

CORPORATE SCRUTINY COMMITTEE

Minutes of the hybrid meeting held on 28 February, 2023

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

Councillors Geraint Bebb, Neville Evans, Douglas Fowlie, Aled M. Jones, Jackie Lewis, Llio A. Owen, Dafydd Roberts, Keith Roberts

Co-opted Member: Mr John Tierney (The Catholic Church)

Portfolio Members

Councillors Llinos Medi (Leader of the Council), 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 Glyn Haynes, Pip O'Neill, 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 Regulation and Economic Development
Head of Highways, Waste and Property
Head of Housing Services
Head of Adults' Services
Head of Democracy (DS)
Head of Profession (HR) and Transformation
Programme, Business Planning and Performance Manager (GM)
Scrutiny Manager (AGD)
Committee Officer (ATH)

APOLOGIES: Councillor Arfon Wyn, Councillor Gary Pritchard (Portfolio Member for Children (Social Services) and Youth Services
Councillors Trefor Ll. Hughes, MBE, John I Jones, Derek Owen, Liz Wood (invitees)

ALSO PRESENT: 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 meetings of the Corporate Scrutiny Committee held on the following date and times were presented and were confirmed as correct –

- 19 January, 2023 (morning meeting)
- 19 January 2023 (afternoon meeting)

3 BUDGET SETTING 2023/24 – 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 2023/24 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 2 March, 2023 meeting of the Executive setting out the detailed revenue budget proposals for 2023/24 for final review and agreement ahead of the 9 March meeting of Full Council was attached at Appendix 1.

Councillor Robin Williams, Portfolio Member for Finance, Corporate Business and Customer Experience presented the report saying that it follows on from the initial draft revenue budget proposals presented to this Committee at its meeting on 19 January which comprised of a proposed budget for 2023/24 of £172.438m which in light of the provisional AEF of £123.555m required an increase of 5% in Council Tax and the use of £1.758m of the Council's general balances to balance the budget. The Council is facing a number of risks going forward in the form of inflation, high energy costs, pay settlements, the demand for services and a potential reduction in the amount of income generated by fee charging services such as leisure, planning and car parking as the cost of living crisis continues to affect households. The public consultation undertaken on the Council's strategic aims showed a positive response to the proposed budget approach of combining a Council Tax increase with implementing savings and using Council reserves to produce a balanced budget and this approach was also endorsed by Scrutiny. Apart from the changes detailed in section 4 of the report and the minor adjustments to the budget which these have required, the one significant change impacting on the budget since the presentation of the initial draft proposals arises from the announcement late last week of an initial pay offer to the Council's non-teaching staff for 2023/24 which amounts to an average increase of in the region of 7%; this has been put forward by the employer as a "full and final offer." Given that the 2023/24 draft budget allows for a pay increase of 3.5%, this places an additional £2m as a pressure on the budget. The Executive has considered how this additional cost can be funded and proposes that it be met through the use of reserves deeming the identification of £2m of unplanned for savings at this late stage unrealistic and a higher increase in Council Tax as unacceptable in the current economic climate. The Portfolio Member whilst he highlighted the importance of having sufficient reserves in hand to meet such additional costs emphasised that reserves should not however be used on a random basis; they should be regarded as rainy day money to be drawn upon to deal with unexpected events and/or emergencies. The prudent management of the Council's finances in recent years has allowed reserves to be built up and those resources are now available to help support both the Council and the Island's residents through the current difficult times. Taking a prudent and cautious approach will not only enable the Council to address immediate needs but will also ensure its financial security for the future. The Executive therefore recommends as its final proposals that the budget be set as outlined in the Section 151 Officer's report; the

Council Tax increase be maintained at 5% and the Council's reserves be utilised to meet any shortfall between the provisional and final settlements.

