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CYNGOR SIR YNYS MÔN
ISLE OF ANGLESEY COUNTY COUNCIL

GŴYS A RHAGLEN

ar gyfer

CYFARFOD O GYNGOR SIR YNYS MÔN

a gynhelir yn

**SIAMBR Y CYNGOR
SWYDDFA'R SIR
LLANGEFNI**

DYDD MAWRTH, 10 MAWRTH, 2020

➔ am 2.00 o'r gloch yp ←

SUMMONS AND AGENDA

for a

MEETING OF THE ISLE OF ANGLESEY COUNTY COUNCIL

to be held at the

**COUNCIL CHAMBER
COUNCIL OFFICES
LLANGEFNI**

TUESDAY, 10 MARCH 2020

➔ at 2.00 pm ←

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A G E N D A

1. MINUTES

To submit for confirmation, the draft minutes of the meeting of the County Council held on 10 December 2019.

2. DECLARATION OF INTEREST

To receive any declaration of interest from any Member or Officer in respect of any item of business.

3. TO RECEIVE ANY ANNOUNCEMENTS FROM THE CHAIRPERSON, LEADER OF THE COUNCIL OR THE CHIEF EXECUTIVE

4. PRESENTATION OF PETITIONS

To receive any petition in accordance with Paragraph 4.1.11 of the Constitution.

5. NOTICE OF MOTION PURSUANT TO RULE 4.1.13.1 OF THE CONSTITUTION

To submit the following Notice of Motion by Councillor J Arwel Roberts:-

In April 2019, the Welsh Government Minister for the Environment, Energy and Rural Affairs, Lesley Griffiths, AM declared a climate emergency in Wales.

Gwynedd County Council have already followed WAG and declared along with other authorities to follow the same footpath.

'I call on this Council to follow suit and sign up to the commitment to achieve a Carbon Neutral Public Sector by 2030. We must recognise that this Council cannot continue with business as usual and prepare an action plan which can be monitored and implemented.

We need to stop investing in fossil fuels, use our local planning policies to accelerate the delivery of net zero carbon developments and communities.

We are in a position to make a difference for the sake of future generations, and we have a moral duty to act.'

6. TREASURY MANAGEMENT MID-YEAR REVIEW 2019/20

To submit a report by the Director of Function (Resources)/Section 151 as presented to the Executive on 16 December 2019.

7. TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21

To submit a report by the Director of Function (Resources)/Section 151 Officer as presented to the Executive on 2 March 2020.

8. TREASURY MANAGEMENT PRACTICES

To submit a report by the Director of Function (Resources)/Section 151 as presented to the Executive on 2 March 2020.

9. CAPITAL STRATEGY AND CAPITAL PROGRAMME 2021 TO 2022/23

To submit a report by the Director of Function (Resources)/Section 151 Officer as presented to the Executive on 2 March 2020.

10. MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2020/21

(a) Medium Term Financial Strategy and Budget 2020/21

To submit a report by the Director of Function (Resources)/Section 151 Officer as presented to the Executive on 2 March 2020.

(b) Capital Budget 2020/21

To submit a report by the Director of Function (Resources)/Section 151 Officer as presented to the Executive on 2 March 2020.

(c) Council Tax Setting

To submit a report by the Director of Function (Resources)/Section 151 Officer as presented to the Executive on 2 March 2020.

(ch) Amendments to the Budget

To submit any amendments to the Budget of which notice has been received under Paragraph 4.3.2.2.11 of the Constitution.

(Note : All the above papers need to be considered as a single package)

11. STRATEGIC EQUALITY PLAN 2020-2024

To submit a report by the Head of Democratic Services as presented to the Executive on 17 February 2020.

12. REVIEW OF POLLING DISTRICTS AND POLLING STATIONS

To submit a report by the Head of Democratic Services as presented to the Democratic Services Committee on 31 January 2020.

13. AMENDMENTS TO THE COUNCIL'S CONSTITUTION TO REFLECT INTERNAL RE-STRUCTURING TO THE STAFFING MODEL

To submit a report by the Director of Function (Council Business)/Monitoring Officer as presented to the Executive on 16 December 2019.

14. PAY POLICY STATEMENT

To submit a report by the Head of Profession, HR and Transformation.

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ISLE OF ANGLESEY COUNTY COUNCIL

Minutes of the meeting held on 10 December 2019

PRESENT: Councillor Margaret Murley Roberts (Chair)
Councillor Glyn Haynes (Vice-Chair)

Councillors Lewis Davies, R Dew, John Griffith, Richard Griffiths, K P Hughes, T Ll Hughes MBE, Vaughan Hughes, Llinos Medi Huws, A M Jones, Carwyn Jones, Eric Wyn Jones, G O Jones, R Ll Jones, R Meirion Jones, Alun W Mummery, Bryan Owen, Bob Parry OBE FRAgS, Shaun Redmond, Dylan Rees, Alun Roberts, Dafydd Roberts, J A Roberts, Nicola Roberts, Dafydd Rhys Thomas, Ieuan Williams and Robin Williams.

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 Place and Community Wellbeing,
Director of Education, Skills and Young People,
Head of Service (Highways, Waste and Property),
Head of Democratic Services,
Committee Officer (MEH).

ALSO PRESENT: None

APOLOGIES: Councillors Richard Owain Jones and P S Rogers.

1. MINUTES

The minutes of the following meeting of the County Council were confirmed and correct:-

- 10 September, 2019
- 7 October, 2019 (Extraordinary)
- 22 October, 2019 (Extraordinary)

2. DECLARATION OF INTEREST

None received.

3. TO RECEIVE ANY ANNOUNCEMENTS FROM THE CHAIRPERSON, LEADER OF THE COUNCIL OR THE CHIEF EXECUTIVE

The Chair made the following announcements:-

- Congratulations to those who were successful at the Winter Fair in Mona last month and also at Builth Wells;
- Congratulations to the Young Farmers from Anglesey who competed in the Young Farmers National Eisteddfod in Wrexham recently;
- Congratulations to Councillor Dylan Rees who was recently appointed Vice-Chair of the North Wales Fire and Rescue Authority.

Best wishes was extended to Councillor Peter Rogers for a speedy recovery following his recent surgery.

The Chair thanked the staff and users of Blaen y Coed and Haulfre Gardens for decorating the County Council's Christmas Tree at Cyswllt Môn reception area.

* * * *

Condolences was extended to Mr Marc Jones, Director of Function (Resources)/Section 151 Officer following the death of his father recently.

Condolences was extended to Mrs Anwen Davies, Scrutiny Manager following the death of her father recently.

Condolences were extended to any Member of the Council or staff who had suffered a bereavement.

Members and Officers stood in silent tribute as a mark of their respect and sympathy.

4. NOTICE OF MOTION PURSUANT TO RULE 4.1.13.1 OF THE CONSTITUTION

Submitted – the following Notice of Motion by Councillor Robert Llewelyn Jones:-

"Ynys Môn used to be covered with Oak trees in the past and now we are one of the least wooded areas in Wales. Our Penrhos Woods in Holyhead has been allowed to be given over to a Holiday Chalet Play Park.

We as a Council need to reverse the decline in our woodland and to actively encourage more tree planting on Ynys Môn.

I am asking to have an Island wide effort by all our schools and their pupils becoming involved in planting and for them to be sponsored by our Council and our local companies."

Councillor Bryan Owen seconded the Motion.

The Leader of the Council proposed an amendment to the last paragraph of Councillor R Ll Jones' Notice of Motion which includes that the Town and Community Council's be involved in the planting of trees. She noted that through the Town and Community Council's Liaison Forum correspondence was sent to all Town and Community Council's to raise awareness of the Woodland Trust's initiative to give away free trees to community groups for planting locally. She further said that as Leader she intends to pursue long term capital and revenue funding from Welsh Government towards a project of planting trees on the Island.

Members of the Council supported the need to address the decline in woodland and the need to encourage business and local communities to take part in the tree planting initiative.

In the ensuring vote the Motion as amended was carried.

5. PRESENTATION OF PETITIONS

No petitions received.

6. COUNCIL CONSTITUTION - BUDGET SETTING PROCESS

Submitted – the Executive decision taken by the Leader as follows:-

'That the Council endorses and approves the recommendations in the report'.

It was RESOLVED to endorse the recommendations within the report.

The meeting concluded at 2.30 pm

COUNCILLOR MARGARET M ROBERTS
CHAIR

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ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**COUNTY COUNCIL**
DATE:	**10 MARCH 2020**
SUBJECT:	**TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2019/20**
PORTFOLIO HOLDER(S):	**COUNCILLOR ROBIN WILLIAMS**
HEAD OF SERVICE:	**MARC JONES, DIRECTOR OF FUNCTION (RESOURCES) & SECTION 151 OFFICER (EXT. 2601)**
REPORT AUTHOR: TEL: E-MAIL:	**GARETH ROBERTS / JEMMA ROBINSON** 01248 752675 JemmaRobinson@anglesey.gov.uk
LOCAL MEMBERS:	**n/a**

1. Background

1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare a Capital Strategy which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

A report setting out our Capital Strategy was taken to the Executive Committee on 18 February 2019, and a revised Strategy for 2020/21 will be taken to the full Council before 31st March 2020.

1.2 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially, the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses and, on occasion, any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:-

"*The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks*."

2. Introduction

This report has been written in accordance with the requirements of CIPFA's Code of Practice on Treasury Management (revised 2017). The primary requirements of the Code are as follows:-

(i) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

(ii) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

(iii) Receipt by the full Council of an Annual Treasury Management Strategy Statement, which includes the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report (this report) and an Annual Report, covering activities during the previous year.

(iv) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

(v) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council, the delegated body is the Audit Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:-

- An economic update for the first part of the 2019/20 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2019/20;
- A review of the Council's borrowing strategy for 2019/20;
- A review of any debt rescheduling undertaken during 2019/20;
- A summary of activity since Quarter 2; and
- A review of compliance with Treasury and Prudential Limits for 2019/20.

3. Economic Update

3.1 The Council's treasury advisers provided an economic update and can be found in Appendix 1. They have also recently provided the following interest rate forecast:-

	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022
Bank Rate (%)	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%
5yr PWLB rate (%)	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%
10yr PWLB rate (%)	2.60%	2.70%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%
25yr PWLB rate (%)	3.20%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%
50yr PWLB rate (%)	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%	3.80%

3.2 The Council's treasury advisers recently provided a commentary alongside the interest rate forecast above. This commentary can be found in Appendix 2.

4. Treasury Management Strategy Statement and Annual Investment Strategy Update

4.1 The Treasury Management Strategy Statement (TMSS) for 2019/20 was approved by the full Council on 27 February 2019. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5. Investment Portfolio 2019/20

5.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

5.2 The Council held £18.551m of investments as at 30 September 2018 (£14.333m at 31 March 2019) and the investment portfolio yield for the first six months of the year was 0.62%. A full list of investments as at 30th September 2019 can be found in Appendix 3. A summary of the investments and rates can be found in Appendix 4.

5.3 The approved limits within the Annual Investment Strategy were not breached during the first six months of 2019/20.

5.4 The Council's budgeted investment return for the whole of 2019/20 is £0.031m and performance for the year to date exceeds the budget, with £0.041m received to the end of Quarter 2. The reason for this is that we invest surplus cash in other Local Authorities, creating a better investment return than a bank call account.

5.5 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

5.6 The approved countries for investments can be seen in Appendix 5.

5.7 The table below shows a list of investments made to other Local Authorities during the first half of this financial year. Given that security of funds is the key indicator of this Council, other Local Authorities is seen as the most secure way of investing funds, and this gives a greater rate of return than most bank call accounts.

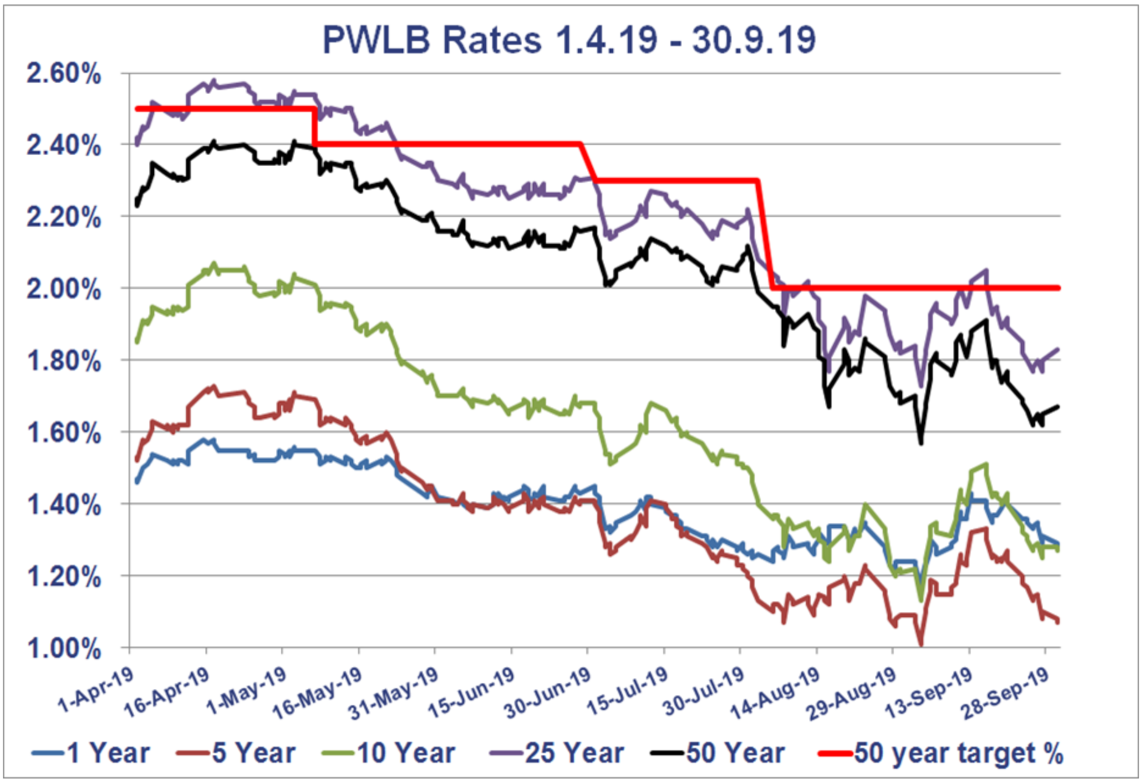
Local Authority	Start Date	End Date	Interest Rate %	Amount (£)
Central Bedfordshire Council	04/04/2019	05/07/2019	0.75%	5,000,000.00
Cheltenham Borough Council	21/08/2019	20/09/2019	0.68%	5,000,000.00
Cheltenham Borough Council	20/09/2019	25/10/2019	0.63%	5,000,000.00
Wirral Council	31/07/2019	30/08/2019	0.68%	2,000,000.00
Wirral Council	30/08/2019	30/09/2019	0.63%	2,000,000.00
Wirral Council	30/09/2019	29/10/2019	0.63%	2,000,000.00
Sutton London Borough Council	29/08/2019	25/09/2019	0.60%	5,000,000.00
Mid Suffolk District Council	24/09/2019	25/11/2019	0.65%	3,000,000.00

6. Borrowing

6.1 The projected capital financing requirement (CFR) for 2019/20 is £140.2m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive, the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council has projected year end borrowings of £127.6m and will have used £12.6m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

6.2 No borrowing was undertaken during the first half of this financial year, and, it is not anticipated that any additional external borrowing will need to be undertaken during the second half of the financial year. There will be a borrowing requirement to fund a part of the 2019/20 capital programme, but this will be through internal borrowing (drawing down cash balances).

The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date. PWLB rates have been on a falling trend during this period and longer rates have almost halved to reach historic lows. The 50 year PWLB target (certainty) rate for new long term borrowing fell from 2.50% to 2.00% during this period: -



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.17%	1.01%	1.13%	1.73%	1.57%
Date	03/09/2019	03/09/2019	03/09/2019	03/09/2019	03/09/2019
High	1.58%	1.73%	2.07%	2.58%	2.41%
Date	15/04/2019	17/04/2019	17/04/2019	17/04/2019	17/04/2019
Average	1.40%	1.37%	1.62%	2.20%	2.07%

6.3 On 9 October 2019, the Treasury and PWLB announced an increase in the borrowing rate by 100 basis points (1%). There was no prior warning that this would happen and it now means that every local authority has to fundamentally reassess how to finance their external borrowing needs and the financial viability of capital projects in their capital programme due to this unexpected increase in the cost of borrowing. Representations are going to be made to HM Treasury to suggest that areas of capital expenditure that the Government are keen to see move forward, e.g. housing, should not be subject to such a large increase in borrowing.

Whereas this Authority has previously relied on the PWLB as its main source of funding, it now has to fundamentally reconsider alternative cheaper sources of borrowing. At the current time, this is a developmental area as this event has also taken the financial services industry by surprise. We are expecting that various financial institutions will enter the market or make products available to local authorities. Members will be updated as this area evolves.

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. This Authority may make use of this new source of borrowing as and when appropriate.

6.4 Debt rescheduling opportunities have been very limited in the current economic climate, given the consequent structure of interest rates and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has, therefore, been undertaken to date in the current financial year. The 100bps increase in PWLB rates from 9 October 2019 only applied to new borrowing rates, not to premature repayment rates.

7 The Council's Capital Position (Prudential Indicators)

7.1 This part of the report is structured to update:-

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

7.2 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure in comparison to the capital budget:-

Capital Expenditure	2019/20 Original Estimate £'000	Position as at 30 September 2019 £'000	2019/20 Current Estimate £'000
Council Fund	25,910	5,768	16,823
HRA	14,117	5,267	14,307
Total	**40,027**	**11,035**	**31,130**

7.2.1 The projected expenditure shows that the majority of projects are on target to be completed within budget but there are 3 major projects (Gypsy and Travellers Sites, 21st Century School Band A modernization and Holyhead Strategic Infrastructure) which are expected to significantly underspend the budget in 2019/20, and this is reflected in the above table. A full breakdown on the planned capital expenditure for 2019/20 is provided in the Capital Budget Monitoring Report Q2, presented to the Executive on 25 November 2019.

7.3 Changes to the Financing of the Capital Programme

7.3.1 There are some changes to the financing of the capital programme as can be seen in the table below. The main reason for the change is as noted in paragraph 7.2.1, there will be significant underspend on three capital schemes in 2019/20. However, these three schemes will slip into 2020/21 along with their funding and it is not anticipated, at this point, that any funding will be lost due to the delays.

7.3.2 The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original funding of the capital programme, and the expected funding arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Financing	2019/20 Original Estimate £'000	2019/20 Revised Estimate £'000
Capital Grants	22,684	14,381
Capital Receipts	774	1,612
Reserves	186	186
Revenue Contribution	9,952	10,142
Supported Borrowing	5,973	3,942
Unsupported Borrowing	454	863
Loan	4	4
Total	**40,027**	**31,130**

7.4 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

7.4.1 Table 7.4.3 below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary, which is set annually by the Council as part of the Treasury Management Strategy Statement.

7.4.2 Prudential Indicator – Capital Financing Requirement

	2019/20 Operational Boundary as per TMSS 2018/19 £000	2019/20 Opening Borrowing Position £000	Amount Within the Boundary £000	2019/20 Estimated Borrowing Position £000	Amount Within The Boundary £000
Prudential Indicator – External Debt/ The Operational Boundary					
Borrowing	170,000	132,549	37,451	126,404	43,596
Other long term liabilities	3,000	1,133	1,867	1,214	1,786
Total Debt 31 March	**173,000**	**133,682**	**39,318**	**127,618**	**45,382**

7.4.3 Prudential Indicator – Capital Financing Requirement (CFR)

7.4.3.1 We are currently slightly below the original forecast Capital Financing Requirement due to the forecast underspend in borrowing, mainly down to the 21st Century Schools Programme.

