

CORPORATE SCRUTINY COMMITTEE

Minutes of the meeting held in the Council Chamber and virtually on Zoom on 15 January, 2025 (A.M.)

PRESENT: Councillor Douglas Fowle (Chair)
Councillor Sonia Williams (Vice-Chair)

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

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

Portfolio Members

Councillors Gary Pritchard (Leader of the Council and Portfolio Member for Economic Development), Robin Williams (Deputy Leader and Portfolio Member for Finance and Housing), Neville Evans (Portfolio Member for Leisure, Tourism and Maritime), Dyfed Wyn Jones (Portfolio Member for Children, Young People and Families), Alun Roberts (Portfolio Member for Adults' Services and Community Safety), Dafydd Roberts (Portfolio Member for Education and the Welsh Language), Nicola Roberts (Portfolio Member for Planning, Public Protection and Climate Change), Dafydd Rhys Thomas (Portfolio Member for Highways, Waste and Property).

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

Councillors Non Dafydd, Jeff Evans, Kenneth Hughes, Trefor Lloyd Hughes, MBE, Gwilym O. Jones, Pip O'Neill, Derek Owen, 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
Accountancy Services Manager (BHO)
Scrutiny Manager (AGD)
Committee Officer (ATH)
Webcasting Officer (FT)

APOLOGIES: Councillors Aled M. Jones and Jackie Lewis, Wenda Owen (The Church in Wales), Gillian Thompson (Parent Governor – Primary Schools Sector), Carwyn Jones (Portfolio Member for Corporate Business and Customer Experience), Councillors Glyn Haynes, Euryrn Morris, Dylan

Rees (invitees)

ALSO PRESENT: Elin Allsopp (Scrutiny Officer)

1 DECLARATION OF INTEREST

No declaration of interest was received.

2 BUDGET SETTING 2025/26 – 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 2025/26 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 21 January, 2025 meeting of the Executive setting out the provisional revenue budget for 2025/26 and related considerations was attached at Appendix 1.

The report was presented by Councillor Robin Williams, Deputy Leader and Portfolio Member for Finance and Housing who highlighted the better than expected provisional settlement for Local Government in Wales announced on 10 December 2024 which showed an increase of £410.3m in the overall level of funding for Wales equivalent to a 7.2% increase in cash terms. The draft settlement had resulted in a 3.59% increase for Anglesey (0.7% below the Welsh average and the 16th highest increase from the 22 authorities) which after the main budget changes have been accounted for as per section 4 of the budget report leaves a funding deficit of £10.791m before any change in Council Tax. Closing the funding gap through Council Tax alone would mean raising Council Tax by 20.6% which the Executive deems unrealistic and using the Council's reserves to make up the difference would lead to the depletion of the reserves. Neither can a deficit on this scale be met by implementing savings. The Executive is therefore proposing that the shortfall be made up by a combination of budget savings, use of reserves and Council Tax increase.

Councillor Robin Williams said that although the increase in the settlement is to be welcomed it is not sufficient to meet all the Council's budgetary pressures chief of which are National Insurance costs with there being some uncertainty around additional funding to meet those costs and its timing, and service demand especially in Children and Adult Services which are subject to significant changes in client demand meaning it is important that the Council maintains its prudent approach to financial management and avoids over committing its reserves. The Executive is keen to protect the schools budget for 2025/26 having implemented a cut in the budget in 2024/25 as well as the corporate trainee budget and to maintain the premium on empty and second homes at its current level of 100%. The draft budget proposals being put forward by the Executive for public consultation include an increase of 9.5% in Council Tax (to include a Fire Service levy of 0.65%), the provision of additional funding to meet demand pressures in Children's and Families Services, protection for school budgets with cost pressures being funded in full, use of Council Tax premium to support first time buyers, additional funding for social care providers to enable them to meet additional staff costs in 2025/26, service budget reductions, and the draw down of £2m from Council reserves to balance the budget. The outcome of the public consultation will be reported to Scrutiny in February ahead of the Executive formulating its final budget proposals to be put to the Full Council on 6 March 2025.

