

CORPORATE SCRUTINY COMMITTEE

Minutes of the virtual meeting held on 24 January, 2022

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

Councillors John Griffith, Richard Griffiths, Bryan Owen, Gary Pritchard,
Alun Roberts

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

Portfolio Members

Councillors Llinos Medi Huws (Leader and Portfolio Member for Social Services), Richard Dew (Portfolio Member for Planning and Public Protection), Carwyn Jones (Portfolio Member for Major Projects and Economic Development), R. Meirion Jones (Portfolio Member for Education, Libraries, Culture and Youth), Alun Mummery (Portfolio Member for Housing and Supporting Communities), R.G. Parry, OBE, FRAgS (Portfolio Member Highways, Waste and Property), Dafydd Rhys Thomas (Portfolio Member for Corporate Business), Ieuan Williams (Portfolio Member for Transformation and the Welsh Language), Robin Williams (Portfolio Member for Finance)

IN ATTENDANCE: Chief Executive
Deputy Chief Executive
Director of Function (Resources)/Section 151 Officer
Acting Director of Function (Council Business)/Monitoring Officer
Director of Education, Skills and Young People
Director of Social Services
Head of Service (Housing Services)
Head of Service (Highways, Waste and Property)
Head of Service (Regulation and Economic)
Head of Adults' Services
Head of Profession (HR) & Transformation and Interim Head of Democratic Services
Service Manager (Housing Strategy, Commissioning & Policy)
Programme, Business Planning and Performance Manager
Scrutiny Manager (AGD)
Committee Officer (ATH)

APOLOGIES: Councillors Richard Owain Jones and Nicola Roberts

ALSO PRESENT: By invitation for the Budget items: Councillors Glyn Haynes, Kenneth Hughes, Trefor Ll. Hughes, MBE, Eric Jones, Robert Ll. Jones, Dafydd Roberts (Chair of the Finance Scrutiny Panel)

The Chair welcomed everyone to the meeting and those present introduced themselves.

1 DECLARATION OF INTEREST

Councillor Dylan Rees declared a personal but not prejudicial interest with regard to item 6 on the agenda as a volunteer with Bwyd Da Môn to which reference was made in the report under item 6.

2 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting of the Corporate Scrutiny Committee held on 16 November, 2021 were presented and were confirmed as correct subject to the following –

Arising thereon – Item 5 Transitional Plan

Councillor Gary Pritchard proposed that the minutes be amended to include a record of the exchange of views that took place at the end of the discussion on the item above on the subject of the Council's Small Group Homes (Cartrefi Clyd) and be re-submitted to the next meeting.

At the request of the Chair who commented that he believed all the substantive matters were included in the minutes and that they were in accordance with the convention as regards other Council minutes, the Acting Director of Function (Council Business)/ Monitoring Officer advised that the matter be dealt with in two parts namely to approve the remainder of the minutes (excepting the proposed amendment), and separately the matter of accuracy in terms of amending them for the next meeting; this would allow this meeting to progress to the next business with that caveat.

On the basis of the above, it was resolved to approve the remainder of the minutes of the previous meeting held on 16 November, 2021.

3 2022/23 REVENUE BUDGET SETTING

The report of the Scrutiny Manager was presented for the Committee's consideration. The report outlined the context to the 2022/23 Budget setting process along with the key issues and questions for Scrutiny in evaluating the Executive's initial revenue budget proposals. The following documentation was appended to the report -

3.1 The detailed report of the Director of Function (Resources) and Section 151 Officer to be presented to the Executive on 24 January, 2022 on the preparation of the 2022/23 standstill budget, the provisional settlement and funding the budget gap.

