Capital Budget in comparison with the Revenue Budget.
- Outlined the principles of the Capital Strategy approved by the Executive in February, 2019 on which the draft Capital Budget for 2020/21 is based (paragraph 2.2 of the report refers).
- Clarified with regard to funding the capital programme (Table 1 of the report) that the draft Local Government settlement figures encompass the General Capital Grant and Supported Borrowing; whilst capital grants for specific purposes have increased, the level of funding under both these headings has remained fairly constant over a number of years thereby limiting the Council’s options in terms of capital expenditure.
- Confirmed a £500k allocation from the Capital Reserve (leaving a forecast balance of £640k) to meet any emergency capital works required during the year and/or provide match funding should the need arise.
- Provided a rundown of the existing assets to be refurbished and/or replaced in line with the capital strategy approach, and the sums allocated thereto as per section 4.2 and Table 3 of the report adding that unless the Capital Grant is increased in future, the Council will find it difficult to achieve even the minimum of maintaining current assets.
- Summarised the other one-off bids for additional funding approved by the Senior Leadership Team for inclusion in the 2020/21 capital programme after assessment by the Finance Team using the Capital Strategy scoring mechanism (Table 4 of the report refers – total recommended allocation £2.174m)
- Referred to a number of other projects identified by the bidding process which do not require funding in 2020/21 but may need to be funded in 2021/22 or beyond as itemised in section 5.4 of the report.
- Clarified the position with regard to 21st Century Schools’ capital programme and the Housing Revenue Account capital programme.

Councillor Dafydd Roberts, Chair of the Finance Scrutiny Panel reported from the Panel’s meeting of the 9 January, 2020 where it had given detailed consideration to the initial 2020/21 capital budget proposals. The Panel had recommended that the following proposals for the 2020/21 Capital Budget be supported –

- Refurbishment/Replacement of assets £5.158m
- New one off capital projects £1.924m
- Leisure Facilities Improvement Fund £0.250m
- 21st Century Schools £9.039m
- Housing Revenue Account £17.138m

Total New Expenditure £33.609m together with slippage of £3.294m from 2019/20 bringing the total Capital Budget for 2020/21 to £36.903m.

Having considered the report and the information presented verbally at the meeting, the Committee resolved to recommend the Capital Programme of £36.903m for 2020/21 as outlined, to the Executive.

5 FINANCE SCRUTINY PANEL - PROGRESS REPORT

A progress report on the work of the Finance Scrutiny Panel over the past 12 months to December, 2019 was presented for the Committee's consideration. Councillor Dafydd Roberts, Chair of the Finance Scrutiny Panel presented the update report to the Committee.

Having considered the report, the Corporate Scrutiny Committee resolved to note the following –

- **The progress made to date with the work of the Finance Scrutiny Panel, both in terms of achieving its work programme and measuring impact and added value.**
- **That processes pertaining to budget monitoring for 2019/20 appear to be fit for purpose.**
- **The ongoing financial scrutiny development programme for Panel members which is being delivered by CIPFA Wales.**
- **That the Panel has escalated to the Committee's attention, its continued concern regarding budget pressures in demand led services (social services and education) and that it continues to closely monitor the situation and has arrangements in place to ensure regular dialogue with Directors and Heads of Service to provide an explanation of the financial situation in both services and the impact of mitigation measures in place to control overspends. The Committee further notes that the Panel will continue to report back on its findings as the situation evolves.**
- **Arrangements to report to this Committee and the Executive on a 3 monthly basis on progress made by the Panel in implementing the forward work programme with more frequent reporting arrangements to be introduced if there is a specific risk to be addressed.**

6 FORWARD WORK PROGRAMME

The Committee's forward work programme was presented for consideration.

It was resolved –

- **To agree the current version of the forward work programme for 2019/2 and,**
- **To note progress thus far in implementing the forward work programme.**

**Councillor Aled Morris Jones
Chair**