The Director of Function (Resources)/Section 151 Officer referred to the work over many months that had gone into drawing up the draft budget which meets statutory requirements in being funded through the primary means available to the Council namely the Revenue Support Grant, Council Tax, and use of reserves. There remain a number of budget risks as

detailed in section 6 of the budget report regarding which assumptions have had to be made for the purpose of building the budget. These include staff costs which account for £100m of the budget and the as yet undetermined pay awards for 2025/26 for both teaching and non-teaching staff. While the report sets out the implications for the revenue budget of underestimating pay increases, it is also important that the Council should not over provide for these costs in the budget as over provision would have to be funded and the cost would fall to the taxpayer for something that might prove unnecessary. The objective is to create a budget that is based on facts and on reasonable estimates of the Council's costs but that is not overly conservative. The Section 151 Officer reminded members that the eventual Council Tax Bill to Anglesey taxpayers will also include the North Wales Police and Crime Commissioner tax and town/community council tax. The settlement for 2025/26 means the Council is in a better position than originally anticipated but there remains significant uncertainty regarding funding for local government in Wales for 2026/27 and beyond with pressure on the Westminster Government to reduce public sector costs meaning that councils may again be facing having to cut budgets and expenditure in 2026/27. It is hoped that the Spending Review in Spring 2025 will bring some clarity to the matter and that there will also be changes to the funding allocation process to enable councils to better plan including earlier notification of the settlement and an indication of future years' allocations.

The Chief Executive referred to the extensive work on the 2025/26 budget with Executive members and officers having dedicated considerable time to the process since last Spring, both formally and informally and briefings having been held for all elected members. Due to the unavailability of concrete information at the time, the budget has had to include many assumptions most of which have since proved close to the mark owing to the experience and professional expertise of the Finance team, other Council staff and the Executive. All options including cutting costs and not providing some services have been considered mindful of the fact that various aspects of what the Council provides are used and valued by Anglesey residents.

Councillor Geraint Bebb, Chair of the Finance Scrutiny Panel reported on the outcome of the Panel's meetings on 19 December 2024 and 9 January 2025 to consider the initial draft revenue budget proposals for 2025/26. Having considered the documentation presented by the Director of Function (Resources)/Section 151 Officer and Portfolio Members/Officer responses to matters raised, the Panel had resolved to support and to recommend the proposals to the Corporate Scrutiny Committee as presented. Those were as follows -

- An initial proposed budget of £195.234m
- Service budget savings totalling £699k
- Protection for the following –
 - Schools' budgets and ensuring that schools receive an increase that meets the increase in costs
 - Children's and Families' Services budgets with provision to fund additional budget pressures
 - The Corporate Trainee budget (£340k)
- Adults' Services to manage demand within the current budget provision (after allowing for inflation)
- Not to implement the remaining £400k in staffing efficiencies from the 204/25 financial year
- Formally propose that the Council Tax Premium for Second Homes / Empty Homes should remain at 100% and continue to use £1m of the income derived from the Premium to assist first time home buyers
- The release of £2m from the Council's general balances and earmarked reserves in order to balance the 2025/26 revenue budgets
- Proposed increase of 9.5% in the Council Tax (8.85% in the Council Tax plus 0.65%

to cover the North Wales Fire and Rescue Service Levy).

The following matters were raised by the committee in the subsequent discussion on the initial budget proposals to which the Leader, Service Portfolio Members, Chief Executive and Officers responded with assurances and clarifications –

- How future LEA and capital budgets can be planned to extend capacity at Canolfan Addysg y Bont, Llangefni.

The committee was advised that the Education Service works closely with Finance to ensure that every school is funded fairly through the funding formula. Ways of increasing capacity to admit more pupils to Canolfan Addysg Y Bont which would in turn increase the funding allocation are being looked at including the relocation of a unit. The LEA is also aware that there are a number of children who wish to gain admission to Canolfan Addysg Y Bont as well mainstream schools who are providing for children with additional needs and the LEA is in discussions with headteachers and officers to identify an alternative provision. The committee was further advised that pressures in the special educational needs system have been recognised nationally and have been raised by the Leader of the Council and Portfolio Member in discussions at the WLGA about the need to ensure appropriate investment in the system to enable local authorities to deliver in accordance with legislation and to ensure the long term sustainability of the system. The matter is more complex and strategic than one particular area or local authority. The Leader echoed those sentiments and confirmed that the Executive is fully aware of the pressures on Canolfan Addysg Y Bont and all schools due to the increase in the number of learners with additional needs hence the proposal that school budgets are protected in 2025/26.