	2019/20 Original Estimate £000	2019/20 Revised Estimate £000
Prudential Indicator – Capital Financing Requirement		
CFR – Council Fund	104,103	100,171
CFR – HRA	40,998	39,998
Total CFR	145,101	140,169
Net movement in CFR	**3,910**	**1,509**

Original CFR Forecast	**145,101**
Reduced MRP due to underspend in Borrowing in 2018/19	154
Underspend in Unsupported Borrowing for HRA in 2019/20	-1,000
Increase in Unsupported Borrowing in 2018/19 and 2019/20 due to higher weighting of funding through unsupported borrowing in the 21st Century Schools programme. Also, an additional 2 leisure schemes funded by Unsupported Borrowing in 2018/19 capital programme.	915
Underspend in Supported Borrowing in 2018/19 due to additional grant received in 2018/19 as substitute funding which reduced the need for Supported Borrowing. Also there was a reduced weighting of funding through Supported Borrowing in the 21st Century Schools programme.	-5,001
Revised CFR Forecast	**140,169**

7.5 Limits to Borrowing Activity

7.5.1 The first key control over the treasury activity is a prudential indicator to ensure that, over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need, which will be adhered to if this proves prudent. The current borrowing position is £126.409m, which is below the CFR forecast for this and the next two financial years (see table below), therefore, this indicator has not been breached.

	2019/20 £000	2020/21	2021/22 £000
CFR (year-end forecast)	**140,169**	**158,469**	**174,821**

	2019/20 Original Estimate £000	Current Position at 30 September 2019 £000	2019/20 Revised Estimate £000
External Borrowing	132,549	126,409	126,404
Internal Borrowing	11,338	12,546	12,551
Plus other long term liabilities	1,214	1,214	1,214
CFR (year-end position)	**145,101**	**140,169**	**140,169**

7.5.2 It is not envisaged that there will be any difficulties for the current year in complying with this prudential indicator.

7.5.3 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members, currently £178m. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003.

Authorised Limit for External Debt	**2019/20 Original Indicator**	**Current Borrowing Position as at 30 September 2019 £'000**	**Estimated Borrowing Position as at 31 March 2020 £'000**
Borrowing	175,000	126,409	126,404
Other long term liabilities	3,000	1,214	1,214
Total	**178,000**	**127,623**	**127,918**

8. Recommendation

8.1 To consider the content of the report.

MARC JONES
DIRECTOR OF FUNCTION (RESOURCES) & SECTION 151 OFFICER **20 NOVEMBER 2019**

Diweddariad ar yr Economi hyd yma a'r rhagolygon / Economic Update & Forecasts

United Kingdom - This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or 31 October, with or without a deal. However, in September, his proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October, though one is likely before the end of 2019. So far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. At the time of writing the whole Brexit situation is highly fluid and could change radically by the day. Given these circumstances and the likelihood of an imminent general election, any interest rate forecasts are subject to material change as the situation evolves. If the UK does soon achieve a deal on Brexit agreed with the EU then it is possible that growth could recover relatively quickly. The MPC could then need to address the issue of whether to raise Bank Rate at some point in the coming year when there is little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the MPC would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy.

The first half of 2019/20 has seen UK **economic growth** fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. The MPC meeting of 19 September reemphasised their concern about the downturn in world growth and also expressed concern that prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

With regard to the **labour market**, despite the contraction in quarterly GDP growth of -0.2% q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not over stretched and so will be able to support growth going forward. This would then mean that the MPC will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

In the **political arena**, if there is a general election soon, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

United States of America - President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates again in September to 1.75% - 2.00% and is thought likely to cut another 25 bps in December. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

Eurozone - Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1 and then fell to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy. On the political front, Austria, Spain and Italy are in the throes of forming coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

China - Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress also still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. The trade war with the US does not appear currently to have had a significant effect on GDP growth as some of the impact of tariffs has been offset by falls in the exchange rate and by transhipping exports through other countries, rather than directly to the US.

Japan - - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

World Growth - The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

Rhan o gyngor dderbyniwyd gan / An extract from advice received from: Link Asset Services

Sylwadau ar y rhagolygon diweddaraf ar raddfeydd llog /
Commentary on the latest interest rates forecasts

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That’s shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a “gradual pace and to a limited extent” is now also conditional on “some recovery in global growth”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September MPC meeting sounded even more concern about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth.

Bond yields / PWLB rates - There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

What we saw during the last half year up to 30 September is a near halving of longer term PWLB rates to completely unprecedented historic low levels. (*See paragraph 7 for comments on the increase in margin over gilt yields of 100bps introduced on 9.10.19*.) There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but due to a correlation between US treasuries and UK gilts, which at various times has been strong but at other times weaker, in the UK. However, forecasting the timing of this and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt fuelled boom which now makes it harder for economies to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government’s bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash. There has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for eleven years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could, therefore, over or under-do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit –** if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt** crisis. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new unlikely alliance of two very different parties will endure.
- Weak capitalisation of some European banks, particularly Italian banks.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor, though more recently concerns have arisen over her health.
- **Other minority EU governments**. Austria, Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- **The Bank of England** is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Crynodeb Benthyca a Buddsoddi – Chwarteroedd 1 a 2 2019/20
Borrowing and Investment Summary – Quarters 1 and 2 2019/20

	30 Medi / Sept 2019		30 Mehefin / June 2019	
	£m	% (paid on borrowing and received on investment)	£m	% (paid on borrowing and received on investment)
Benthyca – graddfa sefydlog Borrowing – fixed rate	126.4	4.73	126.4	4.73
Benthyca – graddfa amrywiol Borrowing – variable rate	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Adneuon – galw hyd at 30 diwrnod Deposits – Call to 30 days	8.5	0.57	12.3	0.49
Adneuon – Tymor sefydlog < 1 bl. Deposits – Fixed Term < 1 year	10.0	0.64	5.0	0.75
Adneuon – Tymor sefydlog 1 bl. + Deposits – Fixed Term 1 year +	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Cyfanswm Adneuon Total Deposits	18.5	0.61	17.3	0.57
Adneuon Uchaf yn y Chwarter Highest Deposits in the Quarter	26.1	d/b / n/a	27.1	d/b / n/a
Adneuon Isaf yn y Chwarter Lowest Deposits in the Quarter	14.0	d/b / n/a	13.7	d/b / n/a
Cyfartaledd Adneuon yn y Chwarter Average Deposits in the Quarter	20.9	0.54	22.9	0.54

Ni dorwyd unrhyw un o'r dangosyddion trysorlys yn ystod hanner cyntaf y flwyddyn.
None of the treasury indicators were breached during the first half of the year.

ATODIAD / APPENDIX 4

Graddfeydd Credyd Gwrthbartïon buddsoddi a'r adneuon a ddelir gyda phob un ar 30 Medi 2019*
Credit ratings of investment counterparties and deposits held with each as at 30 September 2019*

Grŵp Bancio/ Banking Group	Sefydliad/ Institution	Adneuon / Deposit £'000	Hyd (Galw/ tymor sefydlog) / Duration (Call / Fixed Term**)	Cyfnod (O / I) / Period (From / To)	Graddfa Dychweliad/ Rate of Return %	Graddfa Tymor Hir Fitch Long Term Rating	Graddfa Tymor Byr Fitch Short Term Rating	Graddfa Tymor Hir Moody's Long Term Rating	Graddfa Tymor Byr Moody's Short Term Rating	Graddfa Tymor Hir Standard & Poor's Long Term Rating	Graddfa Tymor Byr Standard & Poor's Short Term Rating	Lliw Sector/Hyd Awgrymiedig/ Sector Colour / Suggested Duration
Lloyds Banking Group plc	Bank of Scotland plc	**7.494**	**Galw/ Call**	**n/a**	**0.65**	**A+**	**F1**	**Aa3**	**P-1**	**A+**	**A-1**	**Glas – 12 mis/ Blue -12m months**
Santander Group plc	Santander UK plc	**0.001**	**Galw/ Call**	**n/a**	**0.40**	**A+**	**F1**	**Aa3**	**P-1**	**A**	**A-1**	**Coch – 6 mis/ Red - 6 months**
The Royal Bank of Scotland Group plc	The Royal Bank of Scotland plc (Part / Nationalised)	**0.002**	**Galw/ Call**	**n/a**	**0.20**	**A+**	**F1**	**A1**	**P-1**	**A**	**A-1**	**Glas - 12 mis / Blue - 12 months**
The Royal Bank of Scotland Group plc	National Westminster Bank Deposit	**1.055**	**Galw/ Call**	**n/a**	**0.30**	**A+**	**F1**	**A1**	**P-1**	**A**	**A-1**	**Glas - 12 mis / Blue - 12 months**
Cheltenham Council	Cheltenham Council	**5.000**	**Sefydlog/ Fixed**	**20/09/19 - 25/10/19**	**0.63**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Mid Suffolk Council	Mid Suffolk Council	**3.000**	**Sefydlog/ Fixed**	**24/09/19 – 25/11/19**	**0.65**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Wirral Council	Wirral Council	**2.000**	**Sefydlog/ Fixed**	**30/09/19 – 29/10/19**	**0.63**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

* Ceir y Rhestr Benthyca Cymeradwyedig yn Atodiad 6 o'r Datganiad Strategaeth Rheoli Trysorlys 2019/20/Strategaeth Buddsoddi Blynyddol/ The Approved Lending List can be found at Appendix 6 of the 2019/20 Treasury Management Strategy Statement / Annual Investment Strategy

** Sef tymor ar pwynt y buddsoddi/Being term at the point of investment.

Approved countries for investments

Based upon lowest available sovereign credit rating

AAA
- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

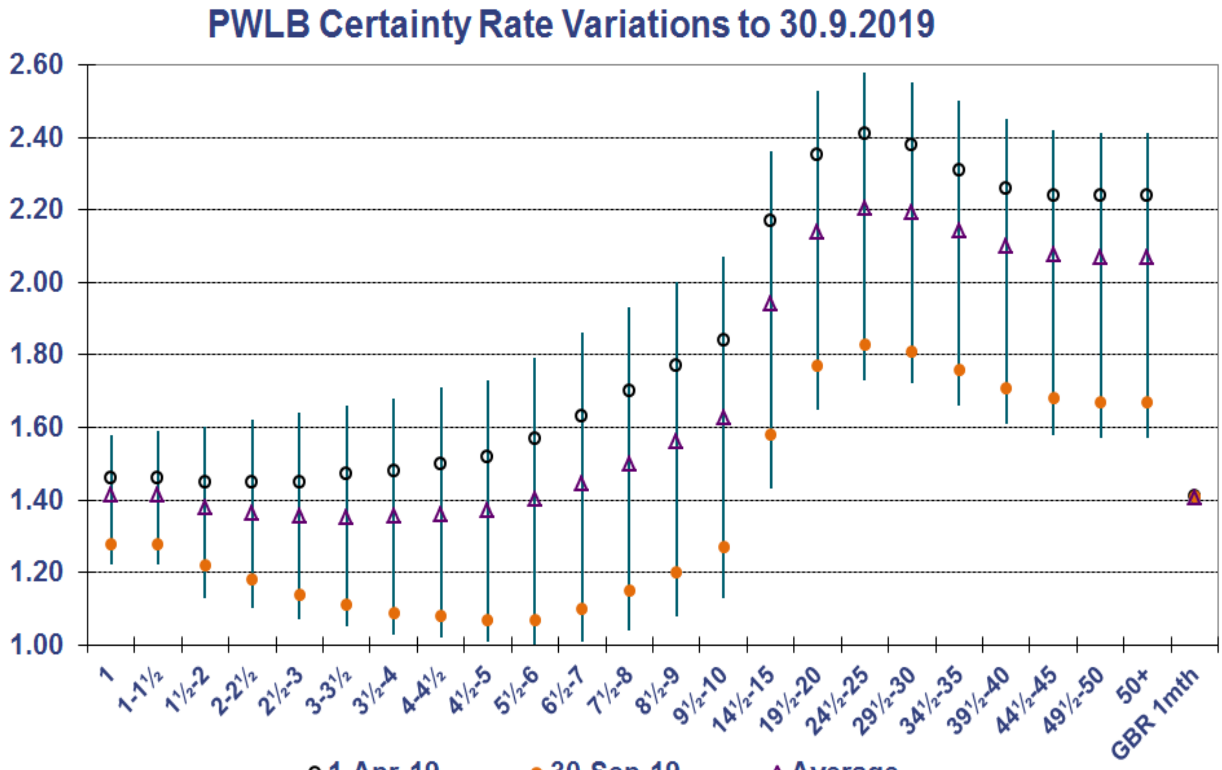
AA+
- Finland
- U.S.A.

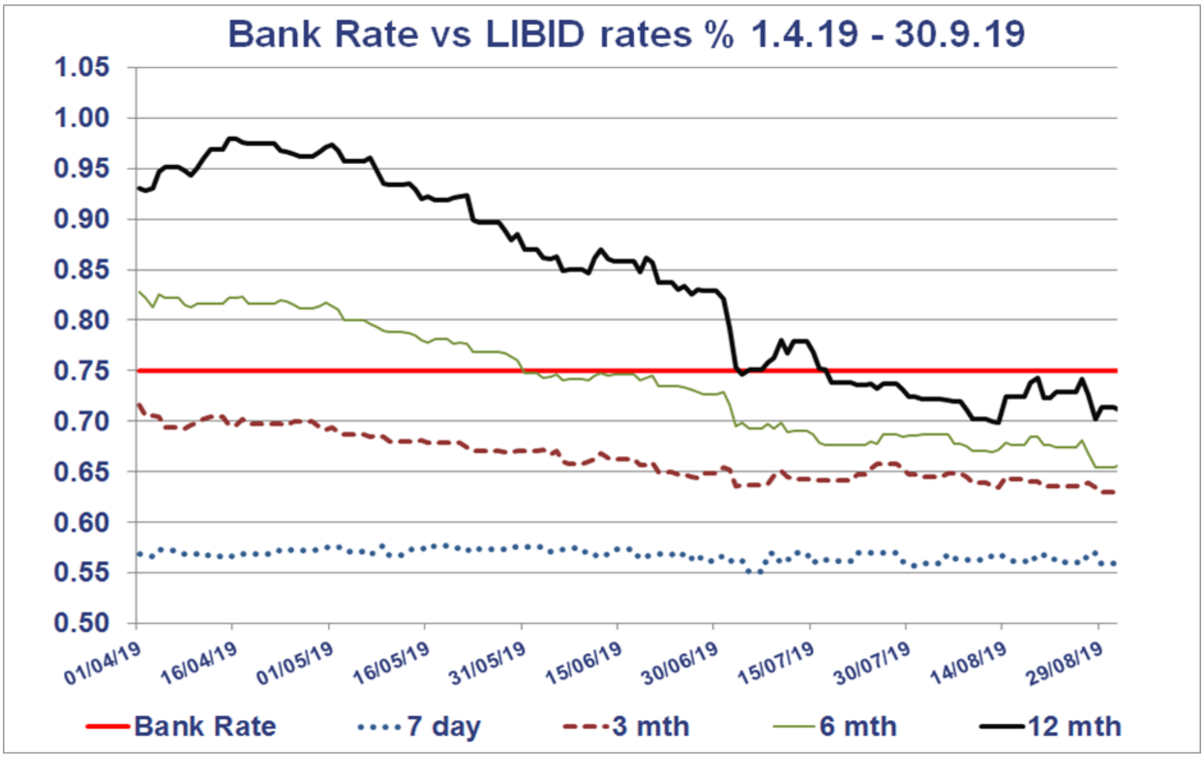
AA
- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-
- Belgium
- Qatar

Graffiau Ychwanegol / Additional Graphs

Comparison of borrowing parameters to actual external borrowing





ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**COUNTY COUNCIL**
DATE:	**10 MARCH 2020**
SUBJECT:	**TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21**
LEAD OFFICER:	**MARC JONES, DIRECTOR OF FUNCTION (RESOURCES AND SECTION 151 OFFICER**
CONTACT OFFICER:	**JEMMA ROBINSON, SENIOR ACCOUNTANT (TEL: EXT 2675)**
Nature and reason for reporting For scrutiny - consistent with professional guidance.	

1. This report is presented to ensure that the Council is implementing best practice in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management. The code recommends that prior to being presented for adoption, members should scrutinise the Treasury Management Strategy Statement (which includes the Annual Investment Strategy, the annual MRP Policy Statement, the annual Treasury Management Policy Statement and the Treasury Management Scheme of Delegation). This Authority's scheme of delegation charges the Audit & Governance Committee with this function.

2. The CIPFA Code of Practice on Treasury Management (Section 7) recommends that the Authority's Treasury Management Practices (TMPs) should be approved, documented and monitored. It goes on to state that the nature and extent of the involvement of an organisation's responsible body in approving and monitoring its TMPs and accompanying schedules is a matter for local decision and recognises that in some organisations this may be delegated to the responsible officer. In all cases, it should be subjected to scrutiny by the responsible body following recommendations by the responsible officer. This Authority has produced documented TMPs, and were approved by the Audit Committee on 6 December 2016.

3. In terms of updates to the Treasury Management Strategy Statement, there are no proposed amendment to the core principals and policies of the 2019/20 Statement.

4. Under the revised Code of Practice, it is a requirement that the Council prepares a Capital Strategy, which takes a longer-term view as to the capital investment that is required and how that investment will be funded. The Executive will approve this Strategy, along with other budget resolutions. This Treasury Management Strategy sits below the Capital Strategy, and considers the impact of that strategy on the Council's borrowing and investments. It sets out how both strategies will be undertaken in a controlled way, which is in line with a suitable level of risk that the Council wishes to take, bearing in mind the guidance set out in the CIPFA Code of Practice on Treasury Management.

5. Recommendations

- Note the contents of the covering report; and
- To approve the 2020/21 Treasury Management Strategy Statement for 2020/21 (which includes the Annual Investment Strategy, MRP Policy, Annual Treasury Management Policy and the Prudential and Treasury Indicators) (Annex A to this report).

ANNEX A

TREASURY MANAGEMENT STRATEGY STATEMENT

ANNUAL INVESTMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND TREASURY MANAGEMENT POLICY STATEMENT 2020/21

1. BACKGROUND

1.1. CIPFA defines treasury management as:-
"*The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks*."

The Treasury Management Policy Statement defines the policies and objectives of the treasury management activities (see **Appendix 1**).

1.2. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested with counterparties which meet the criteria in terms of security, liquidity and investment return as set out in this strategy.

1.3. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.4. The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the Council's cash reserves.

2. CIPFA CODE OF PRACTICE ON TREASURY MANAGEMENT

2.1. The CIPFA Code of Practice on Treasury Management requires the Council to prepare and approve the following documents:-

- A Capital Strategy Statement which sets out a high level, long term overview of capital expenditure and financing, along with details on any associated risks and how they will be managed.
- A Treasury Management Strategy which sets out the Council's strategy in terms of borrowing and investment which follows on from the Capital Strategy, sets out the constraints on borrowing, determines a set of prudential indicators and determines the Council's risk appetite and strategy in respect of investments.

2.2. The key principles of the CIPFA Treasury Management Code of Practice are set out in Appendix 2.

3. EXTERNAL CONTEXT

3.1. Setting the Treasury Management Strategy cannot be undertaken in isolation, and consideration must be given to the economic situation as this has an impact on investment interest rates, the cost of borrowing and the financial strength of counterparties. A full summary of the economic outlook is set out in **Appendix 3**, but the main points to consider are as follows:-

- Weakening economic growth in the US, China and the Eurozone.
- Inflation in the UK is likely to remain close to or under 2% over the next two years.
- A potential for interest rates rises from March 2021 onwards.
- Continuing uncertainty surrounding Brexit and its impact on the UK and Eurozone economy.
- Investment returns are likely to remain low during 2020/21 with little increase in the following two years.

3.2. Having considered the available information and having considered the advice from the Council's Treasury Management Advisors, the following table sets out the Council's view on interest rate levels for the following 3 years:-

Table 1
Prospects for Interest Rates to March 2023

Annual Average	Bank Rate (%)	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
December 2019	0.75	2.30	3.20	3.10
March 2020	0.75	2.40	3.30	3.20
June 2020	0.75	2.40	3.40	3.30
September 2020	0.75	2.50	3.40	3.30
December 2020	0.75	2.50	3.50	3.40
March 2021	1.00	2.60	3.60	3.50
June 2021	1.00	2.70	3.70	3.60
September 2021	1.00	2.80	3.70	3.60
December 2021	1.00	2.90	3.80	3.70
March 2022	1.00	2.90	3.90	3.80
June 2022	1.25	3.00	4.00	3.90
September 2022	1.25	3.10	4.00	3.90
December 2022	1.25	3.20	4.10	4.00
March 2023	1.25	3.20	4.10	4.00

Information provided by Link Asset Services is attached as **Appendix 4**.

