

CORPORATE SCRUTINY COMMITTEE

Minutes of the hybrid meeting held on 27 February 2024

PRESENT: Councillor Dyfed Wyn Jones (Vice-Chair) (In the Chair)
Councillor Sonia Williams (Vice-Chair for this meeting only)

Councillors Geraint Bebb, R. Llewelyn Jones, Llio A. Owen, Keith Roberts, Ieuan Williams, Arfon Wyn.

Co-Opted Member: John Tierney (The Catholic Church)

Portfolio Members

Councillors Llinos Medi (Leader of the Council and Portfolio Member for Economic Development), Neville Evans (Portfolio Member for Leisure, Tourism and Maritime), Carwyn Jones (Corporate Business and Customer Experience), Gary Pritchard (Deputy Leader and Portfolio Member for Children – Youth and Housing Services), Alun Roberts (Portfolio Member for Adults' Services and Community Safety), Dafydd Roberts (Portfolio Member for Education and the Welsh Language), Nicola Roberts (Portfolio Member for Planning, Public Protection and Climate Change), Dafydd Rhys Thomas (Portfolio Member for Highways, Waste and Property) Robin Williams (Deputy Leader and Portfolio Member for Finance).

IN ATTENDANCE: Chief Executive
Director of Function (Resources)/Section 151 Officer
Director of Social Services
Director of Learning, Skills, and Young People
Head of Highways, Waste and Property
Head of Democracy (DS)
Legal Services Manager (RJ)
Scrutiny Manager (AGD)
Committee Officer (ATH)
Webcasting Officer (FT)

APOLOGIES: Councillors Douglas Fowlie, Aled Morris Jones, Jackie Lewis, Mr Rhys H. Hughes (Deputy Chief Executive), Mr Arwel Owen (Head of Adults' Services)

ALSO PRESENT: Bethan H. Owen (Accountancy Services Manager) Elin Allsopp (Scrutiny Officer (Observer))

In the absence of the Chair, Councillor Douglas Fowlie, the meeting was chaired by the Vice-Chair, Councillor Dyfed Wyn Jones. Councillor Sonia Williams was elected to serve as Vice-Chair of the Committee for this meeting only.

1 DECLARATION OF INTEREST

Councillor Sonia Williams declared a personal interest only on the basis of her relationship to the Portfolio Member for Finance.

2 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meetings of the Corporate Scrutiny Committee held on the following dates were presented and were confirmed as correct –

- 16 January 2024 (morning meeting)
- 16 January 2024 (afternoon meeting)

3 BUDGET SETTING 2024/25 - FINAL DRAFT REVENUE BUDGET PROPOSALS

The report of the Scrutiny Manager was presented for the Committee's consideration. The report outlined the context to the 2024/25 Budget setting process along with the key issues and questions for Scrutiny in evaluating the Executive's final revenue budget proposals. The report of the Director of Function (Resources)/Section 151 Officer to be presented to the 29 February, 2024 meeting of the Executive setting out the detailed revenue budget proposals for 2024/25 for final review and agreement ahead of the 7 March 2024 meeting of Full Council was attached at Appendix 1.

Councillor Robin Williams, Deputy Leader and Portfolio Member for Finance outlined the context to the final revenue budget proposals for 2024/25 saying that at its meeting on 23 January 2024 the Executive proposed a budget for 2024/25 of £184.219m which given the provisional AEF of £126.973m would require an increase of 10.9% in Council Tax and the use of £4.425m of the Council's general balances to balance the budget. The initial draft budget proposals also entailed budget savings/reductions including capping the inflation increase from the delegated schools budget by 2.5%. A short public consultation process on the budget proposals was subsequently undertaken the outcome of which is summarised in Appendix 2 to the report with education and schools, supporting vulnerable adults and children, and waste collection and recycling being cited as respondents' main priorities.

Councillor Robin Williams said that there have been a number of developments since the initial draft budget proposal for 2024/25 was issued including the finalisation of the budget decisions in respect of levying bodies and other organisations which receive a contribution from the Council, an increase of £332k in Anglesey's Aggregate External Finance following on from additional funding to Welsh Government as a consequential of a rise in funding for councils in England, and the transfer of three revenue grants into the final settlement (para 5.4 refers). In drawing up the final budget proposals, a number of budgets have been reviewed and this has allowed the Executive some flexibility around the final proposal. These changes are explained in section 5.5 of the report and the impact of all the changes on the revenue budget is set out in Table 2 at paragraph 5.6 resulting in a revised net revenue budget for 2024/25 of £183.459m with revised funding of £184.82m giving surplus funding of £1.373m.