- In light of falling rolls in the primary sector and the importance of protecting the positive environment associated with small schools, the effects on small schools of a funding allocation model that is focussed on pupil numbers which means smaller schools with fewer learners have smaller budgets when the actual costs of running the school do not generally fall in line with pupil numbers.

The Director of Function (Resources)/Section 151 Officer advised that the formula allocates funding on two levels the one being to meet the cost of the school building and the other the cost of the learners at a school. The cost per pupil in a small school is higher because the fixed costs are spread across fewer pupils. Those costs are included in the budget but as pupil numbers fall it becomes more difficult to sustain classes resulting in more mixed aged classes in small schools. While the Director of Education, Skills and Young People and the Portfolio Member for Education acknowledged the pressures on schools and were grateful for the protection afforded to schools in the proposed budget, the Leader also highlighted that the authority as a whole is disadvantaged by the national funding formula and as a smaller more rural council with an older demographic it has received a lower than average settlement because of the data on which the allocation is based which includes population; this in turn affects what the Council is able to fund.

- Given that Welsh Government has provided additional funding for local government in Wales for 2025/26 and Anglesey has received a better than expected settlement the rationale for proposing a 9.5% increase (including the Fire Service Levy) in Council Tax was questioned with concerns being expressed that the increase would be difficult for many people on the island coming on top of the increases in Council Tax in previous years.

The Leader explained that notwithstanding the settlement was better than had been planned for prior to the General Election, it was reported to Welsh Government through

the WLGA that councils in Wales would need a settlement of 9% just to keep services going at their current level before the increase in the national living wage and changes to National Insurance have been accounted for. The Council's share of the funding pot has increased by 3.6% and although the additional funding reduces the financial gap from the £18m originally envisaged down to £10.791m before adjustments/savings as noted in the report, it is not sufficient to meet all the financial pressures faced by the Council hence the need to make up the difference from the sources available to the Council by increasing Council Tax and by using reserves. The proposed Council Tax increase is higher than inflation because of the need to bridge the funding gap and is linked also to the proportion of the budget that is funded through Council Tax and through Welsh Government's Revenue Support Grant (30% and 70% respectively).

- The extent to which the proposals respond adequately to service pressures and challenges and the impact of the savings measures on services and provision in 2025/26.

The committee was advised that demand pressures and rising costs in Children's social care have required a budget correction in addition to inflation of £2.24m which has been factored into the budget. Children's care placements can incur significant costs as demand outstrips supply and these can be difficult to control. As the situation in Adult Services has stabilised and as the service has seen a significant increase in its budget over recent years it is proposed not to provide additional funding over and above inflation for demographic pressures in the service in 2025/26 and for the service to manage demand with the current budget provision. The rise in homelessness is also putting pressure on council budgets but is being managed by the Housing Service through provision other than expensive bed and breakfast accommodation. Grant funding is helping schools meet the needs of children and young people with additional learning needs but is not enough to fund staff costs. The committee was further advised of the pressure on capital funding which has not kept pace with costs over a number of years meaning the Council has not been able to invest adequately in its buildings and IT hardware leading to higher repair and maintenance costs.

- Whether the £3.122m increase in the Children's Services budget as per Appendix 2 of the report is based on assumption or on concrete evidence. Questions were also asked in the context of protecting vulnerable groups about the proposed rationalisation of day services for clients with physical and learning disabilities (£177k), the implications for day centres specifically Gweithdy Mona and whether a specific piece of scrutiny work should be conducted before the proposal is approved and implemented.