Councillor Robin Williams, Portfolio Member for Finance in presenting the report referred to the tight timescale for developing the initial budget proposal from the announcement of Welsh Government's provisional settlement on 23 December, 2021 and to the significant work in the background which this had involved. The provisional settlement for local government in Wales shows an increase of £456m in the overall level of funding for Wales equivalent to 9.8% increase in cash terms which when adjusted for grants transferred amounts to £437.4m which is a 9.4% increase. The increase for Anglesey in comparison to the 2021/22 adjusted AEF is £9.677m or 9.23% and is very much welcomed after many years of real term reduction in funding and provides the Council with an opportunity to address some of the service issues and risks that have arisen during that time and to reinvest in critical front line services after a long period of austerity and enforced cutbacks. Notwithstanding the more generous settlement there are still a number of budget risks that need to be borne in mind in moving into the 2022/23 financial year and these are documented in the report. However, the proposed 2% increase in Council Tax might potentially be the lowest increase in North Wales and will likely be among the lowest increases throughout Wales.

The Director of Function (Resources)/Section 151 Officer guided the Committee through the proposals in greater detail and highlighted the following issues and their implications for the 2022/23 budget -

- The major changes between the 2021/22 final budget and the 2022/23 initial budget for which provision has been made in the 2022/23 draft revenue budget. These include pay inflation (teaching and non-teaching staff) and other staffing pressures and non-pay inflation. At present, the non-teaching staff pay award effective from April, 2021 has yet to be agreed thereby creating additional uncertainty around the accuracy of the pay budget and whilst the teachers' pay budget being set in September each year gives some certainty for part of 2022/23, there is significant uncertainty over the pay award from September, 2022 onwards. An increase of 1.25% in employer national insurance contributions increases the Council's costs by approximately £500k. Taking all these aspects into consideration, it is estimated that the overall pay budget will increase by £4.053m in 2022/23.
- The Council's non pay costs are made up of a number of different contracts and procurement methods all of which are affected by inflation in different ways as set out in section 4.3 of the report. In drawing up the standstill budget the level of inflation as determined by a specific contract has been allowed for. Where no formal agreement exists detailing how inflation is determined a general level of 2% has been allowed for with energy budgets increase by 3% and for Social Service contracts, where costs are driven by increases in staffing costs, 5% as been allowed for although it should be noted that discussions with regard to residential and nursing care home fees are ongoing. A general 3% increase has again been applied to non-statutory fees and charges for 2022/23. The net increase of the adjustments for non-pay inflation and non-statutory income is £2.479m.
- Pupil numbers – for 2022/23 the number of primary school pupils has continued to fall with a further drop of 126 pupils whilst the number of secondary school pupils has increased by 89 as has the number of pupils at Canolfan Addysg y Bont which is up by 12 pupils. The net effect of these changes is an overall increase in the delegated schools budget of £295k.
- Levies raised on the Council by other bodies the main levy being that raised by the North Wales Fire Authority which has resolved to increase its levy on the 6 constituent North Wales authorities by 6.3% for 2022/23 translating to an increase of £225k to the levy on the Council and taking the levy which is funded by the Council to £3.915m.
- Capital Financing Charges where the net effect of the three changes noted in paragraph 4.6 of the report is to reduce the capital financing budget by £183k and Contingencies where the annual review of these budgets has concluded that £122k can be taken out to take account of the adjustments to these budgets.
- Funding Expectations from Welsh Government – in determining the level of Aggregate External Finance (AEF) provided to each Council, Welsh Government has made it clear that the AEF has provided funding for a number of cost pressures which the Council will face in 2022/23 for which no additional funding will be provided. Each Council will be expected to provide sufficient funding in the annual budget to cover these costs. The main areas that need to be allowed for include payment of the Real Living Wage to care staff (an additional £200k over and above the 5% increase for inflation on external provider care fees to meet the cost of paying the Real Living Wage for care staff); Homelessness Prevention (a £350k provision assuming that Anglesey will receive a £180k share of additional grant funding to maintain the level of service provided during the pandemic); Covid Hardship Fund (£300k contingency sum to cover costs previously provided for by the Fund based on the assumption that there is no significant deterioration in the Covid situation); new duties arising from the Local Government and Elections (Wales) Act 3021 (£78k)
- The settlement enables the Council to start addressing the service risks and issues that have arisen as a result of several years of austerity where capacity and provision

