

CORPORATE SCRUTINY COMMITTEE

Minutes of the hybrid meeting held on 16 January, 2024 (A.M.)

PRESENT: Councillor Douglas Fowlie (Chair)
Councillor Dyfed Wyn Jones (Vice-Chair)

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

Co-Opted Members: Wenda Owen (The Church in Wales), Gillian Thompson (Parent Governor – Primary Schools Sector)

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 (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), Robin Williams (Portfolio Member for Finance).

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

Councillors Jeff Evans, Trefor Lloyd Hughes, MBE, Glyn Haynes, Gwilym O. Jones, Pip O'Neill, Derek Owen, Dylan Rees, Ken Taylor.

IN ATTENDANCE: Chief Executive
Deputy Chief Executive
Director of Function (Resources)/Section 151 Officer
Director of Social Services
Director of Learning, Skills, and Young People
Head of Adults' Services
Head of Highways, Waste and Property
Head of Housing Services
Head of Regulation and Economic Development
Head of Democracy (DS)
Head of Profession (HR) and Transformation
Legal Services Manager (RJ)
Scrutiny Manager (AGD)
Committee Officer (ATH)
Webcasting Officer (FT)

APOLOGIES: Councillor Jackie Lewis, Councillor Dafydd Rhys Thomas (Portfolio Member for Highways, Waste and Property), Councillor Euryn Morris (invitee)

ALSO PRESENT: Bethan H. Owen (Accountancy Services Manager)

The Chair welcomed everyone to the meeting and he extended a particular welcome to Mrs Wenda Owen to her first meeting of the Corporate Scrutiny Committee as the representative of the Church in Wales.

1 DECLARATION OF INTEREST

Councillor Sonia Williams declared a personal interest only as the wife of the Portfolio Member for Finance.

Councillor Jeff Evans (not a member of the Committee) declared a personal interest with regard to the Fire Service Levy as a Council representative and member of the North Wales Fire Service Authority.

Councillor Dylan Rees (not a member of the Committee) declared a personal interest only with regard to the Fire Service Levy as a Council representative and Chair of the North Wales Fire Service Authority.

2 BUDGET SETTING 2024/25 – INITIAL 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 initial revenue budget proposals. The report of the Director of Function (Resources)/Section 151 Officer to be presented to the 23 January, 2024 meeting of the Executive setting out the provisional revenue budget for 2024/25 was attached at Appendix 1.

Councillor Robin Williams, Deputy Leader and Portfolio Member for Finance provided an overview of the budget process and implications of the provisional Local Government Settlement for 2024/25 which was issued by Welsh Government on 20 December 2023. The provisional settlement showed an increase of £169.8m in the overall level of funding for Wales equivalent to a 3.1% increase in cash terms. The draft settlement had resulted in a 2.5% increase for Anglesey (0.6% below the Welsh average and the 17th highest increase from the 22 authorities) which after the main budget changes have been taken into account leaves a funding deficit of £14.391m before any change in Council Tax. Bridging this gap through Council Tax alone would mean raising Council Tax by 30% which the Executive believes is unacceptable and unrealistic. The Executive is therefore proposing that the shortfall be made up by a combination of budget savings of £4.773m (funding of schools at 2.5% below inflation, workforce reductions, other budget savings as per Table 4 and Appendix 3 of the report and use of Council Tax Premium to support service costs), the use of £4.425m of reserves (£1.6m from General Balances and £2.825m from Earmarked Reserves) and a Council Tax increase of 9.78% plus an additional 1.12% to fund the increase in the Fire Service Levy (noting that based on the latest information, this could change) making a total rise of 10.9%. This would take the Band D charge (excluding Police and Town/Community Council precepts) to £1,592.37, an increase of £156.51 or £3.01 per week.

Councillor Robin Williams whilst emphasising that the level of increase in the Council Tax is not something the Executive is comfortable with referred to the difficult financial context and uncertain financial climate which has made preparing the provisional revenue budget for 2024/25 a challenging task. The Council is legally required to deliver a balanced budget and despite the proposed Council Tax increase which is at a similar level to indicative increases by other authorities, Anglesey remains one of the lowest Council tax charging authorities in Wales having exercised prudent financial management in previous years which has strengthened its financial position and is helping it deal in the short-term with the challenges it is facing.