With regard to the various options considered by the Executive to match the revised funding with the revised budget the proposed use of reserves to balance the 2024/25 budget is significant and at the highest level for a number of years. It is the Section 151 Officer's recommendation that the level of reserves should not fall below 5% of the net revenue budget which is the minimum level of general balances set by the Executive.

Having considered all of these factors, the Executive's final revenue budget proposal amends the initial proposal in the ways set out below and results in a revised net revenue budget for 2024/25 of £184.164m which is funded as shown in Table 3 of the report –

- The increase in Council Tax is reduced to 9.5% of which 0.9% relates to the increase in the Fire Authority levy and 8.6% relates to the Council's budget requirements. The increase is comparable to the Council Tax increases being proposed by the other North Wales authorities.
- The cap in the inflationary increase to schools is reduced from 2.5% to 1.5%. Additionally, a £200k education underspend on this year's budget will be returned to school balances at the end of 2023/24 which equates to a further 0.4% meaning the real reduction in schools funding is 1.1%.
- The £100k savings for Additional Learning Needs are not implemented in 2024/25.
- That £50k of the proposed savings in respect of non-statutory social care support services is retained to fund the transitional costs incurred in remodelling the service.
- That £46k is added to the public convenience cleaning budget to meet the additional costs following the retendering of the service.
- That the proposal to reduce the opening hours of Leisure Centres is modified to allow for Amlwch Leisure Centre to remain open until 3pm rather than close at 1pm.

The Director of Function (Resources)/Section 151 Officer referred to the risks to the budget which were detailed in section 6.3 of the report and which he elaborated upon with the primary risk relating to pay inflation. With a pay bill in excess of £100m, a 1% error in the pay inflation assumption could result in a £1m under funding position in 2024/25. With regard to the Council's reserves paragraph 7.5 of the report outlines the reserves position and notes that the Council's balance of reserves is forecast to stand at £15.219m at the end of 2023/24. After allowing the use of £4.425m as funding for the 2024/25 revenue budget, the revised balance would fall to £10.79m or 5.88% of the 2024/25 net revenue budget which is above the 5% minimum level set by the Executive. Having taken into consideration the level of the Council's balances, school balances, earmarked reserves, and contingency budgets it is the Section 151 Officer's view that the Council's financial position is sufficiently robust to withstand any difficulties that may arise in 2024/25 if the proposed revenue budget is insufficient to meet the actual costs incurred by the Council in 2024/2025. The revenue budget for 2024/25 as proposed ensures that the resources allocated to each service is sufficient to meet current budget pressures and fulfils the demand for the statutory functions which services must provide as well as meeting the Council's legal obligation to set a balanced budget.

Councillor Geraint Bebb, Chair of the Finance Scrutiny Panel reported on the Panel's deliberations from its 22 February 2024 meeting at which further consideration was given to the 2024/25 revenue budget proposals. The main subject of discussion with regard to the final revenue budget proposals had been concerns raised by headteachers regarding the potential impact of the proposed 1.5% cap on the inflationary increase for schools on class sizes and staff levels, on extracurricular provision and activities and on wellbeing and emotional support services for learners. Three areas were identified by the Panel for more detailed scrutiny in relation to children and families services, adults' services and education and schools. Having considered all the information and evidence presented the Panel was supportive of the proposals except the funding for schools which it recommended be amended and set at 1% below inflation (instead of the proposed 1.5%) at a cost of approximately £250k to be funded from reserves.

The Director of Function (Resources)/Section 151 Officer advised that although the reserves position would allow the amendment proposed to be implemented further use of the reserves to balance the 2024/25 revenue budget means that once they have been

spent, they will not be available to be used in 2025/26 and the funding gap in 2025/26 will increase by £250k from the outset.

The Chief Executive referred to the public consultation on the 2024/25 revenue budget proposals which although it only ran from 24 January to 8 February 2024 due to the constraints of the budget setting timetable, generated nearly 900 responses. He confirmed that the output from the consultation had been carefully considered in formulating the final budget proposals.

The points of discussion by the Committee were as follows –

- The extent to which the revenue budget proposals respond adequately to service pressures and challenges
- The impact if any, of the proposals on Anglesey's citizens or any protected groups and whether any mitigation is needed to lessen the impact
- Whether the proposed savings are achievable in 2024/25
- The steps which the Executive proposes to take to address the forecasted funding gap in 2025/26 and 2026/27 and whether the commitment to maintaining the Council's balances at a level equating to 5% of the net revenue budget could be relaxed if circumstances required
- Whether the proposal to reduce the Council Tax increase creates a financial risk for the Council in future
- The impact of the proposed 9.5% increase in Council Tax on people who are struggling to pay and whether any support is available for them
- The response to the public consultation compared with that in previous years.