The Director of Function (Resources)/Section 151 Officer reported that he was required to set a budget that reflects what are considered to be the costs of providing the Council's services for the following year and to report the same to the Council. The late announcement of the pay offer meant that the budget had to be reviewed and additional provision made to cover the cost of the offer. He advised that the use of reserves to balance the budget reduces the level of reserves available and is not a sustainable solution to the Council's financial situation in the long-term meaning that decisions will have to be made in that respect in 2024/25. However, the current level of reserves does offer the option of their being used again in a more limited way in 2024/25 to balance the budget should that be necessary and is dependent on a number of factors including the rate of inflation, the level of pay settlements and the local government settlement for 2024/25. That assessment must be made early in the new financial year in order to allow sufficient time to plan for the budget and any service reductions that may be required as well as holding a discourse on the level of Council Tax increase. The Section 151 Officer said that while he was comfortable with the use of reserves to balance the 2023/24 budget as the level of reserves the Council holds at present allows that to be done without placing the Council in any financial risk, there remains a great deal of uncertainty as regards the 2024/25 financial year which the Council will have to plan for in the coming year.

In the subsequent discussion, the Committee considered the final draft budget proposals from the following perspectives and sought assurance of the Section 151 Officer and Portfolio Member for Finance on the matters raised –

- The prospects for inflation in the coming year with the assumption being that a falling inflation rate will reduce the likelihood and/or justification for high pay settlements thereby reducing the pressure on the Council budget.

The Committee was advised that predicting the rate of inflation is difficult especially as low inflation over recent years has not materially affected the budget whereas the current rate of 10% has had a significant impact. A number of scenarios with regard to inflation have been considered taking into account Bank of England forecasts and the likeliest outcome has been factored into the provision for inflation in the 2023/24 budget. While inflation is projected to fall towards the end of 2023 and into 2024, the situation will become much clearer when the Council comes to prepare its 2024/25 budget and this is also likely to drive pay settlements. Local Government staff on the lowest pay scales have received two years of generous pay increases which if coupled with reducing inflation would make it more difficult for workers to demand high pay rises.

- The extent to which the proposals respond adequately to service pressures and challenges.

The Committee was advised that the pressure on services is twofold and arises from inflation and the resulting rise in costs for which provision has been made in the budget and is also the main reason for the £16m increase in the budget from last year, and from demand. A best assessment of demand in Adults' and Children's Services as the services under most pressure has been made and factored into the budget. While the 2022/23 Quarter 3 revenue budget monitoring report to the 2nd March meeting of the Executive shows services collectively to be on budget Adults' Services and Children's Services are overspent and when one off items such as vacant posts, grant funding and use of reserves are stripped away, then the true financial position of services is significantly worse. This has been taken into consideration in drafting the 2023/24 budget. The main risk currently is the impact on families of the cost of living crisis which in turn could translate into increased demand on

Social Services and Housing Services as people struggle with housing costs. Should the economy start to recover then it is hoped that these pressures will then ease.

- Whether the proposals will have a detrimental effect on the citizens of Anglesey or any protected groups and the ways in which the Council supports those who may be experiencing difficulties.

The Committee was advised that when the budget is put together, funding is allocated to services including those that provide for vulnerable residents and each service makes an assessment of its likely needs for the following year. The budgets for Adults' Services and Children's Services as those that support those most in need groups have been increased by approximately £6m across both services for 2023/24 to enable them to make provision to the new increased level of demand and additional investment has also been made in the 2023/24 budget for the homelessness service. Although the budget raises Council Tax, anyone experiencing difficulties in paying their Council Tax can seek help through the Council Tax Reduction Scheme or the Council Tax Discretionary Relief Scheme. The Council does seek to protect social care services for vulnerable adults and children as far as it can when drafting the budget.

- The proposed use of funding released as a result of changes in levies and contributions to joint services after the initial budget proposals were presented as outlined in section 4.4 of the report. Clarification of the proposed increase in Economic Development capacity was sought including what it was for.

The Committee was advised that the proposed £69k investment in the Economic Development Team will fund one post and will help the Team make the most of economic development and grant funding opportunities e.g. the development of a Freeport and schemes such as the Shared Prosperity Fund and the Levelling Up Fund which require an increased input by the Council. In response to a further query about the reduction in the balance of earmarked reserves from £24.46m at the beginning of 2022/23 down to a forecasted level of £9.973m at the end of the financial year, the Section 151 Officer clarified the movement in reserves during the year and confirmed that he would provide a written schedule of the same to the member making the query.