The Director of Function (Resources)/Section 151 Officer provided additional context saying that the financial challenges described in the report are not unique to Anglesey. Several local authorities in England have issued Section 114 notices whereby the Chief Financial Officer gives notice that in the financial year, it is expected that the expenditure incurred by the Authority is likely to exceed the resources available to fund that expenditure. Although no council in Wales has issued a Section 114 notice, the financial pressures faced by Welsh councils are similar to those in England. The Welsh Local Government Association (WLGA) estimates that Welsh councils are facing budget pressures of £720m in 2024/25 and further pressures of £516m in 2025/26 and £524m in 2026/27. If the position in Anglesey reflected the WLGA estimate, the Council's budget would have to rise by £16m in 2024/25 followed by increases of £12m in 2025/26 and 2026/27.

The Section 151 Officer elaborated on the pressures and consequently financial risks facing the Council many of which including service demand, inflation, pension costs, levies set by other bodies and new or changing service requirements imposed by Welsh and/or UK Government are outside the Council's control. Some of those risks have been allowed for in the budget proposal whilst others would have to be covered by the Council's general balances and reserves should the risk materialise into a financial cost in 2024/25. The main budget changes are detailed in section 4 of the report and the budget risks are outlined in section 6. All these have contributed to the pressure on the Council's budgets and have created the need for a Council Tax increase so that a balanced budget for 2024/25 can be achieved. Services which have come under particular pressure due to rising demand and referrals, cost of provision and complexity of cases are Adults' and Children's social care. Grants provided in 2023/24 which have helped mitigate the overspend in these services are unlikely to be repeated in 2024/25 and therefore a budget correction (in addition to inflation) of £2.9m for Adults' social care and £0.9m for Children's Services has been made in the 2024/25 standstill budget.

Looking forward to 2025/26 and beyond it is not envisaged that Welsh Government funding for the Council will increase by much more than 1% or slightly over £1m (if at all). However, the Council will likely be facing the same financial pressures in the form of rising demand and costs which it is estimated will add in the region of £5m to the Council's budget in 2025/26 leaving a funding shortfall of £4m from the outset. Additionally the Council will have used approximately £8m of its reserves in balancing the 2023/24 (£3.78m) and 2024/25 (£4.225m) budgets, a position which is unsustainable in the long-term. The use of reserves allows the Council to review its budget requirement in the long-term where the services provided must be re-aligned to the core funding available. The proposed budget for 2024/25 begins the process of reducing service provision, but further significant reductions in services will have to be implemented in 2025/26 and subsequent years to enable the Council to set a balanced budget and to keep Council Tax rises to a reasonable and affordable level. Failure to do so increases the risk of the Council becoming financially unsustainable by 2026/27 or 2027/28.

The Committee thanked the Section 151 Officer for the report and presentation acknowledging that the draft budget process had been difficult but recognising also that Anglesey is in a better financial position than many other authorities. During consideration of the report attention was given to the Fire Service Levy with it being noted that the North Wales Fire Authority is planning an increase in its levy on the six North Wales constituent authorities of 10.8% which increases the budget by £4.8m. Due to the change in population, Anglesey's contribution to the levy rises from 9.92% to 10.03% of the total levy resulting in an increase to the levy on the Council of £533k which is equivalent to a 1.12% rise in Council Tax and taking the levy which is funded by the Council to £4.936m. The Committee wanted to know whether highlighting the levy was something new as it had not been singled out in this way as part of previous budget discussions. Councillor Ieuan Williams pointed out that he had asked the Chief Fire Officer at a meeting of the Partnership and Regeneration

Scrutiny Committee recently whether she could make available a copy of the Service's corporate structure for members to scrutinise for any possible savings. He requested that the Chief Fire Officer be invited to attend next year to allow members to undertake such scrutiny although it was also noted by Committee that this Council as with the five other North Wales councils have elected member representation on the North Wales Fire and Rescue Service Authority and that the Authority also has an Executive Panel and Audit Committee to scrutinise and determine these matters.

The Chief Executive advised that he understood that considerable work had been carried out by the Fire Service Authority to look at reductions in central overhead costs in order to protect frontline services and that a panel had been established for that purpose. Extensive discussions have taken place around this subject and it might be possible to request that the output from those discussions be made available to be considered outside of this meeting but also with a view to next year's budget setting. Because of the challenging financial situation in which Anglesey and the other North Wales councils find themselves it was discussed and was decided that council tax increases in connection with council services and council tax increases in connection with the Fire Service levy should be differentiated and clearly communicated. While some authorities have been doing this for some time, it was deemed important that there should be a consistent approach by the North Wales authorities. There is also some engagement with Welsh Government about fire service authorities becoming precepting authorities themselves so that the discourse between the Fire Authority and the public happens separately from county council processes. Notwithstanding the Council's elected member representation on the North Wales Fire and Rescue Service Authority it is appropriate that Officers and other Elected Members should have the opportunity to consider and to challenge the levy if they so wish since it is specified on Council Tax billing documentation. Also, given the serious financial situation, councils have to look at every possible means of keeping expenditure within budget to avoid Council Tax increases and service reductions.

