

THE EXECUTIVE

Minutes of the hybrid meeting held on 29 February 2024

- PRESENT:** Councillor Llinos Medi (Chair)
- Councillors Neville Evans, Carwyn Jones, Gary Pritchard, Alun Roberts, Dafydd Roberts, Nicola Roberts, Dafydd Rhys Thomas, Robin Williams.
- IN ATTENDANCE:** Chief Executive,
Director of Function (Resources)/Section 151 Officer,
Director of Function (Council Business)/Monitoring Officer,
Head of Democracy,
Chief Economic Development Officer (TJ) (for item 9),
Senior Manager (Secondary Schools) (AE),
Committee Officer (MEH),
Webcasting Officer (FT).
- APOLOGIES:** None
- ALSO PRESENT:** Councillors Glyn Haynes, Dyfed W Jones (Vice-Chair of the Corporate Scrutiny Committee), Derek Owen, Ieuan Williams. Scrutiny Manager (AGD), Scrutiny Officer (EA).

1 DECLARATION OF INTEREST

None received.

2 URGENT MATTERS CERTIFIED BY THE CHIEF EXECUTIVE OR HIS APPOINTED OFFICER

None to report.

3 REVENUE BUDGET MONITORING - QUARTER 3, 2023/24

The report of the Director of Function (Resources)/Section 151 Officer setting out the financial performance of the Council's revenue budget at the end of Quarter 3, of the 2023/2024 financial year was presented for the Executive's consideration.

Councillor Robin Williams, Deputy Leader and Portfolio Member for Finance reported that on the 9 March, 2023, the Council set a net budget for 2023/2024 with net service expenditure of £174.569m, to be funded from Council Tax income, NDR and general grants, as well as £3.780m from general reserves. The overall projected financial position for 2023/2024, including Corporate Finance and the Council Tax fund, it is projected underspend of £0.842m. This is 0.49% of the Council's net budget for 2023/2024. He referred to paragraph 2.2 – Table 1 within the report, which summarises the significant variances as regards to overspend/underspend within the services of the Council.

The Director of Function (Resources)/Section 151 Officer reported that the financial position in Quarter 3 has seen an improvement since the Quarter 2. He noted that the assessment of clients within Adults' Services has improved, and more income has been generated that was foreseen in Q2. All services were also requested to review their expenditure and to slow expenditure wherever possible, and this has succeeded, with the majority of services showing an improved financial position at the end of quarter 3. However, he highlighted that there are empty posts within the Authority and services are unable to continue with staff covering for posts which have not been filled. The Director of Function (Resources)/Section 151 Officer further said that the additional income levels seen during the third quarter can also fluctuate and may not be replicated in 2024/2025. Additional one off grants received have also alleviated the situation, but he stressed that such grant funding is unable to be factored into the 2024/2025 budget.

It was RESOLVED:-

- **To note the position set out in Appendices A and B in respect of the Authority's financial performance to date and expected outturn for 2023/2024;**
- **To note the summary of Contingency budgets for 2023/2024, detailed in Appendix C;**
- **To note the monitoring of agency and consultancy costs for 2023/2024 in Appendices CH and D.**

4 CAPITAL BUDGET MONITORING - QUARTER 3, 2023/24

The report of the Director of Function (Resources)/Section 151 Officer setting out the financial performance of the Capital Budget at the end of Quarter 3 of the 2023/24 financial year was presented for the Executive's consideration.

Councillor Robin Williams, Deputy Leader and Portfolio Member for Finance reported that the Council approved a capital programme for non-housing services of £24.405m for 2023/2024, and a capital programme of £13.557m for the Housing Revenue Account (HRA). In addition, in June 2023, the Executive approved capital slippage of £13.477m to be brought forward from 2022/2023, bringing the capital programme for non-housing services to £33.532m, and £17.907m for the HRA. Since the budget setting process, there have been additional schemes added onto the programme, most of which are grant funded, and some amending of funding, which amounted to £9.396m. There has also been Executive approval of additional £1.26m for an HRA scheme. This brings the total capital budget for 2023/2024 to £62.095m which was set out in Table 1.2 of the report. The profiled budget at the end of Quarter 3 was £31.115m whereas the actual expenditure is £30.790m. He noted that any projected that has slipped from this year will be transferred to the next financial year.

