

CORPORATE SCRUTINY COMMITTEE

Minutes of the hybrid meeting held on 19 January, 2023 (A.M.)

PRESENT: Councillor R. Llewelyn Jones (Chair)
Councillor Dyfed Wyn Jones (Vice-Chair)

Councillors Neville Evans, Douglas Fowle, Jackie Lewis, Llio A. Owen, Dafydd Roberts, Keith Roberts, Alwen Watkin, Arfon Wyn

Portfolio Members

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

Members of the Partnership and Regeneration Scrutiny Committee and Other Members of the Council (by invitation)

Councillors Non Dafydd, Jeff Evans, Trefor Lloyd Hughes, MBE, Gwilym O. Jones, Euryrn Morris, Pip O'Neill, Derek Owen, Dylan Rees, Margaret Roberts, Ken Taylor

IN ATTENDANCE: Chief Executive
Deputy Chief Executive
Director of Function (Resources)/Section 151 Officer
Director of Function (Council Business)/Monitoring Officer
Director of Social Services
Director of Learning, Skills and Young People
Head of Democracy (DS)
Head of Profession (HR) and Transformation
Programme, Business Planning and Performance Manager (GM)
Scrutiny Manager (AGD)
Committee Officer (ATH)

APOLOGIES: Councillors Geraint Bebb, Aled M. Jones
Councillors Glyn Haynes, John I Jones, Liz Wood (invitees)

ALSO PRESENT: Mr Rhys Davies and Mrs Sharon Warnes (Members of the Standards Committee) (present as observers), Bethan H. Owen (Accountancy Services Manager)

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 the 22 November, 2022 were presented and were confirmed as correct.

3 BUDGET SETTING 2023/24 (REVENUE BUDGET) – INITIAL DRAFT PROPOSALS

The report of the Scrutiny Manager was presented for the Committee's consideration. The report outlined the context to the 2023/24 Budget setting process along with the key issues and questions for Scrutiny in evaluating the Executive's initial revenue budget proposals. The report of the Director of Function (Resources)/Section 151 Officer to be presented to the 24 January, 2023 meeting of the Executive setting out the provisional revenue budget for 2023/24 was attached at Appendix 1.

Councillor Robin Williams, Portfolio Member for Finance, Corporate Business and Customer Satisfaction in presenting the initial budget proposals for 2023/24 reported that the proposed budget of £171.438m represents an increase of in the region of £14m on the previous year's budget with inflation being the primary factor and an ongoing challenge for the Council and residents alike. Although the provisional funding settlement for local government announced by Welsh Government on 14 December, 2022 was better than anticipated for Anglesey, there remains a funding gap of £5.396m (before any changes in Council Tax) in 2023/24. A number of options to bridge the gap were considered in reaching the proposed budget taking into account the level of net expenditure based on the draft settlement from Welsh Government and options relating to the level of Council Tax. The proposed budget aims to strike a balance between reducing services and raising Council Tax which is an approach generally endorsed by the outcome of the public consultation reported on separately to this meeting. Funding the deficit through the Council Tax alone would mean raising the Council Tax by 12%. In order to reduce the increase in Council Tax it would be necessary to utilise the Council's own reserves or to implement revenue budget savings. It is estimated that the Council will have around £14m in reserves at the end of the current financial year of which £9m will be retained in line with the Council's general policy of holding 5% of the net revenue budget as a minimum level of general balances which leaves £5m which could be used to make up the funding shortfall. Whilst that is an option, given that the financial projections for 2024/25 and 2025/26 are not encouraging it is considered that it would be imprudent to fully utilise the available reserves in 2023/24 and instead to draw on only part of the reserves to balance the 2023/24 budget. The budget that is being proposed therefore combines savings of £1.393m, the use of £1.758m of Council reserves and a 5% increase in Council Tax. It is also proposed that the second homes premium be increased from 50% to 75% in line with the Executive's policy of incrementally increasing the charge over time. Despite the proposed increase in Council Tax, Anglesey's council tax remains among the lowest in Wales and based on information to date, will be the lowest in North Wales in 2023/24.