Councillor Dafydd Roberts, Chair of the Finance Scrutiny Panel commented to the effect that the Panel was happy with the proposed use of funding released as a result of changes in levies and contributions to joint services.

- Increasing the Council Tax by 5% in order to realise the proposals of the Executive for 2023/24.

The Committee was advised that there were two options as regards determining the level of Council Tax - either propose a lower Council Tax increase as part of the budget for 2023/24 and utilise more of the Council's reserves and/or make more savings to make up the gap in the budget which could pose a risk to the Council's financial position longer term, or make less use of the Council's reserves and increase Council Tax by a higher amount. The Executive takes the view that it cannot justify raising Council Tax by more than 5% at this time especially as many people are experiencing financial hardship so it has sought a balance between implementing savings, increasing Council Tax and drawing on the Council's reserves in setting the 2023/24 budget.

- How the Council might address any further surprises given the announcement of a higher than budgeted pay offer for non-teaching local government staff

The Committee was advised that pay increases for teaching staff are usually funded by Welsh Government so if the teachers' pay award from September, 2023 is above the 3.5%

allowed for in the budget the Council would expect to receive funding towards meeting the cost. However the Council is potentially facing a number of other risks as documented in the report and should any of those materialise then it would have deal with them as best it could at the time.

Having scrutinised the Executive's final budget proposals and having considered the assurances given and clarifications provided with regard to the delivery of essential services and support for vulnerable groups, the Committee collectively was satisfied that the final draft revenue budget proposals were fair and that the combination of savings, Council Tax increase and use of reserves as proposed was reasonable in the circumstances and allowed the Council to set a balanced budget.

It was resolved to support and recommend the following to the Executive in order to create a balanced budget –

- **A proposed budget of £174.569m for 2023/24**
- **A proposed increase of 5% in the Council Tax**
- **The use of monies from general balances to fund any gap between the provisional and final budget settlements**

(Councillor Aled M. Jones abstained from voting)

4 BUDGET SETTING 2023/24 – FINAL DRAFT CAPITAL BUDGET PROPOSALS

The report of the Scrutiny Manager was presented for the Committee's consideration. The report outlined the context to the 2023/24 Capital Budget setting process including the key role of the Council's Capital Strategy the principles of which underpin the Council's capital programme. The report of the Director of Function (Resources)/Section 151 Officer to be presented to the 2 March, 2023 meeting of the Executive setting out the final draft capital budget proposals for 2023/24 for recommendation to the 9 March meeting of Full Council was attached at Appendix 1.

Councillor Robin Williams, Portfolio Member for Finance, Corporate Business and Customer Experience reported that capital investment is becoming more difficult as the resources to support capital expenditure specifically the General Capital Funding received from Welsh Government have not increased by any great amount over a number of years and the value of the funding has been significantly eroded in the past twelve months due to inflation. The Executive proposes a capital budget for 2023/24 of £37.962m comprising of 2022/23 schemes brought forward; refurbishment and/or replacement of assets; new one-off capital projects; 21st century school programme and the Housing Revenue Account which is to be funded by a combination of the General Capital Grant, Supported Borrowing and Capital Receipts and in the case of the HRA, the HRA reserve.

The Director of Function (Resources)/Resources advised that additional grants are likely to be received during the year and these will be incorporated within the capital budget. Welsh Government capital funding including the General Capital Grant and supported borrowing has remained largely unchanged over a number of years and additional grant funding has become an increasingly important element of capital resourcing. The scope to use capital receipts is also very limited as any unsold assets are already earmarked for existing plans. The Council is therefore increasingly reliant upon additional capital grants in the year to fund any investments beyond the upkeep of its existing assets.

In considering the capital budget proposals the following issues were raised by the Committee -

- Whether the 2023/24 capital proposals enable the delivery of the Council's medium term priorities whilst balancing short term pressures and whether the principles of the Council's Capital Strategy allows the Council to meet its corporate objectives.