The Director of Function (Resources)/Section 151 Officer reported that two Welsh Government grant funded projects in respect of Additional Learning Needs are expected to be repaid due to work not being able to being carried out as per the terms and conditions of the grant due to the need in prioritising the RAAC issues at

Holyhead High School and the capacity of the Property team. He noted that discussions have been conducted with Welsh Government to allow the two grant funding projects to be transferred to the next financial year but no agreement has been achieved at present. The Director of Function (Resources)/Section 151 Officer further said that it is foreseen that there will be £9.2m underspend but £5.8m is due to the Levelling Up projects in Holyhead which have slipped into the next financial year.

Members of the Executive expressed disappointment that the two-grant funding by Welsh Government towards Additional Learning Needs is expected to be repaid as this Authority has had to deal with RAAC issues within schools. The Leader said that she would formally write to Welsh Government on behalf of the Portfolio Member for Finance and Portfolio Member for Education, Skills and Young People to express disappointment that the grant funding is expected to be repaid and requesting an extension to the grant conditions deadline.

It was RESOLVED:-

- **To note the progress of expenditure and receipts against the capital budget 2023/2024 at Quarter 3;**
- **To approve the additional schemes amounting to £9.396m to the capital programme and amendments to funding as per Appendix C, which will result in a revised capital budget of £62,095m for 2023/2024;**
- **That the Leader of the Council formally writes to Welsh Government to request an extension to the grant condition deadline.**

5 HOUSING REVENUE ACCOUNT BUDGET MONITORING - QUARTER 3, 2023/24

The report of the Director of Function (Resources)/Section 151 Officer setting out the financial performance of the Housing Revenue Account (HRA) Budget for Quarter 3 2023/24 was presented for the Executive's consideration.

Councillor Robin Williams, Deputy Leader and Portfolio Member for Finance presented the report which set out the financial performance of the Housing Revenue Account (HRA) for the period from 1 April, 2023 to 31 March, 2024 comprising of both revenue and capital expenditure. He highlighted that the HRA is ring-fenced, and its reserves cannot be used for purposes other than to fund costs relating to the Council's housing stock including the development of new housing. The report shows the revenue budget has a budget surplus of £8,044k. The gross capital budget for 2023/2024 is £19,988k. Grant and other funding budget of £6,890k reduces the net budget to £13.090k. The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £5,046k, which would be funded from the HRA reserve.

The Director of Function (Resources)/Section 151 Officer reported that prudent investment and high interest rates have resulted in more income generated for the HRA. He noted that the overall level of bad debt provision is lower than anticipated at the beginning of the year. He further noted that the Housing Maintenance shows

an underspend of £432k at the end of Quarter 3. The Director of Function (Resources)/Section 151 Officer referred to the capital expenditure and said that it is forecasted an overspend on the capital expenditure as in noted in Appendix B within the report. He noted that delays are experienced in some projects due to waiting for Scottish Power to upgrade the infrastructure to allow the Authority to place solar panels on properties. He referred to Appendix C of the report which highlights the new development budget for 2023/2024.

The Executive welcomed the new housing developments on the Island funded through the HRA account but expressed concerned that the delay in responding by Scottish Power to upgrade the infrastructure is resulting in some projects being delayed.

It was RESOLVED to note the following :-

- **The position set out in respect of the financial performance of the Housing Revenue Account (HRA) for Quarter 3 2023/2024;**
- **The forecast outturn for 2023/2024;**
- **That the Leader of the Council to write to Scottish Power/National Grid expressing concerns that the delay in responding to works required results in the Authority's projected being delayed.**

6 MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2024/25

The report of the Director of Function (Resources)/Section 151 Officer setting out the detailed revenue budget proposals for 2024/2025 for the Executive's final review and agreement was presented.