In response to further questions by the Committee, the Director of Function (Resources)/ Section 151 Officer confirmed that the North Wales Fire and Rescue Authority has the right to ask for an additional levy as well as the right to carry reserves which could cover any overspend in the year.

Councillor Dylan Rees speaking as Chair of the North Wales Fire and Rescue Service Authority confirmed that the Authority's budget for 2024/25 had been scrutinised carefully and in detail. While originally the planned increase in the levy had been 10.8% the proposal that will now be put to the Authority at a meeting on 22 January 2024 is for a rise of 8.85% following an increased use of reserves. While the Fire and Rescue Service is facing the same financial challenges as local authorities, he could assure the Committee that the Authority has conducted extensive work to reduce the increase in the levy as far as possible.

In response to other issues raised on the budget proposals, the Portfolio Member and Officers responded as follows –

- With regard to the Council's reserves position and whether it has sufficient "rainy day money" or room in its budget to avoid going into difficulties, the Committee was advised that the Council's current level of unallocated general balances is forecasted to stand at £11.1m by the end of the 2023/24 financial year. The proposed use of £1.6m of those balances in 2024/25 would leave a total of £9.5m which is equivalent to 5% of the net revenue budget which is the minimum general balance as set by the Executive. These balances are available should the Council incur any unexpected or unplanned for expenditure in 2024/25. Councils which have issued Section 114 notices have effectively run out of balances and are unable to fund over expenditure which highlights the

- importance of maintaining a healthy level of reserves. Should the Council have to draw significantly on its balances in 2024/25 then it will have to put in place a strategy to replenish those balances in the following years.
- With regard to commencing the budget setting process sooner especially if implementing savings or reduction in services are part of that process, the Committee was advised that the savings that form part of the 2024/25 Budget proposals have been put forward because their impact is deemed negligible and because it is considered that the Council can manage the reduction in capacity in the forthcoming year. Informal discussions in relation to the 2025/26 budget have already begun with the Leadership Team and Executive including the kind of choices that will have to be made and processes followed to be able to deliver a balanced budget for that year given that that is expected to be even more of a challenge than setting the 2024/25 budget.
- Noting that the Council is no longer able to protect education and schools from a reduction in their budgets, it was asked whether it was feasible in instances where cuts might affect the quality of teaching and/or the number of pupils for the Service to work with the school to form a plan to allow it to go into the red for a year or two. The Committee was advised that this is the first year the Council has had to implement a significant cut in the schools budget with it being unavoidable as the financial challenges are too great for the Council's other services to bear on their own. A situation is approaching whereby it will be difficult to meet statutory responsibilities as the pressures are becoming greater than capacity and the funding which the Council receives. There needs to be a discourse with Welsh Government about lowering the thresholds in some areas in order to reduce costs even though that could lead to a deterioration in the level of service or to "managed decline." Not having this conversation runs the risk of councils in Wales becoming insolvent because of the growing gulf between demand and resources.

The Section 151 Officer advised regarding schools with a budget deficit that the Council works with those schools individually to help them balance their budget, and whilst it is accepted that some schools are able to recover from a position of deficit within a year or two, the Council will not permit a school to run a deficit year on year without it being able to demonstrate that it has a plan to rectify that position.

- With regard to concern that the 3.5% provision made in the 2024/25 standstill budget for non-teaching pay inflation and the 2% provision for teaching pay inflation may be insufficient and the implications for the budget if that proves to be the case, the Committee was advised that this has been identified as a budget risk. There may be more clarity on the situation before the final budget for 2024/25 is approved and the budget may have to be adjusted accordingly. The challenge is to achieve a balance and to avoid over providing for pay inflation as that would mean a higher Council Tax increase whilst also having regard to the expectation that the budget reflects as accurately as possible the estimated costs of operating the Council's services in 2024/25.
- With regard to supporting practitioners in schools to access other sources of funding and/or grants which they may not be aware of or may not have the time to pursue, the Committee was advised that aside from the large Welsh Government grants for education, the Learning Service seeks to bring the availability of various, usually small pots of funding to the attention of schools through weekly bulletins. The Learning Service would be happy to look at the funding sources available with a view to focusing on a few main sources and will consider the matter of assisting schools access this funding as time and capacity allows.