The Committee was advised that the core capital funding received from Welsh Government is only sufficient to cover the costs of repairing and refurbishing the Council's existing assets with grant funding being relied upon to undertake any new investment. The Housing Revenue Account position is different in that the HRA has a healthy level of reserves that are used to fund the development of new housing. The HRA will undertake borrowing once its reserves have reduced to the minimum level set out in the HRA Business Plan in order to continue with that development work; the HRA generates enough revenue from rental income to meet future borrowing costs. The HRA position is therefore such that it allows a much greater level of capital investment and expenditure on the housing side than what the General Capital Grant is able to deliver for other aspects of capital activity in the Capital Strategy; however, the HRA is ring-fenced and cannot by law be used to fund any activity or investment that is not related to the Council's housing stock.

The Committee was further advised by the Chief Executive that if the financial and economic prospects remain as they are in the medium to long term then the Council will have to consider whether it can continue to maintain all of its buildings/assets to a serviceable level hence some difficult decisions may have to be taken. Grant funding is not guaranteed as grants are often awarded on a competitive basis which does not provide the ideal environment in which to plan for capital expenditure and investment in the long-term.

- The extent to which the Council has autonomy to spend capital funding on local priorities.

The Committee was advised that the General Capital Grant and supported borrowing element from Welsh Government can be spent as the Council wishes but that this funding is by now only sufficient to cover the costs of maintaining existing assets. For additional capital investment the Council is dependent on capital grants many of which come with conditions attached restricting their use to a specific service area or activity. The Council can undertake borrowing on an unsupported basis meaning it would have to fund the cost of borrowing from its own revenue resources; the Prudential Code places limits on Council borrowing to ensure that it is affordable and sustainable unless it can be demonstrated that the borrowing is for schemes that cover their costs or can deliver revenue savings.

Councillor Dafydd Roberts, Chair of the Finance Scrutiny Panel confirmed that the Panel had scrutinised the final proposed capital budget at its meeting on 15 January, 2023 and had raised as an issue the extent of slippage annually on the Council's capital programme suggesting that the Council may be overly optimistic in its projections for capital expenditure. The Panel had considered ways in which it could help with monitoring the progress of capital expenditure.

Having considered the information presented both written and verbally at the meeting, and having regard to the feedback from the Finance Scrutiny Panel, it was resolved to recommend to the Executive a proposed capital budget of £37.962m for 2023/24.

(Councillor Aled M. Jones abstained from voting)

5 FINANCE SCRUTINY PANEL PROGRESS REPORT

Councillor Dafydd Roberts, Chair of the Finance Scrutiny Panel reported on the outcome of the Panel's 15 January, 2023 meeting as referred to in the narrative on items 3 and 4 above.

6 COUNCIL PLAN 2023-2028

The report of the Head of Profession (HR) and Transformation incorporating the Council Plan for the period 2023 to 2028 was presented for the Committee's consideration.

Councillor Robin Williams, Portfolio Member for Finance, Corporate Business and Customer Experience presented the Council Plan as the culmination of 12 months of preparatory work including extensive consultation with the Council's staff, elected members and the residents

of Anglesey regarding the Council's strategic objectives for the next five year period. The Portfolio Member referred to the conduct of the consultation and its outcome which were addressed in the Developing the Council's Strategic Aims 2023-28 report presented to this Committee's 19 January, 2023 meeting. As a result of this work and previous considerations, the draft Council Plan is presented to the Corporate Scrutiny Committee and includes the corporate wellbeing aims along with the strategic objectives and associated work streams.

The Chief Executive advised that regardless of the current challenging circumstances the Council has a responsibility to plan for a more prosperous future for the residents of Anglesey and to maximise the opportunities that come its way. The Council Plan therefore seeks to create ambition with being realistic about what can be achieved in the next five year period based on actual data and taking into account the resources available. It identifies the Council's statutory responsibilities as well as the outcomes the Council wishes to achieve for the people and communities of Anglesey in terms of creating a better future. An annual delivery document will be produced which will formally report on progress, success and outcomes. Subject to the Executive's endorsement and the County Council's approval a finalised version of the Council Plan will be issued and its contents will be used and publicised widely. The Chief Executive thanked all those who had been involved in developing the Plan as well as those who had provided input along the process.