The Director of Function (Resources)/Section 151 Officer confirmed that although the financial position is much improved to that forecast in the Medium Term Financial Plan back in September, 2022, there remain a number of financial risks which are not covered or only partially addressed by the budget predominantly with regard to inflation and its potential impact on pay awards and other Council costs. These are outlined in section 6 of the report. Local Government staff have come to an agreement on the 2022/23 pay offer which may ease the pressure on the 2023/24 pay claim. While any increase above the 3.5% provided for in the provisional budget would have to be funded from Council reserves putting a higher provision in the budget would in turn necessitate a higher Council Tax increase. Other risks

relate to the cost of living crisis which could lead to increased demand for the Council's services in 2023/24 as well as a possible reduction in the Council's income from leisure services and/or Council car parks as people cut back on discretionary spending. With regard to reserves any overspends in 2022/23 or 2023/24 will further reduce the Council's general balances. The Section 151 Officer confirmed that in his professional opinion the proposed budget represents a fair reflection of the costs facing the Council in 2023/24 and meets the statutory requirement in being a balanced budget.

Councillor Dafydd Roberts, Chair of the Finance Scrutiny Panel confirmed that the Panel met on 12 January, 2023 to consider the proposals and that the Panel found the assumptions made to be sound, that the steps to make up the shortfall would avoid further cuts to services and that the proposed budget overall was fair.

In considering the initial budget proposals, the following issues were discussed by the Committee –

- Whether the proposals respond adequately to service pressures and challenges.

The Committee was advised that the draft budget includes increased provision for Children, Adults and Homelessness services as the areas experiencing the greatest demand led pressures. While the exact level of demand cannot be predicted, the budget represents the best assessment of the resources required to meet the Council's costs and what is considered might be the increase in demand.

- The ways in which the proposals might detrimentally affect Anglesey's citizens or any protected groups and whether any steps can be taken to mitigate the impact.

The Committee was advised that the 2022/23 budget included an investment of £700k in education services; the service has not implemented the plans relating to this funding and the additional investment is being postponed until such time as the financial situation improves and the investment is affordable. The inflationary increase in the schools budget is also being capped to 10%; however, it is not envisaged that these proposals will affect any particular group. Likewise, the remainder of the budget funds the services provided currently including those provided for the most vulnerable groups within the Island's communities. The Executive is keenly aware of the impact the cost of living crisis is having on communities and that crafting the budget is a balancing act, and while no specific group(s) may be adversely impacted by the budget proposals, the Executive and Officers alike are mindful of the current crisis.

- Whether the inflationary cap on the schools budget which is tantamount to a cut will be a matter of concern to schools and the Learning Service.

The Committee was advised that the proposals will be considered by the Schools Forum in February. It should however be noted that the Schools Budget is being increased by £4.3m or 10.3%. Funding the teachers 2022/23 pay award is also still under discussion given that it was higher than the provision made in the budget. It is likely that the extra cost for the teachers' pay award will be funded from the Council's central budget rather than from the schools' budget meaning that schools will be £1m better off this year even though the inflationary increase is being capped next year. The impact of the cap on schools will vary depending on the level of reserves each school holds. The draft figures have been forwarded to each school and are in the process of being reviewed with head teachers before each school sets its budget for 2023/24.

The Committee was also reminded that the schools' budget has been protected for many years; schools have also built up their reserves in recent years and are required to show that they have plans for spending the surplus so it is expected that they will be drawing on those reserves in the coming year to fund any shortfall.

- The importance of grant funding and the consequences were one or more grants to be withdrawn or the Council was unsuccessful in its bid for grant funding.

The Committee was advised that the primary source of additional grant funding is Welsh Government and that some of the grants from Welsh Government are awarded annually – for education, housing and waste management which makes it difficult to differentiate within those services what is funded from grants and what is funded from the Council's core budget so if the grant is reduced it becomes difficult to reduce the service. Other grant funding comes in the form of specific grants which are earmarked for specific activity and are usually time limited which makes service and workforce planning around those grants easier. Some of these grants are allocated competitively with no guarantee of success; when those grants end then so does the service/project.

- The use of £172.438m from the Council's general reserves to balance the 2023/24 budget and how this might appear to the public.