The Section 151 Officer advised that schools receive a significant amount of funding through grants and must adjust their budgets as those grants increase or reduce. This is not ideal as it makes financial planning and management more difficult, and if those grants involve a bidding process, then that means that time and resources must be spent on preparing a bid. It would be preferable if a greater proportion of grant funding for schools and other Council services was incorporated within the settlement as that would reduce the administrative burden linked to grants.

- With regard to the shortage of funding driving changes in the way council services are planned and delivered with the direction of travel being towards merger and sharing services, the Committee was advised that currently there are no discussions about restructuring local government there being two key factors namely the time restructuring would take and the extent of the savings that restructuring would yield with larger structures not always leading to a reduction in costs. The Council already works in partnership with other authorities and sectors with partnership working being one of its core values. Where it does engage with others the Council does so well and effectively with Officers looking to see where joint working can lead to better, and more cost-effective outcomes.

The Chair opened the discussion to the invitees to the meeting. Councillor Ken Taylor spoke about having confidence in the Council's officers and staff and Councillor Jeff Evans, having concerns about the impact of funding and service cuts on community morale wanted to be able to give the public cause for optimism for the future and he referred specifically to the opportunities and benefits that could result from the Anglesey Freeport and Levelling Up for example.

The Chief Executive advised that there is a difference between the Council's financial position and its ability to maintain existing service levels and the overall direction of travel of the Island. Changing the economy takes time and requires Welsh and UK Government support and interventions with the impact of job losses over the past 10 to 20 years now being felt as the reduction in the number of working age people on the Island is reflected in the settlement hence the need to deliver on the Anglesey Freeport and Energy Island as ways of reversing managed decline. The creation of quality jobs is key to that endeavour and while the Council as an enabler can play its part in that process there is concern that the funding outlook for the next few years could undermine the Council's enabling capability as it focuses on its statutory responsibilities. There is cause for hope as well as intention and a commitment to attracting investment to the Island and to create employment growth. The Outline Business Case for the Anglesey Freeport was submitted to Welsh Government prior to Christmas and a decision on that is now expected after March 2024 which means that the potential benefits of Freeport status will have to be considered when setting the 2025/26 budget. Although there is optimism for the long-term it cannot be factored into the Council's budget setting process as that deals with the here and now.

Councillor Geraint Bebb, Chair of the Finance Scrutiny Panel presented the Panel's feedback from its three meetings the previous week to scrutinise the 2024/25 initial draft Budget proposals. As well as being presented with the report of the Director of Function (Resources)/Section 151 Officer on those proposals, the Panel received verbal reports by the Portfolio Members and Heads of Service in relation to Learning and Schools, Leisure, Children and Families and Adults' Services. Having considered the documentation presented and the clarifications provided by Officers and Portfolio Members regarding the details and effects of the proposals, the Panel had resolved to support the budget proposals as presented and to recommend the following to the Corporate Scrutiny Committee –

- A proposed net Revenue Budget for 2024/25 of £184.219m
- Budget savings of £4.773m
- An increase in the Second Homes Premium from 75% to 100%

- The release of £4.425m from the Council's General Balances and earmarked reserves to balance the 2024/25 Revenue Budget
- An increase in Council Tax of 9.78% plus 1.12% to cover the Fire Service Levy.
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Having scrutinised the initial draft Revenue Budget proposals for 2024/25 and having regard to the points raised in discussion and the Officer and Portfolio Member responses as well as feedback from the Finance Scrutiny Panel, it was resolved to support and recommend the 2024/25 draft Revenue Budget proposals as presented to the Executive comprising of the following –

- **A proposed net Revenue Budget for 2024/25 of £184.219m**
- **Budget savings of £4.773m**
- **An increase in the Second Homes Premium from 75% to 100%**
- **The release of £4.425m from the Council's General Balances and earmarked reserves to balance the 2024/25 Revenue Budget**
- **An increase in Council Tax of 9.78% plus 1.12% to cover the Fire Service Levy.**

(Councillor Aled Morris Jones wished it to be noted that he had only voted for the proposals to go out to public consultation and not for the proposals themselves).

3 FINANCE SCRUTINY PANEL PROGRESS REPORT

Councillor Geraint Bebb, Chair of the Finance Scrutiny Panel reported on the outcome of the Panel's three meetings in the week commencing 8 January 2024 to consider the 2024/25 initial draft Revenue Budget proposals as referred to in the narrative on item 2 above.

**Councillor Douglas Fowlie
Chair**