In discussing the Plan the Committee raised questions regarding the challenges to its successful delivery; the extent to which it addresses statutory duties; the role of partners and the Plan's alignment with the expectations of the Well-being of Future Generations Act (Wales). The Committee also enquired about the arrangements for reporting and monitoring progress and how the public response may have influenced the Plan. The Officers and Portfolio Member further advised –

- That the Plan is the result of extensive consultation and seeks to cover what the Council is required to do by statute and what it wants to do by choice; an exercise to scope all the relevant legislation was undertaken at the outset of the development work to ensure that statutory duties are addressed by the Plan. However, the Plan is being issued in a period of uncertainty and it may have to be adapted to respond to challenges and/or opportunities as the Council moves through the period. The Plan is considered to be a robust document and the direction which it sets for the Council for the next five years should not change even if the detail does.
- That collaboration and co-operation are fundamental principles of the Council's work in all areas and the Council has well-established relationships with the Welsh government, its public sector partners including Health although the pressures on the social care system are proving challenging for interactions at present; the regulators, the voluntary and community sectors, the private sector and town and community councils. Equally important is the relationship with elected representatives both locally and nationally in bringing influence to bear on government. All play a part and are key to the successful delivery of the Plan.
- That this is the second Council Plan to be delivered under the Wellbeing of Future Generations (Wales) Act. The Plan sets out three wellbeing objectives supported by the strategic objectives which in turn are aligned with the aims and objectives of the Act. The Council's services also operate in accordance with the five ways of working set out in the Act which underpin the principle of sustainable development.
- That while there are currently factors beyond the Council's control which are creating uncertainty some of the main challenges to the successful delivery of the Plan relate to the availability of resources both to deliver services and to maintain assets, being able to fulfil statutory requirements, and the level of demand on council services. Although the Council has an able and committed workforce, recruitment and retention in a labour market that has been transformed by the pandemic remain a challenge as well.

The Council has also to continue with modernising its services and ways of working including moving to digital processes and to be prepared for the challenges which that brings.

- That the successful delivery of the Plan against the stated objectives will be monitored by publishing an annual delivery document which outlines what the Council intends to achieve in the financial year which will provide the Council with an understanding of what elements of the Plan will be moving forwards in that year. The Programme Boards will be looking at specific aspects of the Delivery document and can make recommendations as appropriate. The quarterly scorecard report presented to Scrutiny and the Executive identifies any areas of underperformance for remedial action. Further, the Local Government and Elections Wales Act requires councils to undertake an annual self-assessment which brings together different aspects of the performance management framework to provide an overall corporate view of annual performance.
- That in terms of consultation and engagement, the Plan has been created on the basis of the most far-reaching consultation work ever carried out by the Council which has resulted in a better understanding of what is important to Anglesey's residents. The initial engagement sought to establish what Anglesey's residents thought of as priority areas for the Council Plan following which six draft strategic objectives were developed and a further consultation was undertaken on those objectives. While those were endorsed by the majority, some changes were made in specific areas in the course of developing the Plan in response to the feedback received.

The Committee also noted that only 9% had responded to the consultation process through the medium of Welsh which Members highlighted as an issue requiring attention. Assurance was given that this statistic will be looked into further.

Having considered the information presented both written and verbally at the meeting it was resolved to recommend the Council Plan 2023-28 to the Executive for further consideration.

7 FORWARD WORK PROGRAMME

The report of the Scrutiny Manager incorporating the Committee's Forward Work Programme to the end of April, 2023 was presented for consideration and review.

It was queried whether the single item scheduled for consideration at the April, 2023 meeting might be brought forward to March and some of the outstanding items as yet to be scheduled be programmed for the April meeting.

The Scrutiny Manager advised that the matter would be raised with the Senior Leadership Team and discussed with the Chair.

It was resolved –

- **To agree the current version of the forward work programme for 2022/23.**
- **To note progress thus far in implementing the forward work programme.**

**Councillor R. Llewelyn Jones
Chair**