have been reduced. As part of the budget setting process Heads of Service and Service Directors were asked to determine what level of funding would be required to help them address service issues and risks. Based on the initial bids, the allocations set out in Table 2 of the report totalling £2.864m have been included in the initial budget proposals although it should be noted that the short timescale between the announcement of the provisional settlement and the need to publish the initial budget proposal have not allowed all the proposed investments to be fully examined and challenged by Members. Further work will take place before the adoption of the final budget proposal in March, 2022 to examine the detailed proposals put forward by Head of Service and Service Directors.

- After taking into account Welsh Government's provisional settlement and the main budget changes, the funding position prior to any increase in Council Tax is set out in Table 3 of the report and shows an initial proposed net revenue budget of £158.365m for 2022/23 against total available funding of £157.506m. In order to fund the deficit of £0.858m it would be necessary to increase Council Tax by 2% which would take the Band D charge to £1,367.46 which is an annual increase of £26.82 and a weekly increase of £0.52.
- Budget Risks – in setting the budget there are a number of financial risks which need to be assessed which may result in a financial cost to the Council. Some of these risks have been allowed for in the budget proposal whilst others have not and would be covered by the Council's general balances and reserves should they materialise into financial costs in the year. The Council's unallocated general balances stand at £9.3m. The proposed capital budget for 2022/23 allocates £1.68m of these balances as capital funding which reduces the unallocated balance down to £7.6m. An underspend in the region of £1m is forecast on the 2021/22 revenue budget which if realised would be added back to the Council's general balance thereby increasing the total to £8.6m. As a rule of thumb, the Executive has set the minimum general balance as 5% of the net revenue budget which for 2022/23 would be £7.9m. Given the risks documented in paragraph 6.5 of the report which are not covered or only partly addressed in the budget and are greater than in any normal year, it is thought prudent for the Council to carry a level of general balance that is higher than 5% of the net revenue budget.

The Committee thanked the Director of Function (Resources)/Section 151 Officer for the detailed report and presentation and for explaining the budget development process in a clear and understandable way. In considering the budget proposal the Committee raised the following matters -

- With regard to long term framework agreements where the annual price of goods/provision is set by the framework and which apply to the Council's main energy contracts thereby affording the Council some protection from price increases in the short term, the Committee sought clarification of the length of these framework agreements and whether when they end the Council will therefore take a significant hit from energy costs. The Director of Function (Resources)/ Section 151 Officer advised that it all depends on how long it takes for the upsurge in energy prices to subside. In fixing its energy cost in October the Council will have avoided much of the impact of the rising price of energy should the price have then reduced by the following October; however if it remains high at the renewal date the Council will have to meet the cost at that time and having fixed at a high level will be worse off if the price subsequently comes down.
- With regard to the obligations involved in having to establish a new Port health Authority from scratch which it recognised as a significant risk the Committee wanted to know whether there is anything in the provisional settlement that acknowledges that Anglesey is one of only two authorities in Wales on which these duties fall or is the Authority expected to shoulder the burden in full bearing

in mind the reported fall in traffic through Holyhead Port and the consequent uncertainty regarding the levels of income that can be expected. The Committee further sought clarity on the estimated costs involved in setting up and running the Port Health Authority. The Deputy Chief Executive advised that no additional funding has been allocated for this purpose for 2022/23 or beyond. Welsh Government is of the view that the charging model whereby the income generated covers all the costs is sustainable in the long-term. The Authority thinks that that is unlikely to be the case in the short-term and is therefore asking that a funding pot be put in place from which the Authority can draw to meet any additional costs that befall it in this regard and to help it balance the books. Discussions with Welsh Government Officials are ongoing and are to be escalated to Leader and Ministerial level leading hopefully to an agreement that will safeguard the Authority sooner rather than later. The Authority is also liaising closely with Pembrokeshire Council which is in a similar position albeit its port operations in terms of the nature and volume of its traffic are on a smaller scale than those of Holyhead meaning the financial risk to the Council is reduced compared to that of Anglesey. Information regarding costs is not available at this point as those are subject to confirmation of the number and nature of checks to be undertaken which are factors that will influence costs. The Authority has for a long time made clear its stance that it is unfair to expect it to bear the cost of what is ultimately a part of national infrastructure and responsibility. On a more positive note, the Westminster Government has agreed to provide additional funding to the Welsh Government for infrastructure by way of facilities and it is hoped that the Westminster Government will also provide additional revenue support to meet operational costs; failing that the Authority's position is that Welsh Government should be creating an additional line of support to cover any costs that cannot be met from the income generated.