3.3. Given the forecast for bank base rates, the following rates of return on investments are expected during the financial years:-

2019/20: 0.75%;
2020/21: 0.75%;
2021/22: 1.00%;
2022/23: 1.25%;
2023/24: 1.50%;
2024/25: 1.75%;
2025/26 Onwards: 2.25%.

4. THE COUNCIL'S CURRENT POSITION

4.1. Borrowing

4.1.1. The Council's current external borrowing is set out in Table 2 below. A full analysis is attached as **Appendix 5**.

Table 2
Summary of the Council's Current Outstanding Loans

PWLB LOANS					
	PWLB / PWLB Maturity	**PWLB EIP/ Annuity**	**Market Loans**	**PWLB Variable**	**Total Maturing**
Loan Outstanding	£126,184k	£220k	£0k	£0k	£126,404k
Average life (years)	25.48	6.94	0.00	0.00	25.44
Average rate (%)	5.15	9.44	0.00	0.00	4.73

OTHER LOANS							
	Welsh Government	**Salix Loan 1**	**Salix Loan 2**	**Salix Loan 3**	**Salix Loan 4**	**Salix Loan 5**	**Total**
Outstanding Balance	£44k	£74k	£274k	£572k	£251k	£1,178k	£2,393k
Repayment Date	2020/21	2024/25	2025/26	2028/29	2029/30	2030/31	
Interest Rate (%)	0.00	0.00	0.00	0.00	0.00	0.00	

4.2. Investments

4.2.1. Any surplus cash is currently invested in short term deposit accounts, call accounts and with other UK local authorities. The balance invested in these accounts changes daily (balance as at 31 December 2019 was £23.2m).

4.2.2. Under the current treasury management strategy, the Council invests surplus cash ensuring first of all the security of the deposit, secondly the liquidity of the deposit and, finally, the return on the investment. In practice, in order to ensure the first and second principles, the rate of return on investments is sacrificed and the current average return on investments is 0.55% (as at 31 December 2019).

5. IMPACT OF FUTURE PLANS ON BORROWING

5.1. Capital expenditure is partly funded from borrowing and the capital programme, as set out in the Capital Strategy, is set out in Table 3 below**:-**

Table 3
Proposed Capital Expenditure Programme 2020/21 – 2022/23

	2020/21 £'000	2021/22 £'000	2022/23 £'000
Non - HRA	**19,765**	**21,662**	**14,675**
HRA	**17,138**	**17,704**	**14,402**
Commercial Activities / Non Financial Investment	**0**	**0**	**0**
TOTAL EXPENDITURE	**36,903**	**39,366**	**29,077**
Financed By			
Capital Grants	**12,286**	**9,856**	**8,090**
Capital Receipts	**245**	**250**	**250**
Reserves	**0**	**750**	**0**
Revenue	**14,728**	**9,294**	**10,642**
Balance Funded from Borrowing	**9,644**	**19,216**	**10,095**

5.2. An important factor to consider is the impact of borrowing on the Council's Capital Financing Requirement (CFR). The CFR is the measure of the Council's underlying borrowing need. Borrowing is not limited to external borrowing from PWLB but also the use of the Council's own cash balances (internal borrowing) which have been used to fund capital expenditure.

5.3. Capital expenditure will increase the CFR but only by the sum that is not funded from grants, capital receipts, reserves or revenue. The CFR will also reduce annually by the sum of the Minimum Revenue Provision (MRP) which is charged to revenue. The level of the CFR is an important measure to ensure that the Council does not commit itself to unaffordable levels of borrowing.

5.4. In order to ensure that the Council has sufficient funds available to repay debt as it falls due, the Council is required to make a charge to the revenue account each year and this charge is known as the Minimum Revenue Provision. Regulations require that the Council approves a MRP statement in advance of each financial year. The policy for 2020/21 is set out in **Appendix 6**. The Council's MRP was substantially revised in 2018 but there are no changes from that revised policy for 2020/21. By making the MRP charge each year, the Council's cash balances are replenished and that, in turn, reduces the level of internal borrowing.

5.5. The policy will provide an equal charge on borrowing up to 31 March 2018 and, for all borrowing after that date, the MRP charge will be based on the useful life of the asset which has been funded from borrowing, e.g. if £1m is borrowed to fund the capital expenditure on an asset that has an asset life of 20 years, the annual MRP in respect of that loan would be £50k per annum. As new borrowing is undertaken, it will increase the MRP charge over time and this increase in costs is allowed for in the Council's budgets.

5.6. The impact of the Council's capital expenditure plans and the MRP charge on the CFR and level of external and internal borrowing is shown in Table 4 below:-

Table 4
Capital Financing Requirement and Borrowing 2019/20 to 2022/23

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Capital Financing Requirement				
Opening Balance of CFR	**138,662**	**142,034**	**147,985**	**163,265**
Capital Expenditure	33,126	36,903	39,366	29,077
External Capital Grants	(14,380)	(12,286)	(9,856)	(8,090)
Capital Receipts	(1,612)	(245)	(250)	(250)
Revenue Contribution & Reserves	(10,331)	(14,728)	(10,044)	(10,642)
Minimum Revenue Provision	(3,431)	(3,693)	(3,936)	(4,391)
CLOSING BALANCE OF CFR	**142,034**	**147,985**	**163,265**	**168,969**
External Borrowing				
Opening Balance of External Borrowing	**132,549**	**129,257**	**134,093**	**152,944**
Borrowing to Fund Capital Expenditure	2,001	9,644	19,216	10,095
Borrowing to Fund Loan Repayments	0	0	0	0
Borrowing to Replace Internal Borrowing	0	0	0	0
Loan Repayments	(5,293)	(4,808)	(365)	(2,651)
Closing Balance of External Borrowing	**129,257**	**134,093**	**152,944**	**160,388**
Internal Borrowing				
Opening Balance of Internal Borrowing	**6,113**	**12,777**	**13,892**	**10,321**
Replacement of Internal Borrowing	0	0	0	0
Funding Loan Repayments from External Borrowing	0	0	0	0
External Loan Repayments	5,293	4,808	365	2,651
Borrowing to Fund Capital Expenditure	4,802	0	0	0
Minimum Revenue Provision	(3,431)	(3,693)	(3,936)	(4,391)
Closing Balance of Internal Borrowing	**12,777**	**13,892**	**10,321**	**8,581**
TOTAL BORROWING	**142,034**	**147,985**	**163,265**	**168,969**

6. BORROWING STRATEGY

6.1. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This approach is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered. As part of this strategy, the ability to externally borrow to repay the reserves and balances, if needed, is important. Table 4 indicates that £12.777m may need to be externally borrowed if urgently required. This is the amount of Council reserves and balances used in the past to fund the capital programme instead of taking out borrowing.

6.2. Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:-

- if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered if it is cost effective to do so.
- If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- Any decisions will be reported to this Committee at the next available opportunity.

6.3. External v Internal Borrowing

6.3.1. Current conditions indicate a need for a flexible approach to the choice between internal and external borrowing. Many of the factors which lay behind previous policies to externalise all borrowing remain valid, e.g.:-

- With a continuing historically abnormally low Bank Rate and PWLB rates, there remains a unique opportunity for local authorities to actively manage their strategy of undertaking new external borrowing.

6.3.2. However, it remains the case that there are certain limitations to this approach, as previously noted, e.g.:-

- The policy can cause exposure to credit risk (e.g. risk of the bank defaulting on the debt), so this aspect must be very carefully managed;
- Careful on-going consideration needs to be given to the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.

6.3.3. In favour of internalisation, over the medium term, investment rates are expected to continue to be below long term borrowing rates. This means that value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure, or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.

6.3.4. However, short term savings by avoiding new long term external borrowing in 2020/21 must also be weighed against the potential for incurring additional long term extra costs, by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be higher. Additionally, the cash flow implications of internalising borrowing require regular review and will limit the potential extent of internalising borrowing.

6.4. Borrowing in Advance of Need

6.4.1. The Council will not borrow more than, or in advance of, its needs, solely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

6.4.2. In determining whether borrowing will be undertaken in advance of need, the Council will:-

1. ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need;
2. ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets, have been considered;
3. evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
4. consider the advantages and disadvantages of alternative forms of funding;
5. consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use; and
6. consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

6.4.3. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

6.5. Debt Rescheduling

6.5.1. Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates in November 2019 only applied to new borrowing and not to premature debt repayment .

6.5.2. The reasons for any rescheduling to take place will include:-

- the generation of cash savings and/or discounted cash flow savings;
- helping to fulfil the treasury strategy; and
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

6.5.3. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

6.5.4. All rescheduling will be reported to the Audit Committee at the earliest practicable meeting following its action.

6.6. Debt Profile

6.6.1. As can be seen from **Appendix 5**, the existing borrowing is due to be repaid in various years up to 2068/69. As part of any decision on future borrowing, the Council will aim to ensure that the repayment date is arranged so as to smooth out repayments as far as possible, but priority will be given to the interest rate payable when determining the type of loan (maturity or annuity) and the length of the loan.

7. INVESTMENT STRATEGY

7.1. In-house funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

7.2. Management of Risk

7.2.1. CIPFA has extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy (a separate report).

7.2.2. The Council's investment policy has regard to the following:-

- Welsh Government's Guidance on Local Government Investments ("the Guidance");
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code");
- CIPFA Treasury Management Guidance Notes 2018;
- The Council's investment priorities will be security first, portfolio liquidity second and then yield (return).

7.2.3. The above guidance from the Welsh Government and CIPFA place a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.

3. **Other information** sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in **Appendix 7** under the categories of 'specified' and 'non-specified' investments.
   - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
   - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year and/or are more complex instruments which require greater consideration by Members and officers before being authorised for use.

5. **Non-specified investments limit**. The Council has determined that it will limit the maximum total exposure to non-specified investments by ensuring that no non-specific investment is undertaken without the prior consent of the Council. The Council does not hold any non-specified investments, nor does it intend to during 2020/21 (see **Appendix 7**).

6. **Lending limits** (amounts and maturity) for each counterparty will be set through applying the matrix table as set out in the Creditworthiness section of this strategy.

7. **Transaction limits** are set for each type of investment in **Appendix 8**.

8. This Authority will set a limit for the amount of its investments which are invested for **longer than 365 days** (see **Appendix 11**).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see **Appendix 9**).

10. This Authority has engaged **external consultants** to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling.**

12. As a result of the change in accounting standards for 2019/20 under **IFRS 9,** this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

7.3. Creditworthiness Policy

7.3.1. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:-

- It maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

7.3.2. The Section 151 Officer will maintain a counterparty list in compliance with the criteria set out in **Appendix 8** and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

7.3.3. Credit rating information is supplied by Link Asset Services, our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

7.3.4. As an additional layer to the minimum credit rating criteria described above, this Council also employs the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:-

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

7.3.5. This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads from which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council, at the discretion of the Section 151 Officer, to assist in determining the duration for investments. The Council will, therefore, normally use counterparties within the following durational bands:-

Yellow:	5 years *
Dark pink :	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
Light pink :	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
Purple:	2 years
Blue:	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange:	1 year
Red:	6 months
Green:	100 days
No colour:	not to be used

7.3.6. The Link Asset Services creditworthiness service uses a wider array of information than just primary ratings and, by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

7.3.7. Typically, the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

7.3.8. All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- In addition to the use of credit ratings, the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

7.3.9. Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information and information on any external support for banks to help support its decision making process.

7.3.10. The largest UK banks (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits) are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

7.3.11. Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank (RFB) will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

7.3.12. While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings (and any other metrics considered) will be considered for investment purposes.

7.4. Country Limits

7.4.1. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in **Appendix 9**. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

8. GOVERNANCE AND CONTROL

8.1. The Prudential Code reflects a move towards self regulation for local authorities and effective corporate governance is one of the key elements to the successful implementation of the Code.

8.2. Corporate Governance includes the following elements:-

- A formal role for the Section 151 Officer;
- Setting and monitoring of Prudential and Treasury Indicators;
- A scheme of delegation and a process of formal approval;
- Reporting on Treasury Management matters to Members.

8.3. Role of the Section 151 Officer and Members

8.3.1. The Section 151 Officer is responsible for ensuring that matters relating to Treasury Management and Capital Financing are taken into account and reported to the Executive / full Council for consideration and that procedures are established to monitor performance.

8.3.2. The Section 151 Officer must ensure that prudential indicators are set and monitored in order to demonstrate the legislative requirement that the Council's financial plans are affordable.

8.3.3. Members also play an important role in not just authorising the relevant decisions but also in scrutinising treasury management processes, decisions and performance. In order to undertake this role, the CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. In order to support the scrutiny role of the members of the Audit and Governance Committee, the Committee's members received training in treasury management, delivered by the appointed treasury management consultants on 7 November 2019. Further training will be arranged when required. The training needs of treasury management officers are regularly reviewed and addressed.

8.3.4. The Treasury Management Scheme of Delegation and a fuller explanation of the role of the Section 151 Officer is set out in **Appendix 10**.

8.4. Treasury Management Advice

8.4.1. The Council uses Link Asset Services as its external treasury management advisors. In accordance with procurement regulations, the Treasury Management advisory service was advertised for tender for the period 1 April 2016 to 31 March 2019 with an option to extend for two years, with Link Asset Services (previously Capita Asset Services) being the successful tenders. The Council has exercised the option to extend for two years.

8.4.2. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers. Final responsibility for treasury management decisions remains with the Council.

8.4.3. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

8.5. Prudential and Treasury Indicators

8.5.1. The Prudential and Treasury Indicators set out in **Appendix 11** cover affordability, prudence and sets out limits for capital expenditure, external debt and the structure of the debt. It is for the Council to set the Prudential Indicators and it is important to not just consider the indicators for each individual year in isolation but also to consider the past performance and the future forecasts. A fuller explanation of the purpose of each indicator is set out in **Appendix 12.**

8.6. Reporting

8.6.1. The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals. These reports are required to be adequately scrutinised by Committee before being recommended to the Council. This role is undertaken by the Audit and Governance Committee.

8.6.2. Prudential and Treasury Management Indicators and Treasury Strategy - the first and most important report (this report) covers:-

- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury management indicators;
- an Investment Strategy (the parameters on how investments are to be managed);
- a Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time);
- a Treasury Management Policy Statement (definition of the policies and objectives of the treasury management function); and
- the capital plans (including the associated prudential indicators).

8.6.3. A Mid-Year Treasury Management Report - this will update members with the progress of the capital position, amending prudential indicators as necessary and whether the treasury strategy is meeting its objectives or whether any policies require revision.

8.6.4. An Annual Treasury Report - this is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

APPENDICES

1. Treasury Management Policy Statement
2. Treasury Management Key Principles
3. Economic background
4. Interest rate forecasts
5. Loan maturity profile
6. MRP Policy Statement
7. Specified and non-specified investments
8. Counterparty criteria
9. Approved countries for investments
10. Treasury management scheme of delegation and the role of the Section 151 Officer
11. Prudential and Treasury Indicators
12. Explanation of Prudential Indicators
13. Glossary of, and information on, Prudential & Treasury Management indicators

Treasury Management Policy Statement

1. CIPFA defines its treasury management activities as: "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks''.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The CIPFA Treasury Management in the Public Services: Code of Practice

The key principles of CIPFA's ***Treasury Management in the Public Services: Code of Practice (2011 Edition)***, as described in Section 4 of that Code are as follows:-

Key Principle 1:
Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

Key Principle 2:
Their policies and practices should make clear that the effective management and control of risks are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.

Key Principle 3:
They should acknowledge that the pursuit of value for money in treasury management and the use of suitable performance measures are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that, within the context of effective risk management, their treasury management policies and practices should reflect this.

The Code then goes on to say that:

"In framing these recommendations, CIPFA acknowledges the difficulties of striving for effective risk management and control, whilst at the same time pursuing value for money. This code does not seek to be prescriptive about how this issue should be handled, particularly since it covers such a wide variety of organisations. However, where appropriate, the sector specific guidance notes give suitable advice. CIPFA recognises that no two organisations in the public services are likely to tackle this issue in precisely the same manner but success in this area of treasury management is likely to be viewed, especially in value for money terms, as an indicator of a strongly performing treasury management function."

"Even though it dates back to 1991, CIPFA considers that the report by the Treasury and Civil Service Committee of the House of Commons on the BCCI closure is still pertinent, wherein it was stated that:"

"In balancing risk against return, local authorities should be more concerned to avoid risks than to maximise returns."

"Indeed this view was supported by the Communities and Local Government Select Committee report into local authority investments in 2009."

"It is CIPFA's view that throughout the public services the priority is to protect capital rather than to maximise return. The avoidance of all risk is neither appropriate nor possible. However, a balance must be struck with a keen responsibility for public money."

Accordingly the Authority will adopt, as part of the standing orders, the following four clauses;

1. The Authority will create and maintain, as the cornerstones for effective treasury management:

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and

- suitable treasury management practices (TMPs) setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the Policy Statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Authority. Such amendments will not result in the Authority materially deviating from the Code's key principles.

2. The County Council, Executive Committee and the Audit Committee will receive reports on the Authority's treasury management policies, practices and activities, including; an annual strategy and plan in advance of the year, a mid-year review report and an annual report after its close, in the form prescribed in the TMPs.

3. The County Council/Executive Committee are responsible for the implementation of the Authority's treasury management policies and practices in accordance with the Treasury Management Scheme of Delegation. The S151 Officer is responsible for the execution and administration of treasury management decisions, who will act in accordance with the Authority's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

4. The Authority nominates Audit Committee to be responsible for ensuring effective scrutiny of treasury management strategy and policies.

ECONOMIC BACKGROUND

UK. Brexit. 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the **general election** on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.

GDP growth has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.

While the Bank of England went through the routine of producing another **quarterly Inflation Report,** (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

The **MPC meeting of 19 December** repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that "domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a **fiscal boost** by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the

MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market,** growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000, which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However, CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%.. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn, whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy so this would indicate that further cuts are unlikely.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China. However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period.** At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments would need to help stimulate growth by 'growth friendly' fiscal policy.

There were no policy changes in the December meeting, which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be down beat about the economy; this makes it likely there will be further monetary policy stimulus to come in 2020. She did also announce a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take all of 2020.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. **Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates**.