In response to the points raised, the Portfolio Member for Finance and Officers further advised –

- That a number of services can experience a change in the demand for its services. The two main budgets that are experiencing the greatest demand and cost pressures are Adults' Social Care and Children's Services for which an additional £2.9m and £900k have been factored into the budget respectively. Any increase in the demand over what has been provided for in the budget would lead to overspend in these services which would have to be funded from the Council's general reserves and balances which makes the availability of an adequate level of reserves all the more important otherwise the Council could find itself in financial difficulty.
- Whilst the proposed budget savings/reductions for 2024/25 have been formulated so as not to impact on any of the protected groups set out in the Equality Act 2020 (Statutory Duties) (Wales) Regulations 2011 and do not change services in any significant way, there is a risk that the demand for some services may outstrip capacity over the course of the next two years making it difficult to maintain the same level of provision across the Council's services. The Council will through its monitoring and reporting processes seek to identify pressure points sooner rather than later and use that information to inform its decision making on an ongoing basis throughout the year.
- Whilst the majority of the proposed savings are considered deliverable, the main risk in terms of non-achievement relates to the £1m savings target from staff reductions which will be found as posts become vacant and services are restructured accordingly.
- That the process of considering the 2025/26 budget will commence immediately after the 2024/25 budget has been approved by Full Council in order to try to meet the increasingly difficult challenge of setting a budget that is balanced, that meets the needs of Anglesey's residents and fulfils the Council's statutory duties. Local government has faced many years of austerity and in light of high costs and increasing demand, councils have to be provided with adequate funding to enable them to continue to provide services for the communities and individuals who depend on them. With regard to

balances, the level of general balances is a matter for the Council to decide based on the advice of the Section 151 and as a general rule, 5% of the net revenue budget is considered an acceptable level. The reserves could be allowed to dip below this level should it be deemed necessary and that assessment would be made at the time, but any such use of the reserves would have to be accompanied by a plan to replenish the reserves and return them back to the 5% level over time.

- That the budget proposals and increased Council Tax reduces the risk of the Council finding itself in financial difficulties (the Section 151 Officer clarified the implications of issuing a Section 114 notice which a number of councils in England have had to do because they are unable to meet their spending commitments and have no reserves to help cover expenditure). As Welsh Government funding alone is not sufficient to enable the Council to meet rising costs and demand the only other option available to it to generate extra income is by raising the level of Council Tax and by drawing on reserves in the short-term otherwise the Council may not be able to balance its budget.
- That people who are finding it difficult to pay the Council Tax may be eligible for help through the Council Tax Reduction Scheme and advice and support are available from Citizens' Advice and the James O'Toole Centre. Whilst the Council is duty bound to collect Council Tax it does endeavour to respond to people's circumstances and to help people find ways of paying their Council Tax but they should contact the Council as soon as possible if they are struggling to pay.
- That the response to the budget consultation was positive in view of the short timeframe and did not produce any surprises in terms of people's priorities.

Having scrutinised the Executive's final draft revenue budget proposals for 2024/25 and having considered the information presented both in writing and orally at the meeting as well as the outcome of the public consultation and the views of the Finance Scrutiny Panel, it was resolved to support and recommend the final draft revenue budget proposals for 2024/25 to the Executive as presented excepting the proposal regarding the inflationary cap for schools which the Corporate Scrutiny Committee recommends be reduced to 1% at a cost of approximately £250k to be met from the Council's reserves.

4 BUDGET SETTING 2024/25 - CAPITAL BUDGET PROPOSALS

The report of the Scrutiny Manager was presented for the Committee's consideration. The report outlined the context to the 2024/25 Budget setting process along with the key issues and questions for Scrutiny in evaluating the Executive's capital budget proposals. The report of the Director of Function (Resources)/Section 151 Officer to be presented to the 29 February, 2024 meeting of the Executive setting out the proposed capital budget for 2024/25 for recommendation to the Full Council was attached at Appendix 1.

Councillor Robin Williams, Deputy Leader and Portfolio Member for Finance presented the report and he referred to the funds available to finance the capital programme for 2024/25 as shown in Table 1 of the report. The HRA covers income and expenditure relating to the Council's housing stock and its funds cannot be used for any other purpose. The General Capital funding from Welsh Government for 2024/25 is £12k higher than the allocation for 2023/24 and is in line with funding levels seen over the past 12 years. There has been no significant increase in the funding despite the fact that its value has been significantly eroded by inflation over this period meaning that it is becoming increasingly challenging to maintain and invest in the Council's capital assets. The recommended capital programme for 2024/25 is summarised in Table 3 of the report and totals £43.838m.