The Committee was advised that the Council's current level of unallocated general balances is forecast to stand at £10.2m by the end of the financial year with an additional £4m of earmarked reserves which could be returned to the Council's general balances. As a rule of thumb, the Executive has set the minimum general balance as 5% of the net revenue budget which for 2023/24 would be £8.7m leaving a potential £5.5m available to help fund the revenue budget over the next two to three years. While the £5.5m could be used in total to fund the budget shortfall in 2023/24, this would create a financial risk to the Council and could lead to future financial difficulties should it be necessary to fund any significant unexpected expenditure or fund future revenue overspending. Having a sufficient level of reserves is considered a key element of financial resilience and stability.

- The affordability of a Council Tax rise for those on low incomes and the means by which the Council publicises the help available in such cases

The Committee was advised that the budget allocates funding for the Council Tax Reduction scheme which is publicised on the Council's website, through the J.E. O'Toole Centre in Holyhead and other welfare advice organisations such the Citizen's Advice.

- Whether the proposed increase in the second homes premium from 50% to 75% is a fair increase and how can the Council ensure that the income from this source remains sustainable

(The Chief Executive declared a personal and prejudicial interest at this point and withdrew from the meeting)

The Committee was provided with background information about the second homes premium on Anglesey which has increased incrementally since it was first approved and set at 25% of the level of Council Tax. As the premium has risen to its current level of 50% so has the number of second homes transferring to business rates and although the number of second homes did reduce for a period it has since risen to 2,700. The number has levelled off since the premium rose to 50% and the rules for transferring to business rates were tightened. The aim is to be fair to second homeowners while still trying to make an impact in terms of managing the issue. Too steep or sudden an increase in the premium might prompt second homeowners to seek to avoid paying the premium altogether for example by declaring their second home as their main residence.

Other Members of the Council who had been invited to the meeting were given an opportunity to express their views on the budget proposals. Councillor Jeff Evans, a member of the Partnership and Regeneration Scrutiny Committee spoke about his experience of working with vulnerable and disadvantaged people on the Island over many years. Referring to the cost of living crisis he said he thought the proposed 5% Council Tax increase too high and unacceptable and that for many people who are struggling the £1.32 weekly increase this would entail for a Band D property represents the cost of a pint of milk. He also thought

the 3.5% pay provision unrealistic in the circumstances with many public sector workers striking for more pay to keep up with inflation. He suggested that the Council's reserves should be utilised to a greater extent than that proposed in order to reduce the Council Tax increase to 3.5% or 4%.

Councillor Gary Pritchard, Portfolio Member for Children (Social Services) and Youth Services said that while safeguarding the vulnerable is a concern for everyone, increasing Council Tax will ensure that services which the vulnerable rely on are maintained. Should the final settlement allow a reduced increase in Council Tax, then that will be considered.

Reference was also made to the successful bid to regenerate Holyhead Town Centre under the auspices of the UK Levelling-Up Fund, and the capacity of the Economic Development Service to deliver the work in terms of resources and time were discussed.

Having considered the draft revenue budget proposals for 2023/24 and having questioned the Portfolio Members and Officers on their impact and implications, members of the Corporate Scrutiny Committee were satisfied that the proposals were fair and reasonable and struck an acceptable balance between raising Council Tax, implementing savings and making use of the Council's reserves

It was subsequently resolved to recommend the 2023/24 draft budget proposals comprising of a budget of £172.438m to include a Council Tax increase of 5%, use of £1.758m from the general balances and an increase in the premium on second homes from 50% to 75% to the Executive as fair and reasonable thereby supporting the County Council to set a balanced budget.

4 FINANCE SCRUTINY PANEL PROGRESS REPORT

Councillor Dafydd Roberts, Chair of the Finance Scrutiny Panel reported on the outcome of the Panel's 12 January, 2023 meeting as referred to in the narrative on item 3 above.

5 THE DEVELOPMENT OF THE COUNCIL'S STRATEGIC PRIORITIES 2023-2028

The report of the Head of Profession (HR) and Transformation setting out the outcome of the process of engagement and resident response to the consultation on the strategic priorities outlined in the draft Council Plan 2023-28 was presented for the Committee's consideration.