Councillor Robin Williams informed the Committee that he and Councillor Llinos Medi in their capacity as Portfolio Member for Finance and Leader respectively had written to Welsh Government to emphasise the risk to the Authority in respect of its new Port Health Authority responsibilities but that the response had been disappointing reaffirming Welsh Government's thinking that the charging for service model is sufficient to cover costs.

- With regard to the 2nd Homes Premium, whether the estimated additional £451k funding which the increase in the premium is expected to generate is likely to be impacted by the number of homes transferring to business rates and therefore not subject to the premium. The Director of Function (Resources)/Section 151 Officer confirmed that 100 properties had transferred from paying Council Tax and the premium to being on the non-domestic rates register in the year but that the overall number of properties paying the premium has not fallen by an equivalent number as properties bought and used anew as second homes enter the system and become liable to pay the premium.
- With regard to investment in IT whether the investment is justified given the age of the Council's systems and whether there is a need therefore to review the fitness of the IT infrastructure that supports the Council's IT services in totality before further investment is made. The Committee was advised that IT requirements are constantly evolving and that investment needs to keep up with developments to ensure systems remain effective. The Council is currently investing in a new democratic system to facilitate hybrid meetings and will review other systems to ensure fitness for purpose as appropriate.

Having considered the information presented both within the report and verbally at the meeting, the Committee welcomed the opportunity provided by the financial settlement to invest in services whilst also acknowledging that there remain risk and uncertainty going forwards making it necessary to have a prudent level of resources in reserve. It was therefore resolved to endorse the recommendations of the report as Scrutiny's formal response to the draft initial proposed revenue budget for 2022/23 and to recommend the following to the Executive –

- An initial proposed budget for 2022/23 of £158.365m
- A proposed Council Tax increase of 2% taking the Band B charge to £1,367.46
- That the Executive seek the opinion of the public on the initial budget proposal and Council Tax rise for 2022/23

(Councillors Aled M. Jones and Bryan Owen abstained from voting)

4 2022/23 CAPITAL BUDGET SETTING

The report of the Scrutiny Manager was presented for the Committee's consideration. The report outlined the context to the 2022/23 Capital Budget setting process along with the key issues and questions for Scrutiny in evaluating the Executive's initial capital budget proposals. The following documentation was appended to the report –

4.1 The report of the Director of Function (Resources)/Section 151 Officer to be presented to the Executive on 24 January, 2022 on the initial proposals for the 2022/23 capital budget based on the principles of the capital strategy, including how the capital programme is to be funded and any consequent impact on the general balance and earmarked reserves.

Councillor Robin Williams, Portfolio Member for Finance in presenting the report and the proposed capital programme for 2022/23 of £35.961m, highlighted that it is proposed that a sum of £1.681m from General Balances be used to make up a shortfall in capital funding in 2022/23 with the General Capital Grant from Welsh Government having reduced by £677k for next year compared to the funding received in 2021/22.