The Director of Function (Resources)/Section 151 Officer advised that the options regarding capital expenditure and investment are limited because of the constraints on capital resources. The Executive has considered the feasibility of taking out unsupported

borrowing but due to interest rate levels and the fact that the cost of unsupported borrowing would have to be met from the revenue budget, which is already under pressure, this option has been discounted in 2024/25. The Communities for Learning Programme currently only includes the completion of the Ysgol y Graig extension. The proposed HRA programme for 2024/25 will see continued investment in the existing stock to ensure continued compliance with the WHQS and will be funded as outlined in section 7 of the report which includes an element of unsupported borrowing which is planned as part of the HRA Business Plan.

Councillor Geraint Bebb, Chair of the Finance Scrutiny Panel reported from the Panel's 15 February 2024 meeting at which consideration was given to the 2024/25 capital budget proposals. The issues discussed by the Panel included the limited sources of capital funding available to the Council for major projects apart from the HRA which can only be spent on the Council's housing stock, the resources that would be needed to enable the Council to invest in its assets in the medium term and the challenges in completing disabled facilities grant projects which has implications for the Council's ability to spend its capital budget resources in a timely way. Having considered all the information and evidence presented the Panel was supportive of the capital budget proposals for 2024/25 as presented and recommended the proposals to the Corporate Scrutiny Committee.

The following were points of discussion by the Committee –

- Whether the Council's longer term capital strategy includes plans for investing in the Island's secondary schools.
- Whether given the limited capital funding available for the General Fund, the proposals focus on where expenditure and investment are needed most
- How any unspent Disabled Facilities Grant (DFG) money is dealt with at the end of the financial year

The Portfolio Member for Finance and the Officers responded to the points raised as follows –

- That a Strategic Outline Programme is being developed which will set out the Council's plans for education investment over the coming years and will include reference to the secondary sector. The Programme is subject to Welsh Government approval.
- That the capital programme for 2024/25 considers the principles set out in the Capital Strategy in respect of the areas in which capital resources are spent having regard also to the limited capital funding available. There has been no significant increase in the capital grant provided by Welsh Government in recent years and because of inflation, the value of the funding has reduced. The capital programme focuses on maintaining the Council's assets at their current standard and is largely reactive as capital resources are not sufficient to enable the Council to undertake any major improvement to its assets.
- That any DFG funding not spent during the year will slip into the next financial year. The amount of slippage is subject to the Executive's approval and depends on the level of underspend and the number of applications awaiting a grant allocation.
- In response to a suggestion about floating the possibility of removing the ring-fence around the HRA, the Committee was advised that the law does not allow the ring-fence to be broken by using HRA funds for any purpose not related to the Council's housing stock. The HRA surplus is generated by rental income the purpose being that the funds are used for the benefit of the tenants.

The Chief Executive highlighted that the Council has a range of assets which because of the insufficiency of capital funding it is unable to maintain to the desired quality and standard. Whilst the Council has a vision and long -term objectives for its assets, the

resources at its disposal make it difficult to realise those aspirations. Capital grants for specific projects which are often awarded competitively are becoming increasingly important in terms of supplementing and adding value to the Council's core capital funding. A Capital Strategic Plan, Capital Budget and Asset Management Strategic Plan will be presented to the Executive over the course of the next few weeks which will generate discussions regarding the Council's priorities and how it should invest time and resources in its projects.

Having scrutinised the Executive's final draft capital budget proposals for 2024/25 and having considered the information presented both in writing and orally at the meeting as well as the views of the Finance Scrutiny Panel, it was resolved to support and to recommend the draft capital budget proposals for 2024/25 to the Executive as presented.

5 FINANCE SCRUTINY PANEL

Councillor Geraint Bebb, Chair of the Finance Scrutiny Panel reported on the outcome of the Panel's meetings on 15 and 22 February 2024 to consider the 2024/25 final draft Revenue Budget proposals and capital budget proposals as referred to in the narrative on items 2 and 3 above.

6 FORWARD WORK PROGRAMME

The report of the Scrutiny Manager incorporating the Committee's Forward Work Programme for 2024/25 was presented for consideration and review.

The Scrutiny Manager updated the Committee on additions to the Forward Work Programme in relation to the review requested by the Committee of local performance against two of the Housing Service PIs. A report on the outcome of the review of Disabled Facilities Grants is scheduled for the Committee's March 2024 meeting and a report by the Scrutiny Task and Finish Group with regard to re-letting Council properties is scheduled for the Committee's April 2024 meeting.

It was resolved –

- **To agree the current version of the forward work programme for 2023/24 with the additions outlined by the Scrutiny Manager.**
- **To note the progress thus far in implementing the forward work programme.**

**Councillor Dyfed Wyn Jones
Chair**