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there were a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Rhan o gyngor dderbyniwyd gan / An extract from advice received from: Link Asset Services

Rhagolygon Graddfeydd Llog 2020/2023
Interest Rate Forecasts 2020/2023

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Asset Services Interest Rate View	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00
Bank Rate													
Link Asset Services	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%
Capital Economics	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	-	-	-	-	-
5yr PWLB Rate													
Link Asset Services	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.20%	3.20%
Capital Economics	2.40%	2.50%	2.50%	2.60%	2.60%	2.80%	2.80%	2.90%	-	-	-	-	-
10yr PWLB Rate													
Link Asset Services	2.70%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.50%
Capital Economics	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	-	-	-	-	-
25yr PWLB Rate													
Link Asset Services	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%
Capital Economics	3.10%	3.10%	3.20%	3.20%	3.20%	3.30%	3.30%	3.40%	-	-	-	-	-
50yr PWLB Rate													
Link Asset Services	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%
Capital Economics	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	-	-	-	-	-

Rhan o gyngor dderbyniwyd gan / An extract from advice received from: Link Asset Services

DADANSODDIAD BENTHYCIADAU PWLB YN AEDDFEDU 2020/21 YMLAEN / PWLB LOANS MATURITY ANALYSIS 2020/21 ONWARDS						
	Aeddefedu PWLB Maturity £'000	**Blwydd-dal PWLB EIP/ Annuity £'000**	**Benthyciadau Marchnad/ Market Loans £'000**	**Amrywiol/ PWLB Variable £'000**	**Cyfanswm yn Aeddfedu/ Total Maturing £'000**	**%Yn Aeddfedu o'r Cyfran yn sefyll/ Maturing of Total Outstanding %**
2020/21	4,500	12	0	0	4,512	3.6
2021/22	0	14	0	0	14	0.0
2022/23	2,285	15	0	0	2,300	1.8
2023/24	1,854	16	0	0	1,870	1.5
2024/25	0	18	0	0	18	0.0
2025/26	0	20	0	0	20	0.0
2026/27	1,381	22	0	0	1,403	1.1
2027/28	2,165	24	0	0	2,189	1.7
2028/29	263	26	0	0	289	0.2
2029/30	1,538	21	0	0	1,559	1.2
2030/31	451	15	0	0	466	0.4
2031/32	1,941	9	0	0	1,950	1.5
2032/33	315	8	0	0	323	0.3
2033/34	637	0	0	0	637	0.5
2034/35	624	0	0	0	624	0.5
2035/36	611	0	0	0	611	0.5
2036/37	599	0	0	0	599	0.5
2037/38	587	0	0	0	587	0.5
2038/39	225	0	0	0	225	0.2
2039/40	5,000	0	0	0	5,000	4.0
2040/41	3,500	0	0	0	3,500	2.8
2042/43	1,000	0	0	0	1,000	0.8
2043/44	1,020	0	0	0	1,020	0.8
2044/45	1,010	0	0	0	1,010	0.8
2045/46	11,464	0	0	0	11,464	9.1
2050/51	2,000	0	0	0	2,000	1.6
2052/53	28,238	0	0	0	28,238	22.3
2054/55	3,000	0	0	0	3,000	2.4
2055/56	3,500	0	0	0	3,500	2.8
2056/57	5,000	0	0	0	5,000	4.0
2057/58	8,513	0	0	0	8,513	6.7
2059/60	1,763	0	0	0	1,763	1.4
2064/65	10,000	0	0	0	10,000	7.9
2066/67	6,200	0	0	0	6,200	4.9
2068/69	15,000	0	0	0	15,000	11.9
	126,184	**220**	**0**	**0**	**126,404**	**100.0**
Cyfartaledd bywyd (blynyddoedd)/ Average life (years)	25.48	6.94	0.00	0.00	25.44	
Cyfartaledd graddfa (%)/ Average rate (%)	5.15	9.44	0.00	0.00	4.73	

PROFFIL AD-DALU BENTHYCIADAU ERAILL 2020/21 YMLAEN / OTHER LOANS REPAYMENT PROFILE 2020/21 ONWARDS							
	Llywodraeth Cymru / Welsh Government £'000	**Benthyciad Salix Loan 1 £'000**	**Benthyciad Salix Loan 2 £'000**	**Benthyciad Salix Loan 3 £'000**	**Benthyciad Salix Loan 4 £'000**	**Benthyciad Salix Loan 5 £'000**	**Cyfanswm / Total £'000**
2020/21	44	16	46	64	26	100	296
2021/22	0	16	46	64	26	199	351
2022/23	0	17	46	63	26	199	351
2023/24	0	17	46	64	26	200	353
2024/25	0	8	45	64	26	200	343
2025/26	0	0	45	64	27	200	336
2026/27	0	0	0	63	27	200	290
2027/28	0	0	0	63	27	200	290
2028/29	0	0	0	63	27	200	290
2029/30	0	0	0	0	13	200	213
2030/31	0	0	0	0	0	99	99
Cyfanswm / Total	**44**	**74**	**274**	**572**	**251**	**1,997**[1]	**3,212**

[1] Total amount to be repaid differs from the total amount outstanding in Table 4.1.1 due to only having received £1,178k to date, however £1,997k will be received.

Minimum Revenue Provision Policy Statement 2020/21

The Council is required to pay off an element of the accumulated Council Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision, MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision, VRP).

The Welsh Government regulations require the full Council to approve an MRP Statement in advance of each year. A variety of options is provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:-

For capital expenditure incurred between 1 April 2008 and 31 March 2018, financed by supported borrowing, the MRP policy will be to charge MRP on the Equal Instalment method, Asset Life basis over 50 years. The MRP on capital expenditure funded by unsupported borrowing during this period has already been charged using the Equal Instalment method, Asset Life basis using the estimated lives of the assets, based on information available at that time. This change in policy realigns the MRP policies for assets funded by supported borrowing and assets funded by unsupported borrowing.

From 1st April 2018 for all supported and unsupported borrowing (including PFI and finance leases), the MRP policy will also be the Equal Instalment Annuity Method, the Asset Life basis. However, the estimated life periods, will be set by the S151 Officer based upon advice received from the relevant officers and will have regard to Welsh Government guidance in relation to MRP and asset lives. Where land is purchased, the asset life will be based on the asset life of the asset placed on the land, which in the majority of cases will be 50 years in line with the asset life for buildings.

MRP charges based on asset life would not be charged until the year the asset becomes operational. The S151 Officer may postpone the MRP charge until the financial year following the one in which the asset becomes operational. The estimated asset life of the asset would be determined in the year the MRP commences and would not change over the life of the asset. The estimated life periods, will be set by the S151 Officer based upon advice received from the relevant officers and will have regard to Statutory requirements and Welsh Government guidance in relation to MRP and asset life. Where land is purchased, the asset life will be based on the asset life of the asset placed on the land, which in the majority of cases will be 50 years in line with the asset life for buildings.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis, which most reasonably reflects the anticipated period of benefit that arises from the expenditure. In addition, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

The Council retains the right to make additional voluntary payments to reduce debt if deemed prudent.

The Housing Revenue Account share of the CFR is subject to a 2% MRP charge, based upon the closing CFR for the previous year, in line with the approved 30-year business plan.

Any repayments included in annual PFI or finance leases are applied as MRP and will be consistent with the asset life basis over the life of the lease or PFI scheme.

Specified and Non-Specified Investments

The Welsh Government 'Guidance on Local Government Investments' (Effective from 1 April 2010) provides the definition of specified and non-specified investments.

Paragraph 5.1 of the 'Guidance' states that an investment is specified if all of the following apply:-

(a) the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling; and

(b) the investment is not a long-term investment (*); and

(c) the making of the investment is not defined as capital expenditure by virtue of regulation 20(1)(d) of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 [SI 3239 as amended]; and

(ch) the investment is made with a body or in an investment scheme of high credit quality (**); or with one of the following public-sector bodies:

- **(i)** the United Kingdom Government
- **(ii)** a local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland
- **(iii)** a parish or community council.

The 'Guidance' also states that any investment not meeting the definition of paragraph 5.1 is classified as a non-specified investment.

During 2020/21 the Council does not intend to make any investments in foreign currencies, nor any with low credit quality bodies, nor any that are defined as capital expenditure by legislation (such as company shares). Non-specified investments will therefore be limited to (i) long-term investments; and (ii) deposits with the Council's own banker for transactional purposes if it fails to meet the basic credit criteria; in this instance balances will be minimised as far as is possible

The table in Appendix 8 set out the investment criteria and limits for the categories of investments intended for use during 2020/21 and therefore form the basis for the approved lending list.

Any proposed revisions or amendments during the year to the categories of specified and non-specified investments to be used and / or to the associated credit rating criteria / investment limits will be subject to prior approval by the County Council.

***** *Section 2.4 of the 'Guidance' defines a long term investment as ''any investment other than (a) one which is due to be repaid within 12 months of the date on which the investment was made or (b) one which the local authority may require to be repaid within that period.''*

****** *For the purposes of high credit quality the 'Guidance' states that ''for the purposes of paragraph 5.1(d), Welsh ministers recommend that the Strategy should define high credit quality (and where this definition refers to credit ratings, paragraph 6.1 (***) is relevant).'*

*** *Paragraph 6.1 of the 'Guidance' recommends that ''the Strategy should set out the authority's approach to assessing the risk of loss of investments, making clear in particular:*

- ***(a)*** *to what extent, if any, risk assessment is based upon credit ratings issued by one or more credit rating agencies;*
- ***(b)*** *where credit ratings are used, how frequently credit ratings are monitored and what action is to be taken when ratings change; and*
- ***(c)*** *what other sources of information on credit risk are used, additional to or instead of credit ratings.''*

The table in Appendix 6 of this strategy sets out what this Council defines as high credit quality and the associated investment criteria and limits and section 4.2 of this strategy sets out the Council's creditworthiness approach.

Counterparty Criteria

Category	Short Term Credit Rating (Fitch)	Short Term Credit Rating (Moody's)	Short Term Credit Rating (Standard & Poor's)	Long Term Credit Rating (Fitch)	Long Term Credit Rating (Moody's)	Long Term Credit Rating (Standard & Poor's)	Cash Limit	Time Limit
Bank and Building Societies (not nationalised or part nationalised)	**F1+**	**P-1**	**A-1+**	**AAA**	**Aaa**	**AAA**	**£10m**	**5 years**
	F1+	**P-1**	**A-1+**	**AA**	**Aa2**	**AA**	**£10m**	**3 years**
	F1+	**P-1**	**A-1+**	**AA-**	**Aa3**	**AA-**	**£10m**	**364 days**
	F1	**P-1**	**A-1**	**A**	**A2**	**A**	**£7.5m**	**6 months**
Nationalised / Part Nationalised UK Banks	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**£10m**	**364 days**
UK Central Government (irrespective of credit rating)	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**No maximum**	**No maximum**
UK Local Authorities**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**£5m**	**364 days**
Money Market Funds	**n/a**	**n/a**	**n/a**	**AAA**	**AAA**	**AAA**	**£5m**	**6 months**

** as defined in the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003*

****** *as defined in the Local Government Act 2003*

Notes and Clarifications

(1) Cash Limit

(i) The cash limits apply both to the individual counterparty and to the overall group to which it belongs (e.g. for the banks within the Lloyds Banking Group plc (being Bank of Scotland plc and Lloyds Bank plc), the investment limit applies to those banks individually and the banking group as a whole);

(ii) The overall cash limit for deposits over 364 days is £15m.

(2) Time Limit

(i) This up to and including the period indicated.

(3) Foreign Countries

(i) Investments in foreign countries will be limited to those that hold a sovereign credit rating of (Fitch) AA- or equivalent (from the agencies referred to in section 4.3 of this strategy) sovereign credit rating (based upon the lowest common denominator), and to a maximum of £10 million per foreign country.

(ii) Investments in countries whose lowest sovereign rating is not AA- or above will not be permitted. No country limit will apply to investments in the UK, irrespective of the sovereign credit rating.

(iii) Subsidiaries of foreign banking groups will normally be assessed according to the country of domicile of the parent organisation. However, Santander UK plc (a subsidiary of Spain's Banco Santander) will be classed as a UK bank due to its substantial UK franchises and the arms-length nature of the parent-subsidiary relationships.

(iv) Sovereign credit rating criteria and foreign country limits will not apply to investments in multilateral development banks (e.g. the European Investment Bank and the World Bank) or other supranational organisations (e.g. the European Union).

4. Credit Rating Downgrade

Should a credit rating downgrade place a counterparty below the minimum credit rating criteria for investment, the counterparty will cease to be used as soon as practicable.

If the S151 Officer wishes to continue investing with that counterparty approval will be sought from the Chair of the Audit Committee plus one other member of the Chair's choosing, who both must approve the action. This will then be reported as appropriate at the next available opportunity.

Approved countries for investments [correct as at 3 January 2020]

This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

Based on lowest available rating

AAA
- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+
- Finland
- U.S.A.

AA
- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-
- Belgium
- Qatar

Treasury management scheme of delegation

(i) County Council

- budget approval;
- approval of the annual Treasury Management Strategy Statement, Annual Investment Strategy and MRP Policy, annual Treasury Management Policy Statement and amendments thereto;
- approval of amendments to the Council's adopted clauses;
- receiving and reviewing monitoring reports on treasury management policies, practices and activities; and
- acting on recommendations received from the Audit Committee and/or Executive Committee.

(ii) Executive Committee

- budget consideration;
- approval of the division of responsibilities;
- approval of the selection of external service providers and agreeing terms of appointment;
- receiving and reviewing monitoring reports on treasury management policies, practices and activities and making recommendations to the County Council as appropriate; and
- acting on recommendations received from the Audit Committee.

(iii) Audit Committee

- Scrutiny of Treasury Management matters as required by CIPFA's Code of Practice on Treasury Management and the Council's Treasury Management Policy. This includes:-

  – scrutinising the annual Treasury Management Strategy Statement, Annual Investment Strategy, Annual MRP Policy, Annual Treasury Management Policy and Treasury Management Practices and making recommendations to the Executive Committee and County Council as appropriate;
  – scrutinising proposals for amendments to the annual Treasury Management Strategy Statement, Annual Investment Strategy, Annual MRP Policy, Annual Treasury Management Policy and Treasury Management Practices and to the adopted clauses and making recommendations to the Executive and County Council as appropriate;
  – receiving and scrutinising any other proposals relating to the treasury management which require a decision by the Executive or County Council; and
  – receiving and scrutinising monitoring reports on treasury management policies, practices and activities and make recommendations to the Executive and County Council as appropriate.

The Treasury Management role of the Section 151 Officer

The Section 151 (responsible) Officer's role includes:-

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers; and
- Responsibility for the execution and administration of its Treasury decisions, including decision on borrowing, investment and financing, have been delegated to the Section 151 Officer, who will act in accordance with the Council's policy statements and TMP's.

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
    - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
    - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

PRUDENTIAL & TREASURY INDICATORS BUDGET SETTING 2020/21						APPENDIX 11
No.	**Indicator**					
Affordability		**2018/19 out-turn**	**2019/20 estimate**	**2020/21 proposal**	**2021/22 proposal**	**2022/23 proposal**
1,2	Estimates of [or actual] ratio of financing costs to net revenue stream:					
	Council Fund	4.92%	5.03%	5.15%	5.40%	5.91%
	Housing Revenue Account (inclusive of settlement)	16.88%	18.78%	17.16%	14.57%	14.18%
	Total	6.34%	6.68%	6.62%	6.57%	7.01%
Prudence						
3	Gross debt and the Capital Financing Requirement (CFR)	✓	✓	✓	✓	✓
	Is the gross external debt < the CFR for the preceding year plus the estimates of any additional CFR for the current and the next two financial years?			✓	✓	✓
Capital Expenditure		**£000**	**£000**	**£000**	**£000**	**£000**
4,5	Estimates of [or actual] capital expenditure					
	Council Fund	21,650	18,820	19,765	21,662	14,675
	Housing Revenue Account	9,028	14,307	17,138	17,704	14,402
	Total	30,678	33,127	36,903	39,366	29,077
6,7	Estimates of [or actual] Capital Financing Requirement					
	Council Fund	97,847	102,036	108,536	118,856	124,349
	Housing Revenue Account	40,815	39,998	39,449	44,410	44,621
	Total	138,662	142,034	147,985	163,266	168,970
External Debt		**£000**	**£000**	**£000**	**£000**	**£000**
8	Authorised Limit					
	: General Borrowing	174,000	175,000	178,000	193,000	199,000
	: Other long term liabilities	3,000	3,000	5,000	5,000	5,000
	: Total	177,000	178,000	183,000	198,000	204,000

9	Operational Boundary					
	: General Borrowing	161,000	170,000	173,000	188,000	194,000
	: Other long term liabilities	3,000	3,000	5,000	5,000	5,000
	: Total	164,000	173,000	178,000	193,000	199,000
10	Actual External Debt	132,549				
Treasury Management		**2018/19 out-turn**	**2019/20 estimate**	**2020/21 proposal**	**2021/22 proposal**	**2022/23 proposal**
11	The Local Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services	✓	✓	✓	✓	✓
		£000	**£000**	**£000**	**£000**	**£000**
12	Gross and net debt	100%	100%	100%	100%	100%
	The upper limit on the net debt as a proportion of gross debt					
13	The upper limit on fixed rate exposures:	157,000	155,000	158,000	173,000	179,000
	(net principal outstanding)					
14	The upper limit on variable rate exposures:	20,000	20,000	20,000	20,000	20,000
	(net principal outstanding)					
15	The limit for total principal sums invested for periods longer than 364 days	15,000	15,000	15,000	15,000	15,000
	(any long term investments carried forward from previous years will be included in each year's limit)					
			2020/21 upper limit		**2020/21 lower limit**	
16	The upper and lower limits for the maturity structure of fixed rate borrowing					
	• under 12 months		20%		0%	
	• 12 months and within 24 months		20%		0%	
	• 24 months and within 5 years		50%		0%	
	• 5 years and within 10 years		75%		0%	
	• 10 years and above		100%		0%	
			no change		no change	

Information on Prudential & Treasury Management indicators

A) Affordability

1 & 2 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

The estimates of financing costs include current commitments and the proposals in this budget report.

B) Prudence

3 Gross Debt and the CFR

The Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

C) Capital expenditure

4 & 5 Estimates of Capital Expenditure

This is the forecast Capital Expenditure from 2019/20 to 2022/23, and is based on the Capital Programme for 2019/20 and the Capital Strategy for 2020/21.

6 & 7 The Council's borrowing need (the Capital Financing Requirement)

Another prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £nil of such schemes within the CFR.

CH) External Debt

8. **The authorised limit for external debt**. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

   The S151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

9. **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Glossary

CAPITAL EXPENDITURE
Capital expenditure is expenditure on the purchase of a non-current asset, which will be used in providing services beyond the current financial year, or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. Examples include: the building of a new school, the purchase of IT equipment, a major refurbishment of a care home.

CAPITAL FINANCING
Funds that are available to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL FINANCING REQUIREMENT
The total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.

CAPITAL PROGRAMME
The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPTS
Capital receipts represent the proceeds from the disposal of land or other non-current assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used to finance revenue expenditure.

CIPFA
This is The Chartered Institute of Public Finance and Accountancy, the lead professional and regulatory body for local Authority accounting.

HOUSING REVENUE ACCOUNT (HRA)
The HRA is a separate account to the Council Fund, and includes the income and expenditure arising from the provision of housing accommodation by the Council.

INTEREST RECEIVABLE OR PAYABLE
The effective interest rate method is used to measure the carrying value of a financial asset or liability measured at cost less accumulated amortisation, and to allocate associated interest income or expense to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to equal the amount at initial recognition. The effective interest is adjusted to the actual interest payment or receipt through the Movement in Reserves Statement to ensure only actual interest is charged to Council Tax. For financial assets and liabilities carried at cost because the effective rate of interest is the same as the carrying rate of interest, the carrying value is adjusted for accrued interest.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

NET DEBT
The Net Debt is the Council's borrowings less cash and liquid resources.

PUBLIC WORKS LOANS BOARD (PWLB)
A Central Government Agency which provides loans for one year and/or more to authorities at interest rates only slightly higher than those at which the government can borrow itself.

REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE (REFCUS)
Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

REVENUE SUPPORT GRANT
A grant paid by Central Government to authorities, contributing towards the general cost of their services.

SUPPORTED BORROWING
The Council borrows money to fund part of its capital programme. This borrowing is recognised by Central Government in its calculation of formula funding for the Council.

TEMPORARY BORROWING
Money borrowed for a period of less than one year.

UNSUPPORTED BORROWING
The Council can borrow additional money to the borrowing supported by Government to finance its capital expenditure as long as it is affordable and sustainable. This power is governed by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code, with which the Council fully complies.

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ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**THE COUNCIL**
DATE:	**10 MARCH 2020**
SUBJECT:	**TREASURY MANAGEMENT PRACTICES (TMP)**
LEAD OFFICER:	**MARC JONES**
CONTACT OFFICER:	**CLAIRE KLIMASZEWSKI (TEL:2663)**
Nature and reason for reporting For scrutiny - consistent with professional guidance.	

1. This report is presented to ensure that the Council is implementing best practice in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management. The Code recommends that the Council document their treasury management procedures as Treasury Management Practices (TMPs). The current TMPs were completed and approved in 2016. These have been reviewed and updated and include a section (TMP13) on non-treasury investments held by the Council, as required by the revised CIPFA Treasury Management Code. The Council's non-treasury management investments are the investment properties which are managed by Property Services.

2. The CIPFA Code of Practice on Treasury Management (Section 7) recommends that the Authority's Treasury Management Practices (TMPs) should be approved, documented and monitored. It goes on to state that the nature and extent of the involvement of an organisation's responsible body in approving and monitoring its TMPs and accompanying schedules is a matter for local decision and recognises that, in some organisations, this may be delegated to the responsible officer. In all cases it should be subjected to scrutiny by the responsible body following recommendations by the responsible officer. Appendix 1 presents the Authority's TMPs.

3. Recommendations:

- To note the contents of this covering report;
- To approve the Treasury Management Practices (TMP) as documented in Appendix 1.

Appendix 1

Isle of Anglesey County Council

Treasury Management Practices

Introduction

The Council is committed to implementing best practice and to complying with the CIPFA Code of Practice on Treasury Management (2017) in all aspects of its Treasury Management.