Councillor Robin Williams, Deputy Leader and Portfolio Member for Finance reported that the Executive is required to agree a number of key matters in respect of the 2024/25 budget. This will then allow the final recommendations to be presented to the Full Council at its meeting on 7 March, 2024. The matters requiring agreement are the Council's Revenue Budget and resulting Council Tax for 2024/2025; the Council's updated Medium Term Financial Strategy and the use of any one-off funds to support the budget.

The Executive in January 2024, initially proposed a budget for 2024/25 of £184.219m which was based on the provisional AEF of £126.973m, this would require an increase of 10.9% in Council Tax and the use of £4.425m of the Council's general balances to balance the budget. In setting the budget, the Executive recognised the need to protect front line services and increasing budgets to meet an increased demand in Adult and Children's services. The budget proposals included capping the inflation increase for the delegated school's budget by 2.5% which reduced the budget by £1.25m, included a saving target of £1m to be generated from workforce reductions, the postponement of the use of the Council Tax premium to fund housing projects for one year, saving £1.2m and other budget savings and income generation projects of £1.327m. He noted that despite the short timescale between the publishing of the initial budget proposal and the date of the deadline for setting the Council Tax, a public consultation process was undertaken which included consultation within the Town and Community Councils

Forum, Young People's Forum, Older People's Forum, Schools Finance Forum together with an on-line consultation process.

The Portfolio Member said that thereafter the UK Government has announced that Councils in England would receive an additional £600m in funding in 2024/25. This additional funding creates an additional £25m as consequential funding for the Welsh Government and they have confirmed that £10.6m of this additional funding will return the Social Care Workforce Grant to the 2023/2024 level. The remaining £14.4m has been allocated through the Local Government settlement formula. The impact of this additional funding is that the Aggregate External Finance increases by £332k. He noted also that the North Wales Fire Authority have reviewed their final budget proposal which has resulted in a reduction of £87k in the levy that the Council must fund.

The Portfolio Member for Finance further said that the financial situation is slightly better than was foreseen at the beginning of the initial budget process. Whilst the school's budget has been increased, the Executive has decided that the cap on the inflationary increase in schools be reduced from 2.5% to 1.5% which will result in an increase to overall schools' budget by £498k compared to budget set in the initial proposals. The increase in Council Tax is also reduced to 9.5%, of which 0.9% relates to the increase in the Fire Authority levy and 8.6% relates to the Council's budget requirement. This increases the Band D, Council Tax by £136.44 taking the Band D charge to £1,572.30. The proposal to reduce the opening hours of Leisure Centres is modified to allow for Amlwch Leisure Centre to remain open until 3.00 p.m., rather than close at 1.00 p.m., as proposed in the initial budget proposals at an additional cost of £12k.

The Director of Function (Resources)/Section 151 Officer reported that the final settlement has been received by Welsh Government which is £175 higher than is noted within the report. He said that the main risk to the budget is that there is no pay offer made for NJC staff for 2024/2025; whilst 3.5% pay increase has been included within the budget setting process, any additional pay increase will have to be addressed. Welsh Government have yet to indicate what the Teacher's pay award will be from September 2024, therefore, there is still considerable uncertainty in respect of pay inflation. He noted that inflation is less of a risk this year and it is forecast to fall over the year. High interest rates have been beneficial in respect of the Council's investments. He further added that there are also risks to the large number of specific grants from Welsh Government, or other bodies, which provide in excess of £25m additional funding. The final settlement indicates that the majority of the grants received from Welsh Government will remain at the 2023/2024 level or will be reduced on an all Wales basis. Initial indications are that the grant funding to schools will be 8% to 10% lower than in 2023/2024. The proposed budget incorporates a number of assumptions in terms of likely levels of income and expenditure in future years and inevitably a number of financial risks inherent in the proposed budget. Whilst it is evident that people are struggling with the cost-of-living crisis, the increase in Council Tax may be a risk that people will be unable to afford to pay and debts may increase. However, the level of collection of the Council Tax has stabilised pre-pandemic levels. An additional risk will be the increase in the second home premium from 75% to 100%. The increase may encourage second homeowners to sell or let their properties.