The Director of Function (Resources)/Section 151 Officer guided the Committee in greater detail through the various elements of the Capital Programme with reference to the following –

- The principles of the capital strategy which help determine the Council's capital programme and against which new bids are assessed.
- The anticipated funds available to finance the capital programme for 2022/23 as per Table 1 of the report (£35.961m to include £1.681m from General Balances) highlighting that there has been little increase in the general capital allocation received from Welsh Government for a number of years which if it continues at its present level will limit what can be done to refurbishing and replacing existing assets. It is proposed that the sums set out in section 4.2 of the report be allocated for this work in 2022/23.
- Schemes to the value of £1.322m that due to a number of reasons will not be completed in 2021/22 and will carry forward to 2022/23.
- Recommended one off capital projects to be funded in 2022/23 as per Table 3 of the report (£1.432m)
- Projects to be funded from earmarked reserves, service reserves and unsupported borrowing as per Table 4 of the report (£783k)
- The 21st Century Schools Programme to which the Council has made a commitment due to the significant amount of Welsh Government funding the schemes will attract and the need to modernise the existing school estate. The 2022/23 Capital Programme allows for the completion of the final Band A project (new Ysgol Corn Hir) and the commencement of Band B projects (extension to Ysgol Y Graig) at a cost in

2022/23 of £8.598m (net of any capital receipts) of which £2.169m will be made up of Welsh Government grant, £1.168m of supported borrowing and £5.61m of unsupported borrowing.

- The Housing Revenue Account which is ring-fenced to fund costs associated with the Council's housing stock. The proposed programme for 2022/23 will see £9.55m being invested in existing stock and a further £9.229m will be spent on developing new properties and in purchasing former right to buy properties. The programme will be funded from the HRA Reserve (£3.080m); the revenue surplus generated in 2022/23 (£7.019m); Welsh Government grants (£2.685m) and new unsupported borrowing (£6m).

The Committee thanked the Portfolio Member for Finance and the Director of Function (Resources) /Section 151 Officer for the report and presentation; there were no questions from the Committee on the proposed capital programme.

Having considered the information presented both written and verbally at the meeting it was resolved to recommend to the Executive the draft proposed Capital Budget for 2022/23 as presented.

5 FINANCE SCRUTINY PANEL PROGRESS REPORT

Councillor Dafydd Roberts, Chair of the Finance Scrutiny Panel updated the Committee on the Panel's discussions from its meeting held on 20 January, 2022 and highlighted the following points –

- The Panel received a detailed verbal presentation summarising the draft proposed revenue budget for 2022/23 based on the report to be presented to the Executive on 24 January, 2022 (as under item 3 above). The Panel noted the funding position in terms of the settlement received, the main budget changes and adjustments from 2021/22, the service budget pressures, and the key financial risks and challenges that may impact on the Council's financial plans for 2022/23. The Panel also noted the funding gap which it was proposed be bridged by a 2% increase in Council Tax. Having considered all these and the responses to matters raised at the meeting, the Panel resolved to put forward for the Corporate Scrutiny Committee's consideration the initial draft revenue budget of £158.365m for 2022/23; the proposed 2% increase in Council Tax and that the Executive should seek the opinion of the public on the initial budget proposal and Council Tax rise for 2022/23.
- The Panel also received a detailed verbal presentation summarising the draft proposed capital budget for 2022/23 based on the report to be presented to the Executive on 24 January, 2022 (as under item 4 above). The Panel noted the schemes making up the proposed capital programme for 2022/23 including the ongoing refurbishment and/or replacement of existing assets in accordance with the Capital Strategy principles and additional one off projects, as well as the resources available to fund the capital programme noting that because of a £677k reduction in the General Capital Grant from Welsh Government for 2022/33 it was proposed that £1.681m of the General Reserve be utilised to fund a deficit in the capital budget. It was further noted that the 21st Century Schools Programme will continue in 2022/23 and is partly supported by Welsh Government Grant funding and that the HRA capital programme includes works totalling £18.74m. Having considered all these and the further clarifications provided on matters raised at the meeting, the Panel resolved to put forward for the Corporate Scrutiny Committee's consideration the draft proposed Capital Budget for 2022/23 as presented.