Treasury Management is the management of the Council's cash-flows and investments to ensure that there is sufficient cash to pay the Authority's bills on a day-to-day basis. Any surplus cash is invested in accordance with the Authority's Treasury Management Strategy Statement (TMSS).

Another important aspect of Treasury Management is the management of the Council's debt portfolio to ensure that loans are only taken out to fund capital expenditure and that all loans are affordable. The key objectives of the TMSS is that Treasury Management activities are low risk and will ensure that the Authority has access to cash to meet its cash-flow needs.

The Code states that all authorities are required to produce a statement of Treasury Management Practices (TMPs). Section 7 and Schedule 2 of the code include suggestions on what should be included in authorities' Treasury Management Practices. To ensure compliance with the Code and good practice, these Treasury Management Practices endorse and include many of the suggestions provided in the CIPFA Code. These Treasury Management Practices also take into account and supplement the Authority's Treasury Management Strategy Statement.

TMP1 Risk Management

The Director of Function (Resources) / Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. The Director of Function (Resources) / Section 151 Officer will report at least annually on the adequacy/suitability of treasury risk management practices, and will report, as a matter of urgency, any actual or likely difficulty in achieving the organisation's objectives in this respect in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out below.

1.1 Credit and Counterparty Risk Management

Credit and counterparty risk management relates to minimising the risks to the Council from loss of investment monies or breach of a borrowing arrangement with reference to counterparties reduced creditworthiness. The Council regards the security of its deposits and investments to be the key objective of its TMSS. The Council will ensure that the organisations with whom funds may be deposited or invested are selected on a prudent basis i.e. with caution with the security of the investment in mind not their rate of return. The Treasury Management Strategy Statement lists the minimum criteria an organisation must meet for deposits and investments. This includes cash-limits, time limits and the list of approved countries for investments. These provide additional controls in order to reduce risks (see Table 1).

Table 1 Extract from TMSS 2020/21 – Counterparty Criteria

Category	Short Term Credit Rating (Fitch)	Short Term Credit Rating (Moody's)	Short Term Credit Rating (Standard & Poor's)	Long Term Credit Rating (Fitch)	Long Term Credit Rating (Moody's)	Long Term Credit Rating (Standard & Poor's)	Cash Limit	Time Limit
Bank and Building Societies (not nationalised or part nationalised)	F1+	P-1	A-1+	AAA	AAA	AAA	£10m	5 years
	F1+	P-1	A-1+	AA	AA2	AA	£10m	3 years
	F1+	P-1	A-1+	AA-	AA3	AA-	£10m	364 days
	F1	P-1	A-1	A	A2	A	£7.5m	6 months
Nationalised / Part Nationalised UK Banks	n/a	n/a	n/a	n/a	n/a	n/a	£10m	364 days
UK Central Government (irrespective of credit rating)	n/a	n/a	n/a	n/a	n/a	n/a	No maximum	No maximum
UK Local Authorities**	n/a	n/a	n/a	n/a	n/a	n/a	£5m	364 days
Money Market Funds	n/a	n/a	n/a	AAA	AAA	AAA	£5m	6 months

* *as defined in the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003*
****** *as defined in the Local Government Act 2003*
*** *Counterparty refers to the organisations that the Council invests its surplus balances in*

Criteria for creating and managing approved counter-party lists/limits	• The Director of Function (Resources)/Section 151 is responsible for setting prudent criteria, with advice from the Council's Treasury advisors. • The criteria will be included in the annual Treasury Management Strategy Statement (TMSS) each year; • The criteria will be scrutinised by the Audit and Governance Committee and will be approved by the Executive and full Council; • The Council's Treasury Management advisors will advise on credit policy and creditworthiness.
Procedures for changing limits and changes to counterparties	• All changes relating to counterparty limits and /or criteria within the TMSS will be submitted to Council for approval.
Counterparty Lists and Limits	• Counterparties and market conditions will be monitored regularly. The Council receives information and advice from the Council's specialist Treasury Management Consultant to help monitor counterparties; • A full individual listing of Counterparties and their limits will be maintained. These will be in accordance with the criteria and limits set within the TMSS. The Section 151 Officer will approve any amendments to the list of counterparties in so far as they are consistent with the TMSS approved by full Council. Any changes which do not fall within these, will require an amendment to the TMSS if the change is necessary to achieve the key aims of the TMSS i.e. to ensure secure investments. The TMSS and list will then go to full Council for approval; • Any investment in any counterparty which falls below the Council approved minimum criteria will be called back and invested in counterparties which do meet the minimum requirements and in accordance with the list. Where the Council is locked into a fixed- term investment, the investment will have to remain until the end of the term but will then be returned and invested in counterparties which do meet the criteria and who are on the list; • The investments will be diversified as far as possible within the confines of ensuring the investment is secure.

1.2 Liquidity Risk Management

Liquidity risk management aims to protect the Council from running out of cash to ensure that the Council can pay its day-to-day costs. This Council will ensure it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities. In addition, the organisation may borrow to externalise internal borrowing where internal borrowing compromises liquidity.

Cash-flow Forecast and Daily Cash-flow Management	• An annual forecast of cash-flow balances is maintained covering a twelve-month period. This is to help inform more medium and long-term investment decisions; • The Treasury Management team will ensure that the balance on the main bank accounts is adequate to minimise the risk of any overdraft and to maximise interest receivable; • The banking arrangements have been implemented so that all bank accounts under the corporate contract with NatWest are taken into account when determining the Council's overall balance. This means, that if any account is overdrawn, if the other accounts are in credit to the amount overdrawn or more, the Council will not be in an overdraft position. There is no approved overdraft facility, however, NatWest will honour all payments in the unlikely event of an overdraft for a small charge; • A minimum £5m will be kept in instantly accessible investments. In circumstances where it is prudent to hold lower than this amount, for example, where it would cause additional Treasury Management costs, this will be permitted for no more than 10 working days and only where there is absolute certainty that the cash will not be needed during this period. This is most likely to occur after the monthly salaries run (circa 25th) and the Revenue Support Grant from Welsh Government, which is paid to the Council in the first week of each month.
Duration of investments	• Balances are generally held in short-term investments in line with the liquidity aims of the TMSS. This ensures that the Council has access to cash as needed; • Balances will be transferred from the general account to short-term investments when the interest/income is greater than the cost of transferring the balance taking into account transaction costs e.g. CHAPS fees. A minimum balance of £200k will be maintained across all the NatWest accounts to reduce the risk of overdraft fees and interest; • A maximum time limit and cash amount is set per investment/deposit to reduce risks. See Table 1 above.

Other contingency arrangements	• The Authority has used internal borrowing over a number of years to fund its capital programme. This has reduced the Council's cash balances in order to save on interest payable costs. If there is the risk of a shortfall of cash, the Council will externalise internal borrowing to the amount required to ensure liquidity and taking into account the minimum instantly accessible cash target of £5m as noted above; • The Council can also borrow temporarily up to a maximum of 364 days from other local authorities or the money market should there be a cash-flow shortage during the year.
Borrowing in advance of need	• Generally, the Council will not borrow in advance of need. However, in exceptional cases, this may be considered with the approval of the Section 151 Officer and the Portfolio holder for Finance with a full business case.

1.3 Interest Rate Risk Management

Interest rate risk management relates to the actions taken by the Council to reduce the risk of increased interest costs and to maximise interest receivable, within the constraint of all investments need to be highly secure and relatively liquid. The Authority will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

Approved interest rate exposure limits	• The Council will use a combination of variable and fixed interest rate investments to maximise returns while minimising risks. The investments/deposits will be low risk counterparties investments rather than high interest return investments. Fixed interest rate investments will be in secure short-term investments, which are higher than the variable rates offered; • Similarly, the Council's debt portfolio is comprised of loans some of which charge a fixed interest rate and some a variable rate. However, the significant majority of the current portfolio is fixed rate interest to ensure certainty and maximise lower interest rates; • The Section 151 and TM team will monitor interest rates and will make investment and borrowing decisions which are the most cost effective at the time, using up-to-date information provided by the Council's Treasury Management Consultants.
Trigger points and guidelines for managing changes to interest rates	• The significant majority of the Authority's debt portfolio is fixed interest to ensure certainty and stability of payments and to avoid exposure to any potential increased costs; • Re-financing decisions and unsupported borrowing decisions will also consider interest rates at the time.

Minimum/maximum proportions of variable rate debt/interest and fixed rate debt/interest	• The upper limits for fixed rate and variable rate exposures are reviewed each year and documented in the TMSS.
Use of financial derivative	• The Council will not use Financial Derivatives as these are considered too high risk for the aims of the Council's TMSS.

1.4 Exchange Rate Risk management

The Council will manage its exposure to fluctuations in exchange rates to minimise any detrimental impact on its budgeted income/expenditure levels.

Exchange rate Exposure limits	• Investments/debt will all be made in sterling. The Council will not invest in other currencies as part of its Treasury Management practices as this would expose the Council to too high a risk and could compromise liquidity. The only time the Council will be exposed to exchange rate risks will be in relation to operational activities where a grant is paid to the Council in another currency or the Council is required to pay a supplier in another currency. Any foreign currencies paid to the Council will be converted to Sterling as soon as possible.

1.5 Refinancing Risk Management

Refinancing risk management relates to managing the Council's debt portfolio in a way which reduces the risk of increased costs from refinancing activities. The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented. The maturity profile of the monies borrowed are managed with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time. The Council will actively manage its relationships with counterparties and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

Refinancing risk	• The Council will seek to manage its debt portfolio and other capital financing sources in the most cost effective way. The Council will use the cheapest sources of capital financing available first and unsupported borrowing will be used as a last resort for funding the capital programme; • The Council will use Council cash balances and reserves for internal borrowing to reduce its capital financing costs if this is cost effective. However, there will be a limit to how much the Council can use internal borrowing. The Council will not use cash balances to internally borrow if it would compromise liquidity. The Internal borrowing should not be used where it would leave Council cash balances below £5m; • Longer-term borrowing will be in accordance with the Prudential Code and will, therefore, be affordable; • Longer-term borrowing will be in accordance with the Treasury Management Strategy Statement and prudential indicators for example kept within the authorised borrowing limit; • Debt will be rescheduled only if it is cost effective. This will be to benefit from lower interest rates and to prevent a number of loans being repayable at the same time to an extent which would be too costly. The Council will take advice

	from its Treasury Management Consultants on the benefits and costs of rescheduling debt; • The debt portfolio will be managed in such a way to avoid any significant refinancing problems in the future. Ideally, there should no more than £5m due to be repaid in any one year. When considering new borrowing, the maturities of the current debt portfolio must be assessed so as to avoid future problems; • Before any new borrowing is taken out, an option appraisal must be completed to determine the most cost effective and affordable time period to borrow. This appraisal will also take into account the existing debt profile and any refinancing requirements. The differing types of loan should be considered to determine the optimal impact on the Council. For example, taking into account interest and MRP against interest and principal repayment; • The Council's Treasury Management Consultants provide the Council with interest rate projections to support treasury management decisions on investment and borrowing. These projections are included in the TMSS each year.
Projected capital investment requirements	• The annual TMSS provides details of the actual capital expenditure and funding for the last audited financial year. It is also includes projections for the year before the TMSS relates to, the year of the TMSS and two years beyond. This helps to identify the capital programme financing needs for each year; • The Council's long-term borrowing requirement is linked to the CFR; • The Council will complete option appraisals to ensure the most cost effective methods of capital financing are selected and that the cheapest sources of capital financing are applied first.
Policy concerning limits on revenue consequences of capital financials	• The Council is bound by the Prudential code and the requirement that borrowing must be affordable, sustainable and prudent; • The Council's debt must not except in the short-term exceed the total of the Capital Financing Requirement in the preceding year plus the next two financial years; • Capital and revenue budgeting are interlinked. Capital external financing incurs financial costs which impacts on the revenue budget through interest costs and the MRP; • The estimated capital financing costs for each forthcoming year are built into annual budget setting; • Capital financing costs are also taken into account longer term in the Medium Term Strategy for the Council which covers a three-year period; • The Council's Capital Strategy advocates that new capital projects should be limited to the level of capital financing which does not incur additional revenue costs. The strategy requires that unsupported borrowing should only be considered where the relevant service budget can be reduced by a sum greater than the MRP and interest costs. This excludes the 21st Century Schools programme with Welsh Government, which has already been committed. However, any savings from the 21st Century Schools programme would be used to contribute to the increased capital financing costs.

1.6 Legal and Regulatory Risk Management

Legal and regulatory risks relate to the risk that the Council, or third parties dealing with Treasury Management on the Council's behalf, fail to act in accordance with the Authority's legal powers or regulatory requirements. The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] *credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged. This organisation recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Legislation which impact on Treasury Management Activities	• Local Government Act 2003; • Local Government (Wales) Act 1994; • The Accounts and Audit (Wales) Regulations 2014; • The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 No. 3239 (W. 319) and subsequent amendments including the most recent; • The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2016; • The Accounts and Audit (Wales) Regulations 2014 No. 3362 W337; • The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018; • CIPFA, Treasury Management Code 2017; • CIPFA, Prudential Code 2017; • CIPFA Code of Practice on Local Authority Accounting 2019/20; • CIPFA Financial Management Code, 2019; • Isle of Anglesey Treasury Management Strategy Statement 2020/21; • Isle of Anglesey, Finance Procedures Rules; • Isle of Anglesey, Contract Procedure Rules.
Procedures for evidencing the Council's powers/authorities to counterparties	• The Authority's powers and duties are enshrined in law. The Local Government Act 1972 is a key legislation in relation to councils' functions. The Local Government Act (Wales) 1994 is an important legislation which led to the creation of the unitary authorities in Wales of which the Isle of Anglesey County Council is one and provides the law for the transfer of functions from the former authorities; • Section 3.5.3.5 of the Council's constitution outlines the delegated authority of the Director of Function (Resources)/Section 151 Officer. 3.5.3.5.3 provides the acknowledgement that this role will be the Council's responsible finance officer under Section 151 of the Local Government Act 1972. The Section 151 Officer's responsibility for Investment and Capital Planning is noted under 3.5.3.5.8. In addition, 3.5.3.5.17 outlines the Section 151 Officer's responsibility to manage the Authority's borrowing, lending and banking arrangements; • Constitution 4.3, budget and policy framework procedure rules outline the responsibilities within the Council in relation to Budgeting and Policy; • Constitution 4.8 outlines the Authority's financial procedure rules; • Constitution 4.9 provides the contract procedure rules the Council is bound by; • These can all be shared with counterparties and are also available on the Council's website.

Information required from counterparties in relation to their powers/authorities	• The Council will only make investments/deposits in organisations, which have been independently rated by a number of sources. These ratings have to be above the minimum credit rating as specified in the TMSS. The Council's Treasury Management Consultants provide information to assist the Authority on a regular basis; • Lending to third party organisations will be an exception and will only be made to organisations which have been subject to a thorough financial appraisal.
Statement on the Council's political risks and management of these risks	• Legislation is in place to regulate any internal political risks. The Local Government Act 2000 legislates on the conduct of Members and officers; • The constitution of the Council and schemes of delegation help to reduce political risks; • Adoption by Council of each annual TMSS and the CIPFA Treasury Management Code of Practice provide further risk reduction; • The Members' and officers' codes of conduct also provide a framework for reduced risk; • The organisation's Corporate Governance Framework and, in particular, compliance with TMP12; • External political risks are mitigated by having a robust TMSS and Treasury Management Practices (TMPs). Daily updates from the Council's Treasury Management Consultant will support action needed to mitigate risks.

1.7 Fraud, Error and Corruption, and Contingency Management

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Systems and procedures to reduce the risk of loss through fraud, error and corruption	• There are several stages of segregation of duties, which are outlined in TMP5 below. The Treasury Management team monitor cash-flows and recommend transfers. The initial arrangement of investments/deposits is completed by the Treasury Management team with the approval of the Section 151 Officer or his deputies. The Treasury Management team are not involved in any processing of treasury management transactions; • All treasury management transactions are processed via CHAPs using the NatWest online banking system. This is a secure system which, in addition to passwords, requires use of card readers to authorise transactions. Segregation of duties exists so that no team member with direct responsibility for Treasury Management has access to process payments/transfers. The officers in the technical team who process the payments/transfers are not involved with authorisation of payments/transfers; • The NatWest Bankline system has been set up to ensure segregation of duties and allows access levels to the appropriate level for example the Treasury Management team have view only access to Bankline; • Bank mandates are set up with the banks the Council holds deposits with, in accordance with the approved list of authorising officers. This also helps with segregation of duties and helps keep the Council's deposits more secure;

	• The Council has a list of named officers who have the authority to transact loans and transactions. Brokers and counterparties with whom the Council deals directly with are provided with a copy of the named officers; • Treasury management reconciliations are completed monthly as a quality control check; • The Treasury Management team use Logotech, a specialist treasury management software, to support monitoring of treasury management activities; • Internal audit will undertake regular audits of the Treasury Management function.
Emergency and contingency planning	• There is a hard copy of all treasury management decisions and activities; • All IT systems, including the Treasury Management systems, are backed up by the ICT function and can be restored; • Each service/function of the Council has a Business Continuity plan; • In the event of a failure of the NatWest Bankline system, balances can be gained from the NatWest branch in Llangefni. Most treasury management transactions are moving towards internet banking. If a counterparty's online banking facility is not available, the relationship manager would be contacted for their alternative procedures. This would involve the bank separately contacting an authorised signatory for approval. If the Council's internet is not available, an internet source as part of the smarter working agenda could be used.
Insurance cover details	• Fidelity Guarantee Insurance is taken out by the Council to protect itself against any fraudulent activity within Treasury Management activities. It provides for a guaranteed sum of £10m should any of the named officers directly involved with treasury management cause loss to the Authority and £1m for any other employee.

1.8 Market Risk Management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Approved procedures and limits for controlling exposure to investments whose capital may fluctuate	• The Treasury Management Strategy Statement (TMSS) does not allow high-risk investments, which are likely to fluctuate. Investments can only be made in accordance with the criteria set out in the TMSS as approved by Council. Where the Council invests or temporarily borrows from money markets, these can only be in AAA rated funds which are diversified over a number of investments that the exposure to risk and capital fluctuations is reduced.

TMP 2 – Performance Management

The Authority is committed to the pursuit of value for money in its treasury management activities and to the use of performance methodology in support of that aim. Value for money must be within the framework set out in the TMSS. Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

Methodology to evaluate the impact of treasury management decisions	• The core aims of the TMSS is that Treasury Management activities will prioritise security, liquidity and then return. The function is, therefore, not judged solely on the returns made. Treasury management decisions are evaluated against its core aims; • The Treasury Management Mid-year and Outturn reports also allow for the scrutinisation of the performance of key Treasury Management aims; • Treasury management returns and activity are monitored quarterly in the Corporate Scorecards.
Methodology for testing value for money in treasury management	• The treasury management function is currently provided in-house. The market could be tested at any time via sell2wales; • The specialist Treasury Management Consultants/Advisory service is advertised on sell2wales at the end of each contract period. The current contract was subject to a tendering process last year via sell2wales. The successful tender was Capita Asset Services, which later became Link Asset Services. The contract is from 1 April 2016 to 31 March 2019 with an option to extend for up to two years which has been extended; • Banking services are tendered every five years via sell2wales. The current contract is with NatWest, which is effective from 3 February 2016; • There is an approved list of money-broking services, where advice from 3 brokers will be sought when formulating options for treasury management investments; • The Council does not use cash/fund management services as part of its treasury management activities. However, fund managers are used for a number of charitable trusts which the Council is trustee for.

TMP 3 – Decision-making and analysis

The Council will maintain full records of its treasury management decisions and of the processes and practices applied in reaching those decisions. The Council will learn from its experiences and decisions and will build on its successes and take action to avoid any negative issues, which may arise. The Council will record decisions so that the Council can demonstrate that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

Delegated powers and record-keeping	• Full Council approves the Treasury Management Strategy Statement (TMSS) each year after being scrutinised by the Audit and Governance Committee and considered by the Executive, these decisions are recorded formally; • The Director of Function (Resources)/ Section 151 Officer has the delegated authority for all aspects of treasury management. All decisions will comply with the TMSS. The treasury management team will provide options and recommendations for the Section 151 Officer to consider when a new investment or loan is required. This will be documented and signed off by the Section 151 Officer. The treasury management team makes day-to-day decisions with existing counterparties, with one team member recommending a transaction and another more senior member of the team approving this recommendation.
Continuous improvement	• The Council will evaluate treasury management activities and seek to avoid any negative outcomes and build upon good practice and treasury management results. This is done on a day-to-day basis operationally; • On a more formal basis, treasury management will be evaluated through the mid-year and end of year treasury management reports which will be scrutinised by Audit and Governance Committee and considered by the Executive and Council; • The historic and forecast performance of prudential indicators are provided within the annual TMSS, which is scrutinised by Audit and Governance Committee, considered by the Executive and approved by Council. • .