Having taken into consideration the level of the Council's general balances, school balances, earmarked reserves and contingency budgets, the Section 151 Officer is content that the Council's financial position is sufficiently robust to withstand any difficulties that may arise during 2024/2025. However, whilst the Council has sufficient resources in reserve to enable it to use some of those monies to balance the budget for 2024/25, this is not a sustainable strategy in the long term. The Medium Term Financial Plan updated for 2025/26 and 2026/27 in Table 5 of the report, which is based on assumptions regarding inflation, pay and the local government settlement that may change as 2025/26 draws nearer, indicates that there will be a need to make significant reductions in the net revenue expenditure budget in 2025/26 (over £7m); although this could be partly offset by the further use of reserves it only postpones the need to make budget reductions in 2026/27. The situation does improve in 2026/27 with the expectation that inflation will have fallen back to the Bank of England's target of 2% and that the funding increase from Welsh Government will match inflation. The unknown variable will be demand for social care and homelessness services, which can place a significant pressure on budgets should they increase.

Councillor Dyfed W Jones, Vice-Chair of the Corporate Scrutiny Committee reported on the Committee's deliberations at its meeting on 27 February, 2024 with regard to the final draft budget proposals. He confirmed that the Committee had questioned the Officers and Portfolio Member for Finance on the ability of the budget to respond to service pressures and demand; the impact of the proposals on the citizens of Anglesey or any protected groups and the use of funding released as a result of changes in levies and contributions to joint services after the initial budget proposal was set. The Committee had also considered as to what steps the Executive proposes to take to address the forecasted funding gap in 2025/2026 and the potential impact of the proposed 1.5% cap on the inflationary increase for schools. Further questions were raised as to whether the proposal to reduce the Council Tax increase creates a financial risk for the Council in future and the impact of the proposed 9.5% increase in Council Tax on people who are struggling to pay and whether any support is available for them.

The Portfolio Member for Finance said that the Executive has also decided to release £200k from the general balances to school reserves. He said that the Executive has agreed that a further £50k will be transferred to the general balances to school reserves resulting in a total of £250k.

Members of the Executive spoke to say how difficult the process of setting the 2024/25 budget. Although it was acknowledged that using reserves to balance the budget is a risk the Executive is mindful of the impact of the cost-of-living crisis on households and recognises that there must be careful planning ahead of the 2025/26 financial year to see what more can be done to protect the residents of Anglesey. To this end it was suggested that there must be an improved settlement for local government to help this and other councils meet their statutory obligations, keep up with pay and inflation and to maintain and/or improve services. The Executive thanked the Director of Function (Resources)/Section 151 Officer and the staff of the Finance Service for their work on the budget setting process along with the other budget/finance related reports on this meeting's agenda.

It was RESOLVED :-

- **To agree the final details of the Council's proposed budget, as shown in Section 4 of Appendix 1 and Appendix 2;**
- **To note the Section 151 Officer's recommendation that the Council should maintain a minimum of £9.2m general balances;**
- **To note the comments made by the Section 151 Officer on the robustness of the estimates made, as set out in Section 5 of Appendix 1;**
- **To recommend a net budget for the County Council of £184.165m and resulting increase in the level of Council Tax of 9.50% (8.6% for Council Services and 0.9% for the Fire Levy) (£136.44 – Band D) to the full Council, noting that a formal resolution, including the North Wales Police and Town/Community Council precepts, will be presented to the Council on the 7 March, 2024;**
- **That any minor differences between the provisional settlement and the final settlement be adjusted for by using the general contingency which is included in the 2024/2025 budget by making a contribution to/from the Council's general reserves in order to set a balanced budget;**
- **To authorise the Section 151 Officer to make such changes as may be necessary before the submission of the final proposals to the Council;**
- **To agree that £250k be transferred from general balances to schools reserves;**
- **To agree that any unforeseen pressures on demand led budgets during the financial year will be able to draw upon funding from the general contingencies budget;**
- **To request the Council to authorise the Executive to release up to £250k from general balances if the general contingencies budget is fully committed during the year;**
- **To delegate to the Section 151 Officer the power to release funding from the general contingency up to £50k for any single item. Any item in excess of £50k not to be approved without the prior consent of the Executive;**
- **To confirm that the level of Council Tax Premium for second homes increases to 100% and for empty homes remains at 100%.**