The committee was advised that the budget has to involve estimates and assumptions given the uncertainty around a number of aspects in relation to pay awards, the demand for services, demographic changes and wider economic factors regarding inflation and interest rates. The budget is constructed using the previous year's budget as a baseline to which are added known changes, and estimates are made based on experience and historical fact which means the budget is based on informed assumptions. The Section 151 Officer explained the process and referred to the different elements of Children's social care that are funded e.g. provision on the island, inhouse and independent foster care and out of county placements, the assumptions made and the changes that can occur in relation to those assumptions especially with regard to the number of children requiring care, the complexity of cases and costs involved. It was confirmed that the £3.122m increase in the Children's Services budget is made up of a £2.24m budget correction from 2024/25 to reflect an increasing caseload and rising costs, £400k for pay costs as well as approximately £440k to cover inflation. The committee was further advised by the Director of Social Services of the service's intention to accelerate its small homes provision (Cartrefi Clyd) for looked after children ahead of the introduction of

legislation to remove profit from children's care which potentially might affect the number and availability of care placements.

With regard to the proposed rationalisation of day services for clients with physical and learning disabilities, the committee was reminded that the Adult Services Strategic Modernisation Plan was presented to and supported by the Partnership and Regeneration Scrutiny Committee in November 2024 and sets out concrete steps to meet future service challenges including affordability and suitability and to transform and modernise elements of the service to ensure it is fit for the future including a continued emphasis on locating day services in community settings rather than specific buildings to provide better opportunities for people with learning disabilities to take part in mainstream activities and integrate in everyday life within their communities.

- Questions were asked about the effectiveness of preventive measures in managing costs and whether the savings target from income generation of £239,700 is realistic and achievable.

The committee was advised that while it is difficult to quantify the benefits of preventive actions the costs in Children and Families Services would be significantly higher were it not for the preventive and early intervention programmes run by the service to provide help and support to children and their families to prevent their needs from escalating into more serious issues. Reference was also made to the support provided for people with dementia and the creation of a dementia hub at Glan Hwfa. The Section 151 Officer clarified that the income generation proposals relate mainly to increasing the fee for green waste collection which had no impact on the number of subscribers when it was increased last year, and to improving and modernising income collection processes within the Maritime Service in response to the recommendations of an internal audit review. The Service Heads elaborated on what these proposals entailed highlighting also a charge which the Highways Service levies on utility companies for closing roads for utility works. It is envisaged that the scope for increasing the income from this particular source will reduce after 2025/26 and beyond.

- Whether the Executive is being overly cautious in proposing to maintain the Council Tax Premium for Second Homes / Empty Homes at 100% and that not increasing the premium represents a missed opportunity to generate additional resources at a time of financial constraints to help address pressing housing issues within communities on the Island.

The committee was advised that the Executive and Council have adopted an incremental approach to increasing the premium in order to evaluate the impact of an increase both in this and other neighbouring authorities on the number of premium payers in the local authority area. Also, Welsh Government recommends that local authorities consult on raising a premium to above 100% and that any such consultation should be undertaken at least six months before the beginning of the financial year to which the increase relates which means the timescale does not allow the Council to raise Council Tax premium above 100% for the 2025/26 financial year. Assurance was given that the level of premium for empty homes is under consideration in light of the number of people on the social housing register but that the Executive is also mindful that raising the premium on second homes may mean second homeowners registering their properties for business rates which means loss of the premium and Council Tax payments for the Council.

- Questions were asked about additional funding to help meet the increase in National Insurance costs as well as the areas on which the Executive would spend money in the event of extra funding being received or conversely the areas in which it would consider implementing cuts if additional funding is not received.

The committee was advised that it is understood but not confirmed that the Treasury will likely fund the additional NI costs of staff directly employed by the local authority and that the funding will be allocated to Welsh Government through the Barnett formula although Welsh Government has made the case that the position in Wales merits more funding than the formula allows. A provision for a grant of £2m for Anglesey has been made in the 2025/26 budget against estimated costs of £2.25m with any eventual difference to be met from the Council's general balances. An element of the costs to the third sector and to providers is also included in the provision for Adult Services. The Council through the WLGA has also been pressing for a funding floor to be included in the final settlement to reduce the impact on councils in receipt of a settlement below the Welsh average. Should a floor be applied and additional funding received the Executive would as part of the process look at the feedback from the budget consultation for the public's views on service priorities.