TMP 4 – Approved instruments, methods and techniques

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule below and within the limits and parameters defined in TMP1 Risk Management and the Council's TMSS. All instruments, methods and techniques will be focussed on those which offer greatest security and liquidity. The Council will aim to maximise yield within these two main priorities. The Authority will seek proper advice from its commissioned specialist treasury management consultants/adviser and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

<table>
<tr><td>Approved Capital Financing instruments, methods and techniques</td><td><u>External:-</u>

• Public Works Loan Board (PWLB);
• Temporary money-market loans (up to 364 days);
• Long-term money-market loans;
• Bank overdraft (only in exceptional circumstances and if this is the cheapest option for a very short-term need);
• Commercial loans;
• Loans from other organisations if terms and conditions are favourable. The organisations will need to be authorised to lend and are regulated;
• Finance leases;
• Operating leases;
• Capital Government grants and European grants;
• Capital Grants from other organisations for example, the National Lottery;
• PFI/PPP.

<u>Internal:-</u>

• Capital receipts:
• Revenue contributions;
• Use of reserves.</td></tr>
<tr><td>Approved Investment instruments, methods and techniques</td><td>• The Council's investment policy has regard to the Welsh Government's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectorial Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, and then return;
• In accordance with the above guidance from the Welsh Government and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and, thus, avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings;
• As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end, the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings;</td></tr>
</table>

	• Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. The following are approved investments in accordance with the TMSS:- • Investments in banks and building societies which meet the minimum criteria in Appendix 8 of the TMSS (see also Table 1, above); • Nationalised/part-nationalised UK banks up in accordance with the TMSS; • UK Central Government; • UK Local authorities; • AAA rated money market funds in accordance with the TMSS.

TMP5 – Organisation clarity segregation of responsibilities and dealing arrangements

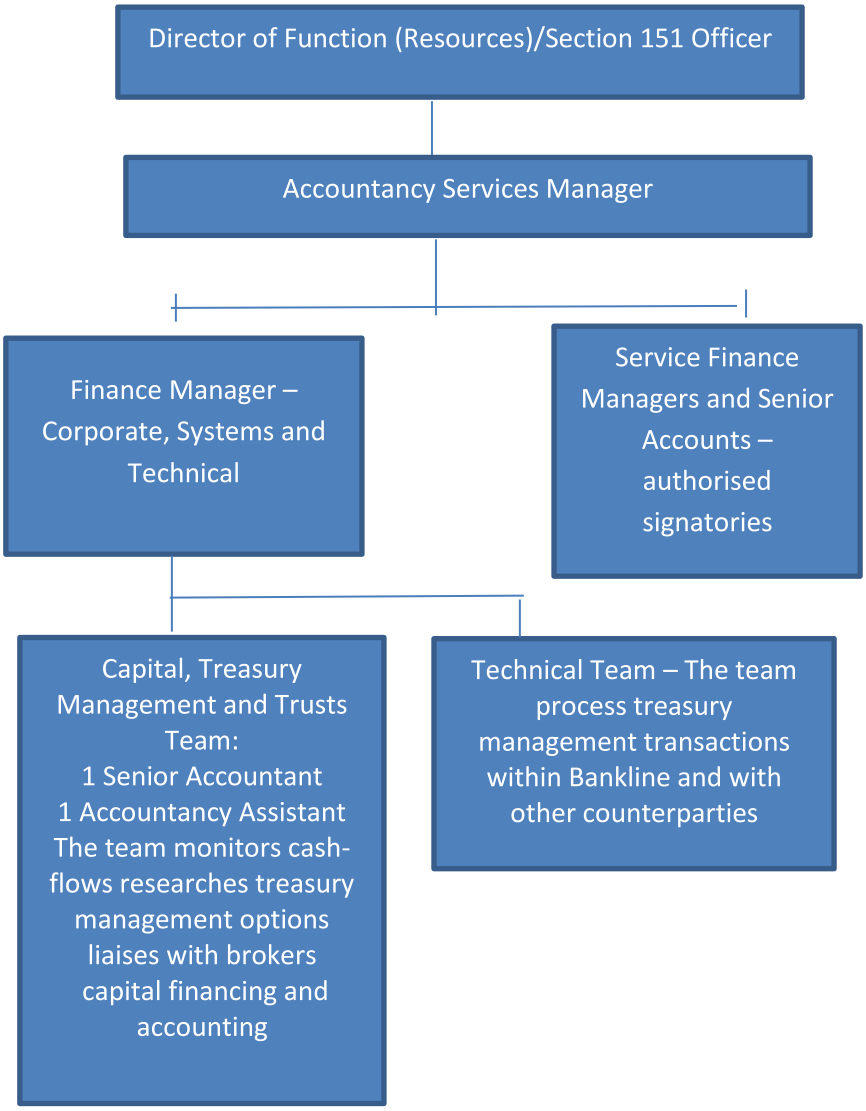
The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error and for the pursuit of optimum performance. These activities are structured and managed in a fully integrated manner and that there is at all times a clarity of treasury management responsibilities. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

When the Authority intends, because of lack of resources or other circumstances, to depart from these principles, the Section 151 Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated. The Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the scheduled below. The delegations to the responsible officer in respect of treasury management are also set out below. The responsible officer will fulfil all such responsibilities in accordance with the organisation's policy statement, TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management*.

Scheme of delegation	• Full Council approves the TMSS, the TMPs and receives a mid-year review report and end of financial year on the performance of the treasury management function; • The Executive consider the TMSS, TMPs mid-year and end of year report and makes recommendations to Council; • The Audit and Governance Committee scrutinises the TMSS, mid-year and end of year treasury management reports and the TMPs. The Director of Function/(Resources)/Section 151 Officer has delegated authority for treasury management; • The Director of Function (Resources)/Section 151 Officer has delegated day-to-day treasury management duties to the Finance Manager – Corporate, Systems and Technical and the Treasury Management team and the Technical team. The Service Senior Accountants and above are delegated to authorise treasury management transactions.

Principles and practices concerning segregation of duties	• The Council considers that segregation of duties is key to ensure robust controls and reduce risks in its treasury management activities. The above scheme of delegation in relation to treasury management ensures that there are adequate checks and balances and segregation of duties in the treasury management function; • Balances are checked each morning and assessed against known income due and payments being made by a treasury management team member (TM); • If payments are expected to exceed the balance in the NatWest accounts, the TM team member will complete a transfer form detailing all the information for a transfer into the NatWest general account to meet the day's cash-flow needs. The details will be checked by the TM officer's line manager or a Finance Manager or higher and authorised if correct; • This transfer form is then passed to the Technical team to process the transfer; • Transfers are then approved by authorised signatories which are not part of the Corporate, Systems and Technical team and who have not authorised the transfer form to ensure segregation of duties before the transfer can take place; • The balances are checked regularly during the day to ensure the transfers are completed. If a transfer has not been completed by 2pm that day, a member of the Technical team should contact the bank from where the transfer is being made. This will ensure that the amounts are transferred into the NatWest by close of business. Balances are also re-checked towards the end of the working day. An entry is made in the cash-flow summary sheet for that day with morning and afternoon balances counter-signed by the TM officer's line manager or a Finance Manager or higher; • Any balances which are cost effective to transfer, i.e. the interest for the period of investment is greater that the costs of transfer (i.e. the CHAPS fees), will be transferred to a counterparty in accordance with the approved list of counterparties and the TMSS. These will be at the best interest possible within the parameters of being highly secure and accessible. The same procedure as transfers into the NatWest will be followed with all four stages of segregation of duties.

Treasury Management Organisation Chart	
Statement of duties/ responsibilities of each treasury post	The Director of Function (Resources)/Section 151 Officer has, through the constitution, delegated powers for the management of the Treasury Management function as follows:- • recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance; • submitting regular treasury management policy reports; • submitting budgets and budget variations; • receiving and reviewing management information reports; • reviewing the performance of the treasury management function; • ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function; • ensuring the adequacy of internal audit, and liaising with external audit; • recommending the appointment of external service providers; • responsibility for the execution and administration of its Treasury decisions, including decision on borrowing, investment and financing, have been delegated to the Section 151 Officer, who will act in accordance with the Council's policy statements and TMPs;

	• The Accountancy Services Manager deputises for the Director of Function (Resources)/Section 151 Officer in relation to the above duties. • The Finance Manager – Corporate, Systems and Technical has responsibility for day-to-day management of the treasury management function; • The Capital, Treasury Management and Trusts team has responsibility for the operation of the Treasury Management function. This includes estimating future cash-flows, monitoring daily cash-flows, researching various options for investments and, in the event of any new loans required, and completing treasury management transfer requests authorised in line with the team's delegated powers. The team also produce the TMSS, the TMPs and treasury management reports; • The Technical Team process any treasury management transactions within the banking systems. The technical team will double check the information before entering the transactions; • The Service Finance Managers and Senior Accountants authorise treasury management transactions on the basis of documentary evidence that the transactions are appropriate.
Absence cover arrangements	• The Finance Manager – Corporate, Systems and Technical and Accountancy Services Manager will provide absence cover arrangements in the event of the two treasury management team members being absent.
Dealing limits	• £5m per deal.
List of Approved Brokers	• BGC Partners; • Tullet Prebon; • Tradition UK.
Policy on Brokers' Services	• The Council will use the above named brokers to research treasury management options and actions necessary. The Section 151 Officer or Accountancy Services Manager will authorise the deal request. The Council will seek information from two of the above named brokers for any potential treasury management transaction. The team will seek to spread the business between them to ensure value for money and maintain business relationships; • The Council may also enter into direct deals with investments or borrowing to/from other local authorities or local authority pension funds.
Policy on taping conversations	• Conversations with brokers are recorded by the broking organisations.

Direct dealing practices	• Dealing options will be researched by the treasury management team and recommendations for new deals will be made to the Section 151 Officer or his deputy; • The treasury management team members confirm the selected deal with the broker once agreed by the Section 151 Officer; • A treasury management request form is completed with backing information by the treasury management team; • A member of the technical team will enter the transaction into Bankline and will check the details and that the Section 151 officer has approved the deal; • The online payment is authorised by two authorised signatories after the details and approval of the Section 151 Officer has been checked; • The online payment is processed by CHAPS once authorised. • Written confirmation is provided to the counterparty; • Written confirmation of the deal is received from the broker and/or counterparty and is checked carefully and signed by a Finance Manager or above; • Any differences in the documented confirmation from the broker and that negotiated will be investigated immediately and corrected; • The deal is recorded in the daily cash-flow and record of investments/loans as relevant.
Documentation requirements	• For each deal undertaken, a record should be kept giving details of amount, period, counterparty, interest rate, dealing date, payments date(s), broker. **Investments :-** • deal ticket authorising the investment; • confirmation from the broker; • confirmation from the counterparty; • CHAPS payment transmission document; **Loans:** • deal ticket with signature to agree loan; • confirmation from the broker; • confirmation from PWLB/market counterparty; • CHAPS payment transmission document for repayment of loan.

TMP6 – Reporting requirements and management information arrangements

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies. These will consider the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:-

The Council will receive:-

- an annual Treasury Management Strategy Statement which reports on the strategy and plan to be pursued in the coming year;
- a mid-year review;
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The Audit and Governance Committee is responsible for scrutinising treasury management activities and indicators. The present arrangements and the form of these reports are detailed below:-

Content and frequency of board/ committee reporting requirements	• All of the above reports will first go to the Audit and Governance Committee for scrutiny. They will then go to the Executive with any advice from the Audit and Governance Committee. The Executive will make recommendations and the reports will go to the Council for approval.

TMP7 – Budgeting, accounting and audit arrangements

The responsible officer will prepare and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management. The matters to be included in the budget will, at minimum, be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk Management, TMP2 Performance Measurement and TMP4 Approved Instruments, Methods and techniques. The responsible officer will exercise effective controls over this budget, and will report upon, and recommend, any changes required in accordance with TMP6 Reporting Requirements and management information arrangements.

The Council will account for its treasury management activities for decisions made and transactions executed, in accordance with appropriate accounting practices, standards, statutory and regulatory requirements in force for the time being.

Statutory/regulatory requirements	• The Council will comply with all statutory and regulatory requirements relating to Treasury Management (see 1.6 above). The CIPFA Treasury Management Code 2017 and the CIPFA Prudential Code 2017 incorporate these legal requirements and support with practical guidance. The Council has, therefore, adopted the code and will manage its treasury management function in line with the CIPFA codes.
Accounting practices and standards	• The Council will, as noted above, comply with the following CIPFA codes to ensure proper accounting practice and compliance with standards in relation to its treasury management function:- • CIPFA Code of Practice on Treasury Management 2017 and related guidance; • CIPFA Prudential Code 2017; • CIPFA SerCOP; • CIPFA Code of Practice on Local Authority Accounting and related practitioners' guide.

List of information requirements of external auditors	• Treasury Management transactions, assets and liabilities are reported in the Council's annual Statement of Accounts which are subject to external audit; • The Council will provide access to all treasury management information that the audit team requires to verify that the accounts represent a true and fair view of the Council's financial affairs, including treasury management activities; • There are a number of specific notes in relation to treasury management. Each of these notes will have robust working papers, source evidence and transactions and balances held with the financial system relating to the financial year; • The following are examples of the types of treasury management information which will be needed for audit:- • Treasury Management Strategy Statement; • Annual and mid-year treasury management report; • Treasury Management Practices; • New loans borrowed during the year, source documentation; • Complete list of loans outstanding and their maturity dates; • Loans restructured during the year, including premiums and discounts; • Compliance with accounting requirements; • Amortisation of gains or losses on repurchase of borrowing; • Analysis of borrowing between short and long-term; • Debt financing and financing costs, including calculations and workings; • MRP calculations and analysis of the movement in CFR; • Bank overdraft position (if any); • Brokerage, commissions and transaction related costs; • Investment transactions during the year, including any transaction costs; • Cash and bank balances at year-end; • Short and long-term investments at yearend including source documents; • Calculation of interest and interest accrued; • Actual interest received; • Capita Fair Value report; • Evidence of title to investments; • Reconciliation of the movement in cash to the movement in net debt; • Cash inflows and outflows; • Net increase/decrease in short-term loans, short-term deposits and other liquid sources.
Internal Audit	• Internal audit review systems and test transactions on a regular basis. Any information requests by internal audit will be at the earliest opportunity and within 3 working days at the latest.

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the Section 151 Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1[1] *liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

Arrangements for preparing/submitting cash flow statements	• A detailed annual cash-flow forecast is prepared for each financial year following approval of the budget; • This will take into account the budget and will look at historical information; • The cash-flow forecast will provide estimates of cash inflows and outflows each month and will be reviewed each month; • In addition, a daily cash-flow record of movements and balances is kept and updated morning and afternoon. This is signed off by either the Senior Accountant for Capital, Treasury Management or, if it has been completed by the Senior Accountant their line manager or another Finance Manager who is not involved with authorising any treasury management transactions that day; • The cash-flow forecast and daily cash-flow record helps with decision-making and the identification of cash shortages/surpluses; • Treasury management transactions and balances are recorded on the Council's treasury management software, Logotech.
Content and frequency of cash flow management	• Cash-flow is monitored morning and afternoon and the annual cash-flow forecast is reviewed regularly; • Information for the cash-flow is as follows:- • Regular known inflows: RSG, NDR receipts, Council tax receipts; • Estimated inflows: grants, miscellaneous income (fees and charges etc.), capital receipts. • Estimated outflows: salaries, pensions, etc., housing benefits, creditors' runs, etc.
Listing of sources of information	• Systems are in place to ensure that the treasury management team are notified of significant cash-flows. There is a specific Treasury Management email account to which creditors, payroll etc. send details of amounts to be paid out; • Creditors notify the team of the amount of each creditors' run, which provides 2 days to ensure adequate cash balances; • Payroll confirm the payroll amounts 2 days before salaries are paid; • The legal and property services notify the team of any capital receipts expected; • The grants manager notifies the Treasury Management team of estimated grants usually once grant claim forms have been completed; • The team look at average miscellaneous income in the past to estimate this.

Bank Statements procedures	• Paper bank statements are sent monthly by NatWest and the counterparties we hold deposits in; • In addition, real-time access is available via Bankline or the online banking facilities of counterparties.
Payment scheduling and agree terms of trade with creditors	• The Council pays creditors on the next creditor run after the invoices have been authorised. This is likely to be before the terms of trade has expired. This is to support the local economy and small businesses. However, if there were cash-flow difficulties, the Council would re-consider and return to paying in accordance with terms of trade, usually 30 days.
Arrangements for monitoring creditor/debtor levels	• The Civica financials system produces reports which have been scheduled regularly to allow the management team to monitor creditor and debtor levels. Each quarter, the bad debt provision is reviewed.
Procedures for banking of funds	• The norm is for funds to be transferred electronically; • Where cash is collected at Authority venues, for example, leisure centres, Securityplus collects these and pays the cash and cheques into the NatWest coin/cash centre; • Cash paid at the Council county offices and schools is paid into the closest NatWest bank at the earliest opportunity in line with the Finance Procedure Rules.

TMP9 – Money Laundering

This organisation is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed below.

Policy and procedures to reduce risk of fraud, bribery and money laundering	• Treasury Management activities will follow the Council's policies below to reduce the risk of fraud, bribery and money laundering:- • Isle of Anglesey County Council Policy for the prevention of fraud and corruption; • Isle of Anglesey County Council Anti-money Laundering Policy and Procedures. • Fraud response plan.
Procedures for establishing identity/authenticity of lenders	• The Council will only enter into borrowing arrangements with organisations which have been checked with the Financial Services Authority www.fsa.gov.uk and with advice from our specialist Treasury Management Consultants.
Methodology for identifying sources of deposits	• All counterparties will be on the approved counterparty list and will comply with the TMSS. All counterparties will be rated organisations on the credit ratings list provided by Capita. These have long and short-term ratings from Fitch, Moodys and S&P.
Treasury Management transactions	• The Council's segregation of duties, documented above in TMP5, reduces the risk of money laundering and fraud.

TMP10 – Training and qualifications

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will, therefore, seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Section 151 Officer will recommend and implement the necessary arrangements.

The Section 151 Officer will ensure that board/ Council Members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

Details of approved training courses	• CIPFA and Capita Treasury Management courses.
Details of approved qualifications	• CCAB and CIMA accountancy qualifications, AAT, specific accredited Treasury Management qualifications, accredited qualifications which provide transferable skills.
Details of qualifications of treasury staff	• The Senior Accountant – Capital, Treasury Management and Trusts is an affiliate CIPFA member, is part-qualified ICAI (Institute of Chartered Accountants Ireland) and has a degree in Business Studies; • The Finance Manager – Corporate, Technical and Systems is a qualified CIMA member, has a degree in Management Science – Economics, an MA in law and the ILM NVQ and OCR, level 5 in Leadership and Management.
Records of training received by training staff	• The team regularly attend CIPFA and Capita Treasury Management Courses to keep up-to-date with Treasury Management requirements; • Training records are kept by the function's Training Coordinator and HR.
Records of training received by those charged with governance	• Members' training is provided on an annual basis by Capita. The treasury management team attend these.

TMP11 – Use of external service providers

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in the schedule to this document.

Details of contracts with service providers, including banking, brokers, consultants, advisers and details of the services provided	**Banking:-** • The Council's main bankers are: NatWest which is part of the RBS group, Glanhwfa Road, Llangefni, Anglesey, LL77 7YW; • The Council also has accounts with Santander for post office GIROs. **Treasury Advisor:-** • Link Asset Services, 6th Floor, 65 Gresham Street, London, EC2V 7NQ. **Brokers**:- • BGC Partners; • Tullet Prebon. • Tradition UK. **BACS Transmissions :-** • **Bottomline technologies**
Regulatory status of services provided	• All are regulated organisations.
Procedures and frequency for tendering services	• The Council is bound to follow the Contract Procedure rules which are part of the constitution. All contracts likely to be £25k or higher have to be advertised on sell2wales. The treasury management consultancy contract was also advertised on sell2wales and evaluated robustly, even though the contract amount was less than the mandatory amount. • Contract periods are recommended as 3 years with up to 2 years option to extend with the agreement of both parties.