7 CAPITAL STRATEGY 2024 - 2029

The report of the Director of Function (Resources)/Section 151 Officer incorporating the Capital Strategy 2024 - 2029 was presented for the Executive's consideration.

Councillor Robin Williams, Deputy Leader and Portfolio Member for Finance reported that the revised CIPFA Prudential Code (September 2017) introduced the requirement that all authorities must produce a capital strategy. This must set out the long-term context in which capital expenditure and investment decisions are made. The requirement is aimed at ensuring that authorities take capital and investment decisions in line with the service objectives, and properly take into account stewardship, value for money, prudence, sustainability and affordability.

The Director of Function (Resources)/Section 151 Officer advised that the Capital Strategy is linked to a number of other key plans and strategies. He said that there is a gap between the Council's capital requirement to modernise and upgrade existing assets and to deliver on its corporate priorities is in excess of £300m over the next 5 years. The minimum funding available through supported borrowing and the general capital grants is insufficient to fund the minimum required to maintain the Council's existing assets to a level that allows the safe and effective operation of those assets. The level of borrowing would be unsustainable due to financial situation and high interest rates.

It was RESOLVED to endorse and to recommend the Capital Strategy 2024 – 2029 to the Full Council.

8 CAPITAL BUDGET 2024/25

The report of the Director of Function (Resources)/Section 151 Officer incorporating the proposed capital budget for 2024/25 was presented for the Executive's consideration.

Councillor Robin Williams, Deputy Leader and Portfolio Member for Finance reported that the Capital Budget for 2024/25 takes into account the principles set out in the Capital Strategy which was approved by the Executive and the full Council in March 2023. The funds available to finance the capital programme for 2024/25 was shown in Table 1 of the report. The figure for the General Capital Grant and Supported Borrowing are based on the provisional Local Government figures. The final detailed proposed capital programme is shown in Appendix 2 to the report.

The Director of Function (Resources)/Section 151 Officer reported that the general capital funding received from Welsh Government for 2024/2025 is £12k higher than the allocation for 2023/2024 and is in line with the funding levels seen over the past 12 years. There has been no significant increase in the funding, even though the value of funding has been significantly eroded by inflation over this period. There are no additional projects included within the capital programme for 2024/25. He further said that the Council's modernisation of schools' estate, through the Welsh Government's Communities for Learning programme continues, although currently the programme only includes the completion of the Ysgol y Graig extension. He further reported on the Housing Revenue Account, which is a ring-fenced account, in terms of both revenue and capital expenditure. The proposed programme for 2024/2025 will see the continued investment in the existing stock to ensure compliance with the WHQS standards and to develop new properties.

Councillor Dyfed W Jones, Vice-Chair of the Corporate Scrutiny Committee reported on the Committee's deliberations at its meeting on 27 February, 2024 with regards to the capital budget 2024/2025. He confirmed that the Committee had feedback from the Finance Scrutiny Panel and had given careful consideration to the proposed capital programme and schemes within the context of the limited capital funding available for the general fund capital programme and schemes and had sought clarification from the Officers and Portfolio Member of how those proposals enable delivery of the Council's medium term priorities while balancing

short-term pressures as well as the extent to which the Council is able to determine its own capital priorities and expenditure. Further clarification was sought as to the effect on the HRA on the housing stock and tenants and individuals who are on the waiting list for a house. Having scrutinised the Executive's final draft capital budget proposals for 2024/25 the Corporate Scrutiny Committee resolved to support and to recommend the draft capital budget proposals for 2024/25 to the Executive as presented.