- The risks to the Council's long-term resilience and sustainability in using reserves to balance the budget.

The committee was advised that a contribution from the Council's reserves is a way of bridging part of the funding shortfall but also means that difficult decisions regarding ongoing expenditure are deferred to the following year. Reserves can also be used to meet any budget overspends. As a rule of thumb the Executive has set the minimum general balances as 5% of the net revenue budget as a reasonable level in terms of meeting the risks facing the Council. The Council's general balances are currently healthy and the Council's financial position has been helped by the allocation of additional grants by Welsh Government as per Table 3 of the report which means that funding allocated for the purposes now covered by the grants can be added to the general balances.

Continued use of reserves is not sustainable in the long-term and the scope for doing so is reducing meaning that the Council will have to look at how it manages its budget and how it provides services to ensure that it operates within the resource available to it. Welsh Government's final settlement will not be announced until February and may change, and additionally the Westminster Government's March 2025 spending review is likely to have implications for the 2026/27 budget.

- Assurances were sought that the public consultation questionnaire on the 2025/26 draft budget proposals will be more than a tick box exercise and will allow respondents to express their views and that there will also be opportunities for the public to engage in ways other than online. A request was also made and agreed that the consultation questionnaire include an age range question to help with analysing how different age groups respond to the consultation.

While assurances were provided, it was noted that there is limited benefit in receiving a volume of varying views and that there should be an element of continuity with last year's questionnaire to analyse trends.

Following discussion, it was proposed that the initial draft budget proposals as presented with the elements as outlined by the Portfolio Member for Finance and Housing and endorsed by the Finance Scrutiny Panel as reported by the Panel's Chair be supported and recommended to the Executive with additional actions in relation to further scrutiny of the proposal in relation to the rationalisation of day services for clients with physical and learning disabilities, specifically Gweithdy Mona, and the addition of an age range question to the public consultation questionnaire.

The Chief Executive suggested that the budget proposal regarding the rationalisation of day services for clients with physical and learning disabilities be included for discussion at a Members' Briefing Session. This suggestion was subsequently proposed as an amendment and was agreed and carried in the ensuing vote.

Having scrutinised the initial draft Revenue Budget proposals for 2025/26 and having regard to the matters raised in discussion and the responses provided by the Officers and Portfolio Members it was resolved to support and recommend the 2025/26 initial draft Revenue Budget proposals as presented comprising of the following to the Executive for the purpose of public consultation –

- An initial proposed budget of £195.234m
- Savings from service budgets totalling £699k
- Protection for the following elements of the budget:
 - Schools' budgets ensuring that schools receive an increase that meets the increase in costs
 - Children's and Families' Services budgets with provision to fund additional budget pressures
 - The Corporate Trainee budget (£340k)
- Adults' Services to manage demand within the current budget provision (after allowing for inflation).
- Not to implement the remaining £400k in staffing efficiencies from the 2024/25 financial year.
- Formally propose to maintain the Council Tax Premium for Second Homes / Empty Homes at 100% and continue to use £1m of the income derived from the Premium to assist first time home buyers.
- The release of £2m from the Council's general balances and earmarked reserves in order to balance the 2025/26 revenue budget.
- A proposed increase of 9.5% in the Council Tax (8.85% in the Council Tax plus 0.65% to cover the North Wales Fire and Rescue Service Levy).

Additional actions agreed –

- The budget proposal regarding the rationalisation of day services for clients with physical and learning disabilities (£177k) be included for discussion at a Members' Briefing Session.
- That the public consultation questionnaire on the Council's initial revenue budget proposals for 2025/26 include an age range question.

(Councillor R. Llewelyn Jones abstained from voting)

3 FINANCE SCRUTINY PANEL PROGRESS REPORT

Councillor Geraint Bebb, Chair of the Finance Scrutiny Panel reported on the outcome of the Panel's two meetings held on 19 December, 2024 and 9 January 2025 to consider the 2025/26 initial draft Revenue Budget proposals as referred to in the narrative on item 2 above.

**Councillor Douglas Fowlie
Chair**