TMP12 – Corporate Governance

The Authority is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented, the key principles of the Code. This, together with the other arrangements detailed throughout this document, are considered vital to the achievement of proper corporate governance in treasury management. The Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

List of public documents to be made available for public inspection	• Annual Statement of Accounts; • Treasury Management Strategy Statement; • Mid-year Treasury Management Report; • Annual Treasury Management Report; • Treasury Management Practices.
Procedures for consultation with stakeholders	• Stakeholders are consulted on the annual budget each year, which includes treasury management revenue budgets.
List of external funds managed on behalf of others and the basis of attributing interest earned and costs to these investments	• There are a number of appointeeship/guardianship accounts managed by the Council on behalf of individuals. These are not part of the Corporate Contract but are with the Council's banker, NatWest. Any costs attributable to the accounts will be charged to the accounts and any interest earned will also be paid on an actual basis for that account; • The Council is trustee to a number of charitable trusts and smaller trusts. The average interest rate on deposits is applied to these trusts' balances. Each trust is charged costs relating to the administration and management of the trusts in accordance with the Charities Commission.

TMP13 - Non-Treasury Management Investments

In addition to Treasury Management investments, the Council has a portfolio of investment properties, which generate rental income for the Council. These are managed by the Council's Property Services section. These investment properties help to reduce risk by introducing more diversity of investments for the Council. The investments help to provide additional income to the Council at a time when Government funding is reducing. The properties are held long-term and are maintained to the standards required by legislation. The Council has the legal right under the Local Government 2003 (Section 12) to invest:-

a) For any purpose relevant to its functions under any enactment; or
b) For the purposes of the prudent management of its financial affairs.

The Council's Investment Property portfolio is therefore authorised by the above legislation for the reasons specified in Section 12 a) and b).

Several of the Council's investment properties were funded from full or significant external funding from European and/or Welsh Government grants. The Council, at the time of writing, is in a joint venture with Welsh Government to build industrial units at Penrhos, Holyhead which should be completed during 2020. More recently, the Council received significant grant funding for building new industrial units in Llangefni, which are now fully operational. The Council's strategic plan in relation to investment properties is to keep viable units maintained and to build new units where there is significant external funding. This complies with the Council's Capital Strategy and Council Plan 2017-22. Accepting grant funding to build investment properties helps the Council maximise its external funding and also provides additional rental income to reduce the need for council tax, etc.

Information about the Council's Investment Properties

The Isle of Anglesey's statement of Accounts 2018/19 shows that the investment property portfolio was valued at £6m, which is shown below. The significant share (75%) of the portfolio comprises of Commercial Units, which are mainly industrial units.

Recurring fair value measurements at 31 March 2019 using:	Quoted prices in active markets for identical assets (level 1) £'000	Other significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000	Fair Value as at 31 March 2019 £'000
Retail Properties	-	820	-	820
Office units	-	658	-	658
Commercial units	-	4,522	-	4,522
Total	**-**	**6,000**	**-**	**6,000**

The table below shows that in both 2017/18 and 2018/19 there was a net income stream from the Council's investment properties.

Expenditure and Income on Investment Properties	2018/19 £000	2017/18 £000
Expenditure	**129**	**164**
Income	**(346)**	**(331)**
Net Expenditure/(Income)	**(217)**	**(167)**

The Council also owns a significant amount of domestic properties which are ring-fenced and managed as part of the Housing Revenue Account (HRA). These are not classed as investment properties and are not included in the investment property portfolio because the Council provides housing as part of its social housing operations, not purely to invest in domestic properties for rental income. Similarly, smallholdings are excluded from investment properties as a key objective for the provision of smallholdings is to support the agriculture sector on Anglesey given its importance for the Island.

Risk Management (TMP1)	• Many of the risks in TMP1 above apply to non-treasury management investments; • Credit and Counterparty Risk - The risk of loss of investment monies is lower than the risk presented by many treasury management investments as the Council has more control over the investment properties including holding the deeds. The Property Services section, in leasing out investment properties will select the most suitable tenant who offers best overall terms for the Council in terms of rent, use of property and status of the tenant. This is highlighted in the Council's Commercial Lettings Guidance; • Liquidity risk – investment in properties does present a higher liquidity risk as cash cannot be accessed quickly as the investment cash would only be available once the investment property is sold. When investment properties are let and the leases/tenants pay rent on time, this helps with cash flow. However, when units are empty (voids), or tenants are not paying rent on time this has an adverse impact on cash flow; • Interest rate risk – bank interest base rates have been very low since the 2008 recession/banking crisis. This means that the return on cash investments is low. Bank deposit rates of return are less than 1% and have been this low for a number of years. The rate of return on commercial properties will vary according to area but returns tend to be 5% or higher. Interest rate risk is not eliminated as low interest rates are linked to a sluggish economy or a recession. This can lead to increased voids and risk of lessees not paying rent;

	• Legal and regulatory risk management – the Council constantly has to respond to legal and regulatory requirements. Increased standards of maintenance for investment properties will increase expenditure required though keeping the properties to a good standard protects investment properties into the future. The Council maintains its investment portfolio to a good standard. The Council also reduces risk by ensuring that investment in properties comply with the Local Government Acts. There is a small risk of Welsh Government reversing local authorities' powers to invest. This might lead to no further investment properties in the future or the Council having to sell-off its investment property portfolio. All the legislation and guidance listed in 1.6. above also apply to investment properties; • Fraud, Error, Corruption and Contingency Management – the following procedures and practices help to mitigate the risk of fraud, error, corruption and contingency management in relation to the Investment Properties:- **1)** Asset Management Policy and Procedures; **2)** Commercial lettings guidance; **3)** Council constitution, particularly 4.8 Finance Procedures; **4)** The Council governance framework, including the role of the Executive; **5)** The Legal department produces lease agreements and liaises with proposed tenant's solicitors; **6)** The Council's Resources Function complete all transactions for the Council, including relating to Investment Properties. Segregation of duties and authorisation rules for transactions help mitigate risks; • Market Risk – the property market tends to fluctuate more slowly than many different investment markets such as equities, etc. Market risk will also fluctuate depending on the type of investment property. Domestic properties have less risk than commercial properties due to the strong demand for domestic properties. The Council's investment properties are at risk of reduced rents or vacant units when the investment property market is affected by a downturn in the economy. The market value of the investment properties are also at risk during an economic downturn. This would impact on the Council if an industrial unit is advertised for sale. The Council does not invest in risky investment properties such as retail parks.
Performance Measurement and Management (TMP2)	• Operational performance and management of the investment properties are completed by Property Services and takes into account the asset management plans relating to investment properties, occupancy rates and financial performance.

Decision-making, Governance and Organisation (TMP5)	• The Council's Constitution sets out the decision-making and governance framework for all services, including investment properties. The annual budget for expenditure and income for the investment properties will be included in the Property Service's budget and will be scrutinised by the Finance Panel and Scrutiny Committee, reported to the Executive and submitted for approval by full Council; • The Executive is the main strategic decision-making body in relation to the Council's assets, including investment properties. The Executive, on 14 December 2015, approved the Corporate Asset Management Plan for Land and Buildings 2015 to 2020. This includes investment properties and there are two action plan points (4 and 5) specific to the investment properties portfolio. In addition, the Property Services Asset Management Plan guides the work of Property Service, including for Investment properties; • The Head of Highways, Waste and Property has delegated authority in relation to investment properties, some of which will require the approval of the Portfolio Holder for Highways, Waste and Property. Officers within the Property service have delegated authority on the day-to-day operation of the investment properties. The Legal Service officers also play an important role in ensuring leases and sales of investment properties are negotiated and contracted in accordance with the best interests of the Council; • Investment in new or significant refurbishment of investment properties will need to form part of the annual capital programme and will need to align with the Corporate Plan 2017-2022, Capital Strategy and other key Council strategies. The driver for building new industrial units has been significant external grant funding as Europe and Welsh Government invested in the Island to meet their priorities to support the economy of Anglesey. All schemes in the capital programme are approved by full Council and are monitored quarterly by the Executive.
Reporting and Management Information (TMP6)	• The costs and income relating to investment properties are recorded in the financial system to specific cost centres. An Accountant monitors this and provides budget monitoring information to the budget holder and Head of Service throughout the year; • The income and expenditure from investment properties is included in the annual Statement of Accounts for the Council, where there is a specific note in relation to Investment properties(note 18). This also includes a valuation of the Investment properties portfolio; • The Property Section manages the day-to-day running of the properties, including leasing, maintenance, etc. in conjunction with Legal, Economic Development and Resources as needed; • The annual valuation report lists every property within the investment property portfolio, investment units are revalued every year in accordance with CIPFA requirements.

Training and Qualifications (TMP10)	• TMP10 above outlines the qualifications of Accounting staff involved accounting for investment properties; • In addition, Investment properties are managed by Property services experts, two of which are qualified RICS members and hold university degrees in Property Valuation • A specialist Grants team within Resources support the Economic Development service in attracting millions of pounds of external funding for investment properties. The Grants team have finance qualifications and attend training events to keep up-to-date with issues and guidance in relation to external funding; • The degree qualified staff within the Economic Development Service played a key role in attracting significant funding to build industrial units. Economic Development staff also completed project and programme management training.

Date scrutinised by Audit and Governance Committee: 11 February 2020

Date considered by the Executive: 2 March 2020

Date approved by Council: 10 March 2020

Author: Claire Klimaszewski

Date for Review: 2023 or earlier if there is a policy change in relation to Treasury Management or Investment Properties.

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ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**ISLE OF ANGLESEY COUNTY COUNCIL**
DATE:	**10 MARCH 2020**
SUBJECT:	**CAPITAL STRATEGY AND CAPITAL PROGRAMME 2020/21 to 2022/23**
PORTFOLIO HOLDER(S):	**COUNCILLOR ROBIN WYN WILLIAMS**
HEAD OF SERVICE:	**MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER**
REPORT AUTHOR: TEL: E-MAIL:	**MARC JONES / CLAIRE KLIMASZEWSKI** **2601 / 1865** **rmjfi@ynysmon.gov.uk/clkfi@ynysmon.gov.uk**
LOCAL MEMBERS:	**n/a**

A - Recommendation/s and reason/s

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. This requirement is aimed at ensuring that authorities take capital and investment decisions in line with service objectives and properly take into account stewardship, value for money, prudence, sustainability and affordability.

Recommendations

The full Council is requested to :-

- Approve the Capital Strategy for 2020/21 – 2022/23 as detailed in Appendices 1 and 2 below.

B - What other options did you consider and why did you reject them and/or opt for this option?

N/A

C - Why is this decision for the Executive?

Responsibility for determining the Council's budget strategy remains with the Executive.

CH - Is this decision consistent with policy approved by the full Council?

Yes

D - Is this decision within the budget approved by the Council?

N/A

	DD - Who did you consult?	What did they say?
1	**Chief Executive / Strategic Leadership Team (SLT)** (mandatory)	
2	**Finance / Section 151** (mandatory)	N/A – this is the Section 151 Officer's report
3	**Legal / Monitoring Officer** (mandatory)	
4	**Human Resources (HR)**	
5	**Property**	
6	**Information Communication Technology (ICT)**	
7	**Scrutiny**	
8	**Local Members**	
9	**Any external bodies / other/s**	

E - Risks and any mitigation (if relevant)		
1	**Economic**	
2	**Anti-poverty**	
3	**Crime and Disorder**	
4	**Environmental**	
5	**Equalities**	
6	**Outcome Agreements**	
7	**Other**	

F - Appendices:

Appendix 1 – Capital Strategy 2020/21 to 2022/23
Appendix 2 – Summary of Draft Proposed Capital Programme 2020/21

FF - Background papers (please contact the author of the Report for any further information):

Treasury Management Strategy Statement 2020/21, Executive, 2 March 2020
Medium Term Financial Plan 2020/21 to 2022/23, the Executive, September 2019
Draft Capital Programme 2020/21 Report, the Executive, 13 January 2020
Capital Programme 2020/21 Report, the Executive, 2 March 2020
Revenue Budget 2020/21, the Executive, 2 March 2020

APPENDIX 1

CYNGOR SIR YNYS MÔN
ISLE OF ANGLESEY COUNTY COUNCIL

Capital Strategy 2020/21 to 2022/23

Isle of Anglesey County Council
Capital Strategy 2020/21 to 2022/23

1. Introduction

1.1 Part 1, Section 3 of the Local Government Finance Act 2003 requires that the Authority shall determine and keep under review how much it can afford to borrow. The Act is supported by the Prudential Framework for local authority capital investment and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Code). The CIPFA Prudential Code was revised in 2017/18. The revised Code introduced a new requirement that all authorities produce a capital strategy, which sets out the long-term context in which capital expenditure and investment decisions are made. Authorities are required to give due consideration to both risks and reward and the impact on the achievement of priority outcomes. CIPFA also revised the Code of Practice on Treasury Management at the same time. This Capital Strategy 2020/21 meets the requirements of the CIPFA Prudential Code 2017, aligns with the Council's Treasury Management Strategy Statement 2020/21 and has regard to the CIPFA Treasury Management Code 2017.

1.2 The purpose of this strategy is to set out the objectives, principles and governance framework to ensure that the Authority takes capital expenditure and investment decisions in line with service objectives. The Isle of Anglesey County Council Plan 2017/22 outlines the key priorities and objectives of the Council for the period to 31 March 2022. A fundamental principle of the Strategy is to focus capital expenditure on projects which help the Council meet the following key objectives of the Council Plan or help the Council fulfil its statutory responsibilities:-

Objective 1: Ensure that the people of Anglesey can thrive and realise their long-term potential.
Objective 2: Support vulnerable adults and families to keep them safe, healthy and as independent as possible.
Objective 3: Work in partnership with our communities to ensure that they can cope effectively with change and developments whilst protecting our natural environment.

1.3 This strategy also identifies the potential future capital expenditure, assesses the impact on the capital financing element of the revenue account and determines the funding available to finance new capital schemes for the period 2020/21 to 2022/23. It also establishes long-term principles to support capital planning well into the future. The governance of this strategy follows the same process as the Revenue and Budget Setting Processes and will be presented to the Executive, which will make recommendations to full Council for approval.

2. Objectives and Principles of the Capital Strategy

2.1 The Capital Strategy has a number of key objectives to ensure that capital expenditure is targeted towards meeting the Council's key priorities, whilst also taking into account stewardship, value for money, prudence, sustainability and affordability.

2.1.1 The Council Plan 2017/22 sets out the key priorities and objectives of the Council to 31 March 2022 and resources should be focussed on the achievement of these objectives. This capital strategy will help ensure that the capital programme will focus capital expenditure on projects which contribute most to the key objectives of the Council's Plan 2017/22.

2.1.2 Each year, capital funding will be allocated to ensure an investment in existing assets to protect them into the future.

2.1.3 The Council will maximise external capital funding wherever possible and affordable.

2.1.4 Capital funding will also be prioritised on assets required to help the Council deliver its statutory responsibilities.

2.1.5 The Council remains committed to the 21st Century Schools Programme and will continue to fully utilise 21st Century Schools external funding.

2.2 The following principles will help support the achievement of the above key objectives:-

2.2.1 That the 21st Century Schools programme is considered separately from the remainder of the general Council capital programme. The 21st Century Schools programme is a long- term significant commitment to building and/or refurbishing schools so that Anglesey's schools are fit to last and meet the requirements of the 21st Century. The 21st Century programme helps the school modernisation agenda and supports the Council's key objective to ensure that the people of Anglesey can thrive and realise their long-term potential. This principle also meets the Wellbeing of Future Generations Act 2015 to ensure educational settings are suitable in the long-term. An element of the expenditure on the 21st Century Schools programme will be funded from the capital receipts from the sale of schools vacated, with the remaining balance being funded from unsupported borrowing. This will ensure that the capital general grant and supported borrowing are available to fund investment in existing and new assets needed to achieve the objectives of the Council Plan 2017/22 and ensure that the Council's existing assets are maintained.

2.2.2 That a sum is allocated in the capital programme each year to fund the major improvement to, or the replacement of, existing I.T. equipment, vehicles and Council buildings.

2.2.3 That a sum is allocated in the capital programme to meet the Council's statutory requirement to offer disabled facilities grants. This helps deliver statutory responsibilities and supports the key objective of the Council to support vulnerable adults and families to keep them safe, healthy and as independent as possible.

2.2.4 That a level of road improvement works is funded from the capital programme each year. The sum allocated will be dependent on the funding required to achieve any minimum contract value guarantees, the level of funding available and an assessment of the state of repair of the Authority's roads. Improvements to the roads will help the Council ensure the highway network is sustainable in the longer-term. It also underpins all of the Council key priorities due to the rural nature of Anglesey and the importance of the highway network to many aspects of the Council's work.

2.2.5 Projects that require a level of match funding to enable grant funding to be drawn down, will be assessed on a case-by-case basis by the Section 151 Officer, with a recommendation being made to the Executive. The decision whether to commit funding will be dependent on the project, how it fits into the Council's corporate priorities, any ongoing revenue implications and the ratio of Council funding to grant funding.

2.2.6 Projects to be funded from unsupported borrowing, with the exception of 21st Century Schools projects, will only be undertaken if the reduction in revenue costs or increased income generated is sufficient to meet the additional capital financing costs incurred. Any assets funded by unsupported borrowing should be fundamental to the achievement of the Council's key priorities.

3. How the Strategy fits with other documents

3.1 The Council Plan 2017/22

The Council Plan is the prime document which outlines what the Council aims to achieve during the period 2017/22. The priorities of the Council Plan are summarised above in 1.2. A key objective of this Capital Strategy is to ensure that the capital funding available to the Council is spent on projects that assist the Council to deliver its priorities, including maintaining, replacing or / and upgrading existing assets. There are several other key strategic documents which align with the Council Plan. These guide how the Authority works on specific aspects affecting the Council.

3.2 The Treasury Management Strategy Statement (TMSS)

This Capital Strategy and the TMSS are very closely linked and both are revised annually. The Capital Strategy will define how the Council spends its capital funding and the TMSS sets out how this will be funded and its impact on the overall financial standing of the Council. Borrowing is a key part of the funding strategy. The details of how the borrowing is undertaken and controlled is also set out in the TMSS.

3.3 The Medium Term Financial Plan

3.3.1 The Medium Term Financial Plan (MTFP) is the fundamental part of financial planning which estimates the Council's revenue requirements over the next three years and how this will be balanced to the funding available. Capital expenditure will impact on the revenue budget through the Minimum Revenue Provision and the interest payable on borrowing. The Capital Strategy helps to inform the Medium Term Financial Plan.

3.3.2 Regular budget monitoring and review of the MTFP helps to monitor the impact of financial performance and issues on the delivery of the Council Plan. Linked to the financial monitoring is also the monitoring of performance and corporate and service risks, some of which are identified as financial risks. The Council's Performance Management Framework and Risk Management Strategy govern how performance and risk is managed.

3.3.3 The diagram below summarises the interconnection between these strategies and how ultimately they are guided by the Council Plan.

The Council Plan 2017/22

The key strategies and plans below are important and inter-related to help identify an affordable level of revenue and capital resources needed to deliver the key priorities of the Council Plan 2017/22. These also provide a framework for robust financial management of Council resources.

The Medium Term Financial Plan (MTFP)

This is revised regularly to help set out the likely resource requirement for the next three years and how the Council plans to balance the resource requirement. This includes the impact of revenue and capital issues on the Council Fund.

Capital Strategy

The capital strategy sets out the key priorities on how capital expenditure should be spent to help deliver the Council Plan 2017/22. It acknowledges that capital expenditure leads to revenue capital financing costs which must be kept affordable. The Capital Strategy impacts on and is impacted by, the MTFP, the TMSS, the Annual Revenue Budget and the Annual Capital Programme.