It was RESOLVED to recommend to the Full Council the following Capital Programme for 2024/25 :

| | £'000 |
|--|---------------|
| 2023/24 Schemes Brought Forward | 6,102 |
| Refurbishment/Replacement of Assets | 4,856 |
| Communities for Learning Programme | 2,878 |
| Housing Revenue Account (HRA) | 30,002 |
| Total Recommended Capital Programme 2024/25 | 43,838 |

Funded By:

| | |
|---|---------------|
| General Capital Grant | 2,222 |
| Supported Borrowing General Fund | 2,164 |
| Decommitted Scheme Funding b/f from 2023/2024 | 470 |
| Communities for Learning – Unsupported Borrowing | 2,700 |
| Capital Receipts Reserves | 178 |
| HRA Reserve and In Year Surplus | 17,315 |
| HRA External Grants | 11,751 |
| HRA Unsupported Borrowing | 936 |
| 2023/2024 Funding Brought Forward | 6,102 |
| 2024/2025 Total Capital Funding | 43,838 |

9 IMPROVING THE RELIABILITY AND THE RESILIENCE ACROSS THE MENAI STRAITS

The report of the Head of Regulation and Economic Development incorporating the Improving the Reliability and the Resilience Across the Menai Straits was presented for the Executive's consideration.

The Leader, and Portfolio Member for Economic Development reported that the North Wales Transport Commission (NWTC) was established following the Welsh Governments decision to cancel the construction of a potential third crossing across the Menai Straits. She said that there are two fundamental concerns with the findings of the NWTC. Firstly, it does not consider options for improving the resilience of connections across the Menai Straits since the option for improving the infrastructure for vehicles appears to have been ruled out at the onset and secondly this leads to recommendations that are completely inadequate for addressing the challenges facing Anglesey and the wider area. The recommendations will either

have limited effect in improving connectivity across the Menai Straits or have serious delivery risks/uncertainties (including having already been ruled out). The Leader further said that she considers that the NWTC have not considered the real lack of resilience of the two bridges across the Menai Straits for the people of Anglesey as regards to access to Ysbyty Gwynedd, education establishments, travelling to work and it could have consequences with regards to safety and lives if closure of both bridges were to occur. She further said that there are examples that pupils have missed out on examinations due to the closure of the bridges.

The Leader said that it is important that the report is shared with the Assembly Members of the region to support the Councils' position for the benefit of the North Wales region. She suggested that she should write to the new First Minister of Welsh Government, when appointed, to express expressing the Authority's concerns as to the reliability and resilience across the Menai Straits.

The Chief Economic Development Officer said that the recommendations within the NWTC report will not solve the resilience across the Menai Straits and it is hampering the Island's ability to attract businesses and economic activity and especially the Freeport status the Island has been able to secure.

Councillor Dafydd R Thomas, Portfolio Member for Highways, Waste and Property said that the NWTC has not considered the needs of the Island to travel to and from the mainland. The resilience of the bridges is important for the economy, tourism and for goods being able to travel to and from Holyhead Port.

Members of the Executive said that it must be considered that the Menai Suspension Bridge will be 200 years old in two-year time and the Britannia Bridge is 175 years old. The Menai Suspension Bridge is currently the subject of emergency works due to its age, resulting in reduced capacity and will continue until at least 2025. It was expressed that any accident that might occur on the bridges would have a detrimental effect on the highway network. The Executive referred to the Freeport status and there will be a need to have goods travelling freely across the North Wales highway corridor.

It was RESOLVED :-

- **That the Chief Executive formally writes to Welsh Government appealing that they change their policy position on the Menai Straits crossing and recognise the need to resolve the inadequacies and lack of resilience that exists;**
- **That the Chief Executive shares reports with regional Senedd Members in Wales, partners and stakeholders to influence and for them to support the Councils position for the benefit of the North Wales region;**
- **That the Leader of the Council formally writes the new First Minister, when appointed, expressing the Authority's concerns as to the reliability and resilience across the Menai Straits.**

**COUNCILLOR LLINOS MEDI
CHAIR**