Councillor Robin Williams, Portfolio Member for Finance, Corporate Business and Customer Satisfaction presented the report which represented the culmination of an engagement and consultation exercise with staff, residents, partners and stakeholders which has been ongoing since the start of the 2022 calendar year when the Council carried out its initial engagement exercise between February and March, 2022. The aim was to gain an understanding of what the residents of Anglesey hoped to see as the focus of the Council Plan for the forthcoming 5 year period. The results of this engagement and subsequent development work identified six strategic priorities which were then consulted upon from 20 September, to 14 November, 2022. The response rate provides the Council with a 95% confidence level in the findings with more than 8 out of every 10 respondents being in agreement with the draft strategic priorities.

The Programme, Business Planning and Performance Manager said that the in excess of 2,500 responses across the year testified to the engagement and consultation approach having been comprehensive and effective in engendering a response from the Island's residents.

In the subsequent discussion the following matters were discussed by the Committee -

- Whether assurance can be offered that the consultation and engagement process is inclusive and meets the statutory requirements.

The Committee was advised that the outcome reflects the work undertaken by the Council with regard to consultation and engagement over the course of recent years which has recognised the importance of giving people a voice in the Council's decision making process. It has been structured and put in place following the establishment of a Corporate Consultation and Engagement Board some years ago with Medrwn Môn and is also the result of the work on the previous Council Plan and it sits comfortably with the sustainable development principle of the Wellbeing of Future Generations Act which emphasises the importance of including the public in the decisions of the Council. It is also linked to the work undertaken as part of Place Shaping and the community hubs. The report shows that the Council has created the environment in which people are willing to participate. To ensure as much inclusivity as possible multiple means of engagement were adopted including online and digital, face to face and by distributing paper copies of the survey including an easy to read version to Council establishments, with the process being publicised through social media, press releases, radio and e-mails directly to partners.

- The extent to which the proposed strategic priorities remain relevant and achievable.

The Committee was advised that the process has shown the priorities to be relevant as actions that support both the Council's statutory duties and its aspirations for the Island. Whether they are all achievable over the five year course of the Plan is more difficult to answer with certainty given that circumstances can change rapidly. However a significant amount of work is going on in the background including challenge from Officers and Executive members so that assurance can be provided that areas for action to be identified will take the Council forward to achieving those priorities as well as helping create action plans and a reporting and monitoring framework that dovetail with the Council's performance management methods so that progress can be tracked and additional and/or different actions taken if necessary.

- The means by which the Council ensures joint planning and alignment between the Medium Term Financial Plan and the realisation of the strategic priorities over the next five years.

The Committee was advised that trying to plan the Council's finances over the course of a five year period when the Council does not know how much funding it will receive in 2024/25 is challenging. The MTFP is reviewed and updated annually to monitor how it fits in with the delivery of the Council Plan and priorities, and where possible funding will be allocated to ensure those priorities are realised. Another key document in the delivery of the strategic priorities is the Capital Strategy. The Capital funding position is tighter than that of revenue in terms of the resources available to allow the Council to do what it wants and capital resources now also purchase less having not kept up with costs.

- The key risks which the Council faces going forward.

The Committee was advised that being able to respond to demand and achieve everything that it wants to will be challenging. The Council Plan aims to provide a clear direction for the Council over the next five years but its realisation is dependent on the availability of resources which makes the annual financial processes all the more important in terms of ensuring resources are directed to the right places thereby making the most of opportunities as well as mitigating some of the risks. One of the main risks is the demand for services particularly in the context of an ageing population; another is the uncertainty about funding across the public sector and whether the funding the Council receives will be sufficient to enable it to continue to meet its statutory duties. The

uncertainty around long term funding is also a risk and a barrier to effective planning. However the Annual Delivery Document sets out what the Council intends to achieve each year of the five year Council Plan and is a reflection of how well the Council is delivering progress against its priorities.

Having received further clarification about the conduct of the engagement and consultation process and having been satisfied as to the appropriateness of the strategic priorities the Committee resolved to recommend to the Executive –

- **That the engagement and consultation process has been undertaken as comprehensively as possible during 2022.**
- **That the draft strategic priorities for the forthcoming Council Plan 2023-2 still hold firm following the engagement and consultation process.**

**Councillor R. Llewelyn Jones
Chair**

DRAFT