The Committee noted the Panel's recommendations and thanked Councillor Dafydd Roberts for the feedback.

6 HOUSING STRATEGY 2022-27

The report of the Head of Housing Services incorporating the Housing Strategy for 2022 to 2027 was presented for the Committee's consideration.

Councillor Alun Mummery, Portfolio Member for Housing and Supporting Communities presented the report and Strategy and highlighted its overall strategic aim as being to ensure that the people of Anglesey have a place to call home, and are empowered and supported to contribute to the local community. He thanked the Housing Service staff for the work that had gone into drafting the strategy which he commended to the Committee as a positive document.

The Service Manager (Housing Strategy, Commissioning & Policy) said that the Strategy applies to many people on Anglesey as it will provide affordable housing which will include many different tenures, accommodation and assistance to vulnerable and specific client groups, young people who wish to purchase their own home, people who require adaptations due to ill-health and people at crisis points requiring immediate housing. This will be achieved by concentrating on six key themes which will provide a basis for identifying what the issues are and how the Strategy intends to address these in the short term of one to two years and medium to long term over the course of the Strategy. The Strategy has been out to public consultation the results of which are contained in Appendix 1 and has been adapted accordingly.

The Officer responded to points and questions raised by the Committee as follows –

- With regard to any new issues having emerged from the consultation, the Committee was advised that the Service had sought to consult as widely as possible on the strategy which involved making a number of presentations. In the year since work began on the draft strategy, the issue of second homes and property market pressures have come to the forefront of attention and these concerns are reflected in the responses to the strategy from members of the public and may not have been as prominent had the consultation been undertaken two years ago in the pre-Covid era.
- Whether the Service was disappointed with the fact that the online questionnaire only attracted 25 responses which then tends to skew the percentages despite its being regularly promoted through the Council's Social media platforms throughout the six week consultation period. The Committee wanted to know what could be done to improve the response to this and other consultations to make them more meaningful. The Committee was advised that attempts had been made to reach as many people as possible through Zoom meetings and that the questions on the questionnaire were clear, short and easy to understand. Although the response was limited overall, the respondents consisted of a cross section of people/groups and included members of the public.
- With regard to establishing a Task and Finish Group on Second Homes to seek solutions which will mitigate the effect second homes have on communities and residents, whether the group will be able to achieve anything in practice given that the power to address the second homes issue lies primarily with Welsh Government. The Committee was advised that the Task and Finish Group has been established internally at the request of the Executive and has been responding to a number of consultations by Welsh Government on the matter. While some of the issues connected with second homes will be addressed via national policies there is scope to be influencing those policies as well as developing local policies to respond to some of the challenges faced in housing e.g. the Shared Equity Policy which is being presented for the Executive's approval at this afternoon's meeting. It was confirmed that the Group has elected member representation consisting of the Portfolio Members for Housing, Finance

and Planning and that as it was established to formulate a response to a consultation which closes on 24 January, 2022 (with further consultations closing in February), it was not envisaged that it would be reporting more widely.

- Whether the Service has measures in place to assist tenants in fuel poverty given that the rising cost of energy is likely to drive an increasing number of people into that category. The Committee was advised that advice, guidance and support for tenants is provided by the Service's Financial Inclusion Officers and is also available via the O'Toole Centre in Holyhead; these resources seek to help tenants manage their finances so that they can reduce their energy costs and/or increase their income to meet their energy costs. An element of this service is also available to non-tenants and Anglesey residents in general.

Having considered the documentation presented and the response given to the questions raised, it was resolved to recommend approval of the Housing Strategy 2022-27 to the Executive.

7 FORWARD WORK PROGRAMME 2021/22

The report of the Scrutiny Manager incorporating the Committee's updated Forward Work Programme to March, 2022 was presented for consideration.

It was resolved –

- **To agree the current version of the forward work programme for 2021/22**
- **To note progress thus far in implementing the forward work programme.**

**Councillor A. M. Jones
Chair**