Treasury Managment Strategy (TMS)

This sets out the Annual Investment Strategy, Minimum Revenue Provisions Policy and Treasury Management Policy Statement for the year. These provide the framework and controls needed to ensure that there is enough cash to pay suppliers for revenue and capital costs, that surplus cash is invested safely and is accessible and that borrowing to fund capital expenditure does not go beyond an affordable level.

The Annual Revenue Budget is supported by the MTFP, Capital Strategy and TMS. - Each year the revenue capital financing costs are reviewed and revised as part of revenue budget - setting. Revenue contributions are sometimes used to fund capital costs.

The annual Capital Programme - The level of capital expenditure and borrowing impacts on the revenue budget due to capital financing costs and any ongoing revenue costs such as maintenance.

4. Corporate Strategy and Capital Programme Process

4.1 Developing the Capital Strategy

The Capital Strategy is revised each year taking into account the most recent Council Plan, the Medium Term Financial Plan and the budgetary pressures expected and the Treasury Management Plan. It also considers the prior year's capital programme and the level of reserves and the revenue budget. The capital strategy then outlines the key objectives and principles which then helps to develop the annual Capital Programme each year.

4.2 Developing the Annual Capital Programme

4.2.1 Bidding Process and Scoring

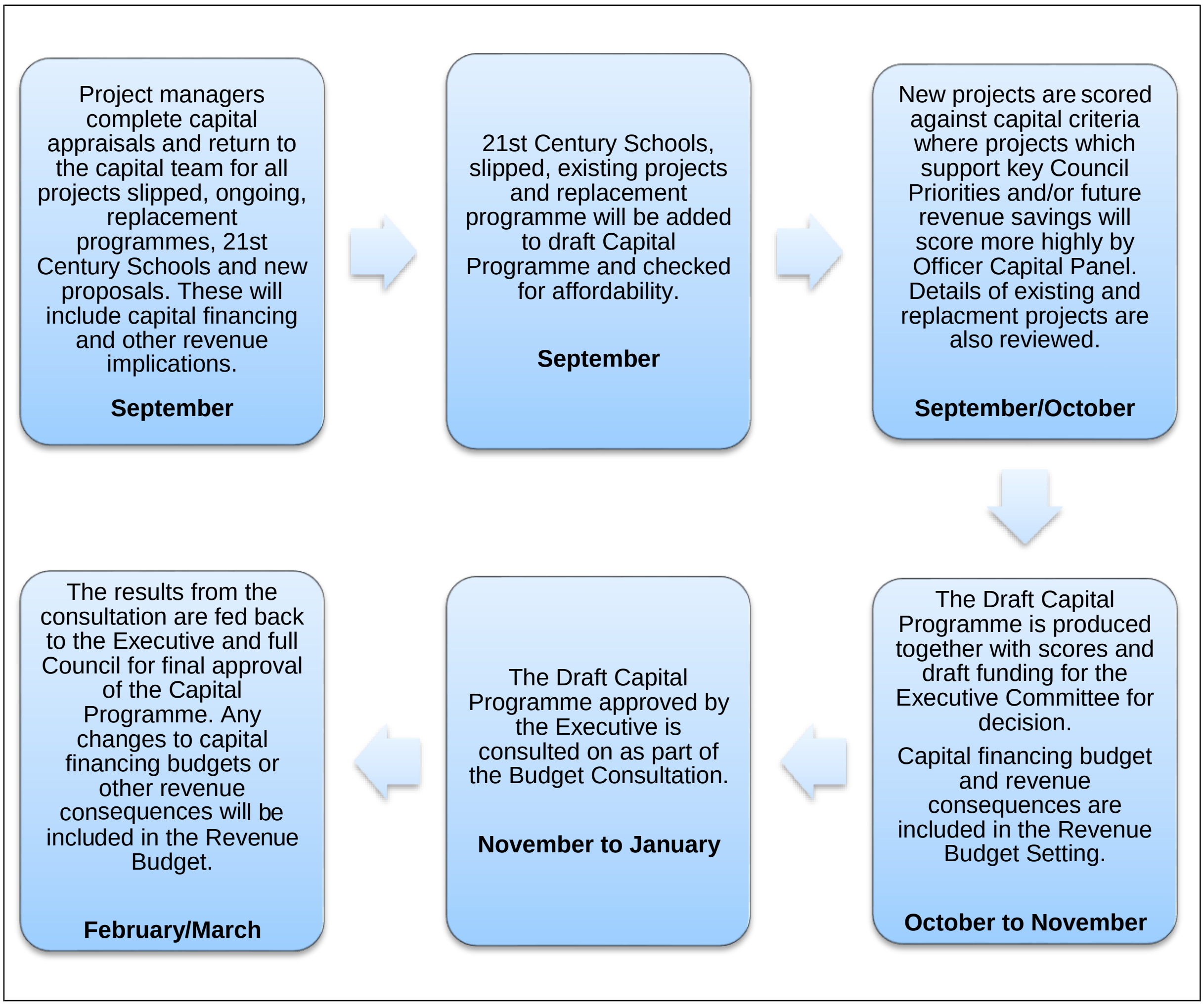
In determining which projects are included in the Capital Programme, bids must not only be affordable but also help deliver the key priorities of the Council Plan and meet the objectives and principles of the Capital Strategy. Each year, Services are asked to submit new capital appraisals/bids and update information for ongoing projects. The appraisals should demonstrate how each project meet the criteria (set out below) and all ongoing revenue implications from the project will be included e.g. maintenance costs. The scoring of new capital appraisals/bids helps to introduce a degree of objectivity and ensure the projects are relevant to the key objectives of the Council Plan and this Strategy. The most important criterion is how closely a project will contribute to the delivery of the Council Plan, hence the greater weighting given to this criterion. Initial scoring is undertaken by the Accountancy Service. The scores are then considered and ratified by the Executive, as part of the drafting of the annual capital programme.

Criteria	**Score**
How closely the project will contribute to the priorities of in the Corporate Plan	20
The project attracts significant external funding	10
The project will lead to revenue savings	10
The project will help mitigate Corporate Risk	10
Total highest score	**50**

The strategy also allocates funding to the maintenance and upgrade of existing assets. Asset Managers determine their funding need and this is balanced against the funding available in order to allocate funding to each main assets group (buildings, vehicles, IT, roads).

4.2.2 Timetable

The Capital Strategy approval process follows the timetable for revenue budget-setting and the development of the Capital Programme. The timetable for the development of the Capital Programme is summarised below:-



4.2.3 Authorisation

Responsibility for ratifying the Capital Programme each year rests with the full Council based on the recommendation made by the Executive. In exceptional cases, new capital projects arising during the year will be considered by Members as part of the quarterly reports to the Executive. In-year projects are likely to be approved if the projects are significantly funded from external grants or contributions, or in response to an emergency e.g. landslide, or if an approved project in the programme is cancelled and there is funding available. A capital appraisal is required for in-year projects and projects will need to help the Authority achieve its key objectives.

5. Current Financial Context

5.1 Revenue Constraints and the Need to Make Savings

5.1.1 The initial MTFP for 2020/21 to 2022/23 provided differing scenarios from a worst case scenario with a reduction in AEF funding of 1%, to a best case scenario of an increase of 2%. The worst case scenario identified that revenue savings of £8.4m would be required over the 3 year period, after allowing for a Council Tax increase of 5% in each of the three years. The best case scenario predicted a need for savings amounting to £6m over the three year period.

5.1.2 The Welsh Government's Provisional Settlement for 2020/21 was significantly better than expected at 3.8%. This is £5.214m higher than anticipated in September's MTFP. This is welcomed after years of significant cuts. This returns the Council to the level of funding in 2010/11. There is too much uncertainty to update estimates for 2021/22 and 2022/23 due to the recent UK election and the unknown impact of Brexit on the UK economy. It remains important, therefore, that the Capital Strategy minimises its impact on the revenue budget.

5.1.3 As stated previously, funding the capital programme will have a significant impact on the revenue budget and the Capital Strategy takes into account affordability, as it is drawn up, and the Treasury Management Strategy Statement ensures that the Council minimises borrowing costs through the best use of the Council's own cash balances to fund capital expenditure.

5.2 Funding the Modernisation of Schools

5.2.1 The Council is currently part way through an ambitious programme to modernise schools through the 21st Century Schools programme, with Band A coming to an end in 2022 and Band B running until 2026. The programme, if it achieves all its planned objectives, will take over 10 years to complete at a significant potential total capital cost.

5.2.2 There are four phases to the programme, identified as Band A,B,C and D. Two schools have been completed, Ysgol Cybi and Ysgol Rhyd y Llan, with a third school, Ysgol Santes Dwynwen, now completed and operational. Refurbishments are also complete at Ysgol Parc y Bont and Brynsiencyn. The final projects from Band A are expected to start November 2020, depending on the outcome from robust consultation and development works.

5.2.3 The Council is also starting consultations and scoping options for Band B of the 21st Century Schools Programme. Some work might start in 2020/21, however, it is estimated that major works may start in 2021/22. The total estimated cost of Band B is currently £36m.

5.2.4 Band A of the 21st Century Schools programme is funded by 50% additional funding from the Welsh Government and 50% via unsupported borrowing. The Welsh Government 50% funding is partly grant funding (67% of the 50%) and partly supported borrowing (33% of the 50%). The Welsh Government has announced that the intervention rate for Band B has increased to 65% but how this is allocated between grant and supported borrowing is not known at this stage. It is, therefore, assumed that 50% of Welsh Government funding will be provided as a grant and 50% by supported borrowing.

5.2.5 The Welsh Government has also introduced a mutual investment model for Band B (MIM), where the capital cost of the project is funded by the private sector and the Council then pays a rental fee to the investor for a prescribed period (expected to be 25 years). Welsh Government make a contribution to the rental fee each year (expected to be at least 70%).

5.2.6 The Council's Strategic Outline Programme for Band B was submitted to Welsh Government in July (approved by the Executive 17 July 2017). The more recent matrices for Band A and B are summarised below in Table 1. This relates to the period 2020/21 to 2025/26.

Table 1
Estimated Funding for Remainder of Band A and Proposed Band B Projects

Band	Region	Unsupported Borrowing (net of capital receipt) £'m	Supported Borrowing £'m	WG Grant £'m	Total £'m
	TOTAL BAND A	4.8	1.6	3.2	9.6
	TOTAL BAND B	12.7	11.7	11.7	36.1

5.2.7 Given the level of borrowing required, it is unlikely that the Council's own cash reserves (internal borrowing) could be used to any great extent. It is, therefore, assumed that all of the unsupported and supported borrowing would be undertaken through new PWLB loans over a length of time which matches the expected life of the asset (50 years).

5.2.8 As explained in paragraph 4.1, additional supported or unsupported borrowing will increase the Council's CFR which, in turn, will increase the annual MRP charge to the revenue account and will result in additional annual interest payments.

5.2.9 The additional unsupported borrowing for Band B (based on a 50 year repayment period and annual interest at 3.2%) would result in additional capital financing charges to the revenue budget of £0.658m per annum (£0.405m interest payable and £0.253m MRP) once the Programme is completed in full. In practice, these costs would be phased in as each project commences and once the loans are taken out to carry out the work. MRP would be charged once the schools become operational.

5.2.10 It should be noted that the delivery of the Band B projects will eliminate the need to undertake backlog maintenance work at the various schools. Further additional capital and revenue costs would be incurred as Band C and Band Ch are delivered. Any commitment towards these phases of the programme would need to be realistic and affordable.

5.3 Reserves

5.3.1 The Council has allocated some funding for Capital projects from its reserves, the most recent allocation was £1m from general reserves to fund improvements to business processes which included capital projects. However, over the past two years, the level of the Council's general balances has fallen below the minimum recommended level and, as such, the scope to use the Council's reserves to fund capital expenditure is not possible for the foreseeable future.

5.4 The Need to Generate Revenue Savings from Capital Expenditure

5.4.1 Part of the Council's revenue budget savings strategy has been to use capital expenditure as a means of reducing revenue costs. Examples of this have included investing in energy saving equipment in public buildings and street lighting, investing in technology to reduce administrative costs, investing in leisure facilities to generate additional income and the 21st Century Schools programme. This strategy will continue and projects will be prioritised if they provide a substantial return within a short timescale.

6. Funding

6.1 Funding Sources – the Capital Programme is funded from the following sources:-

- **General Capital Grant** – This is a sum of money which is provided by the Welsh Government as part of the annual settlement. The Council is free to use the capital grant on any capital project it wishes. This must be spent by 31 March of the financial year it relates to.
- **Supported Borrowing** – The Council will borrow from the Public Works Loans Board (PWLB) to fund the expenditure. The revenue costs arising from the borrowing (Interest Costs and Minimum Revenue Provision) are funded by the Welsh Government through the annual revenue settlement, hence the term "Supported Borrowing".
- **Unsupported Borrowing –** Again, the Council borrows the funding from the PWLB or elsewhere but is required to finance the revenue costs from its own resources. Projects funded by means of unsupported borrowing tend to be projects which deliver revenue savings and it is these savings that are used to meet the additional revenue costs arising from the borrowing.
- **Specific Capital Grants –** The Council will be awarded capital grants which partly or fully fund the cost of a project. Capital grants usually come with restrictions surrounding the expenditure which can be funded and by when the expenditure must be incurred.
- **Revenue Contribution** – Services can make a contribution from their revenue budgets to fund projects. These contributions tend to be as a match funding to a project which is mainly funded from a specific capital grant.
- **Capital Receipts** – The funds generated from the sale of assets can be used to contribute to the funding of the capital programme. These are usually generated from the sale of surplus assets (normally land or buildings).
- **Reserves –** Funding held in reserve, e.g. unapplied capital receipts, can be used to support the capital programme.

6.2 As explained in the paragraph above, the capital programme is funded from various sources which impact on the Council's financial position in different ways:-

6.2.1 Funding that is received in the form of grants (general or specific) does not have any impact on the long-term financial position of the Council as any grant received is used to fund the capital expenditure. There may be timing differences which can lead to grants being unapplied and carried from one year to the next via the Council's balance sheet.

6.2.2 Capital receipts result in surplus assets being converted into cash which, in turn, results in the creation of a new asset. Again, this type of funding has little long term impact on the Council's financial position but there will come a point where all surplus assets have been disposed of and the level of funding available through capital receipts will fall.

6.2.3 The Housing Revenue Account uses the surplus on the HRA account (excess of rental income over expenditure) to fund capital expenditure. This is reflected in the HRA business plan and does not impact on the Council Fund.

6.2.4 The use of revenue funding will reduce the value of funds held in reserves or the sum transferred to the general Council balances at the year end, i.e. it converts surplus cash into a new asset.

6.2.5 Both supported and unsupported borrowing impacts on the Council's Capital Financing Requirement (CFR) which, in turn, has implications on the Revenue budget in the form of increased Minimum Revenue Provision (MRP) and annual interest payments.

6.2.6 Although the Housing Revenue Account operates separately from the Council Fund, the Council does not borrow separately for Council Fund and HRA expenditure, all borrowing is combined and the costs apportioned to the two funds based on the level of expenditure funded from borrowing for the two funds. The apportionment method is kept under review to ensure that it remains the most equitable method.

6.3 Funding Constraints over the next Three Years

6.3.1 The uncertain financial context the Council continues to operate within is discussed in section 5 and highlights that there are limitations on the Council's funding of capital expenditure. One of the main priorities for the Council is to reduce revenue expenditure in order to deliver a balanced budget, whilst minimising the reduction in service budgets. It is reasonable for the Council to minimise the increase required to the capital financing budget. It will be necessary to provide additional capital funding but this should be maintained at a level that is funded through the settlement (general capital grant and supported borrowing) so that the increase in the capital financing costs is funded through capital receipts and any specific grants that are available.

6.3.2 Unsupported borrowing (outside the 21st Century Schools programme) should only be considered where the relevant service budget can be reduced by a sum greater than the MRP and interest costs.

6.3.3 It has been Welsh Government's policy over a number of years to maintain the level of general capital grant and supported borrowing on or about the level in previous years, with additional capital funding being directed to schools, road improvements etc. However, the general grant funding was increased for 2019/20 and 2020/21.

6.3.4 The Council, as a landlord of housing stock, will also receive a major repair allowance following the submission and approval of the 30 year business plan for the Housing Revenue Account. Capital expenditure on the HRA is supplemented with the use of the HRA reserve and by the borrowing powers which the HRA can utilise.

6.3.5 Specific grants which have been approved, likely to be approved or that result from successful bids, will also be available to fund capital schemes. In some cases, it may be necessary for the Council to contribute a sum of its own capital funding as match funding to enable the grant funding to be drawn down. The grants and contributions which have been currently identified as sources of funding for 2020/21 amount to £8m, including the general capital grant. The Council has received substantial funding in previous years from the EU. This source of funding will not be available from 2021/22 and onwards but the Council will seek to identify alternative sources of grant funding where possible.

6.3.6 The level of capital receipts is dependent on which assets become available to sell. The receipts from the sale of some assets are linked to projects which have already commenced e.g. sales of former school sites are linked to the 21st Century Schools programme. As a result, not all capital receipts received in 2020/21 can be allocated to fund new capital projects. Apart from the remaining school sites, it is not anticipated that any significant capital receipts will be available to fund capital expenditure from 2020/21 onwards.

6.3.7 As stated previously, any unsupported borrowing must generate additional income / revenue expenditure savings to fund the additional capital financing costs (MRP and interest charges) which will be charged to the revenue account. Any proposed schemes funded by unsupported borrowing will be assessed on a scheme-by-scheme basis.

6.3.8 In addition to the sources of funding noted above, the Council holds a capital funding reserve, which includes revenue contributions which have not yet been applied. The current balance stands at £1.2m. It is expected that the majority of this will be used towards funding the 2020/21 programme, particularly towards improvements of school buildings.

6.3.9 Unallocated capital receipts are held in a reserve. The balance of the reserve at 31 March 2019 was £1.2k. These receipts will be used as a funding source for the 2019/20 programme, or will help fund slipped expenditure in 2020/21 and beyond as needed.

6.3.10 In summary, the funding for new capital projects in 2020/21 should be limited to the level of general capital grant (£2.165m), supported borrowing (£2.159m) and any unallocated capital receipts generated in the year. This would give a total budget available in the region of £4.3m, excluding grants, 21st Century Schools funding and HRA funding. This principle will be applied into the medium-term and longer-term to ensure the capital programme is affordable, particularly in the context of continual funding cuts.

6.4 Estimated Funding Profile 2020/21 to 2022/23

6.4.1 The external Welsh Government funding (excluding 21st Century Schools) for the period 2020/21 to 2022/23 is shown in Table 2 below. It should be noted that the Council will also receive a number of minor capital grants.

Table 2
Estimated Welsh Government Capital Funding 2020/21 – 2022/23

	2020/21 £'m	2021/22 £'m	2022/23 £'m
General Capital Grant	2.165	1.818	1.818
Supported Borrowing	2.159	2.159	2.159
Public Highways Refurbishment Grant	0.580	0.580	0.580
Major Repairs Allowance	2.660	2.660	2.660
Total Welsh Government Capital Funding	**7.564**	**7.217**	**7.217**

6.4.2 There is scope to fund new projects in 2020/21 through the funding that is received as part of the Welsh Government's financial settlement. Welsh Government's increase in the Capital General Grant for 2018/19 to 2020/21 helps the Council fund additional priority capital projects. Unsupported borrowing is possible but, unless the projects generate revenue savings, then the additional MRP charge and interest costs will increase the revenue budget which must be funded by increased Council Tax or by making revenue savings elsewhere. Therefore, the Council can ensure the capital financing costs are affordable and sustainable by limiting capital expenditure funded by unsupported borrowing to the 21st Century Schools Programme and capital projects which lead to revenue savings higher than the MRP and interest payable charges incurred from the capital funding. The Draft Capital Programme Report 2020/21, summarised below, proposes an affordable programme with limited use of unsupported borrowing.

7. The proposed Strategy for 2020/21 to 2022/23

7.1 Background – Capital

7.1.1 Capital expenditure is expenditure to acquire or create new assets or to refurbish existing assets where the life of the asset is greater than one financial year. The assets can be tangible (buildings, vehicles and infrastructure) or intangible (software licences). Non-current assets which are £10k or more will be considered as capital expenditure. £10k is the Council's recommended de minimis level to qualify as part of the capital programme. Non-current assets less than £10k will be charged to revenue in most cases. The Council reserves the right to waive the de minimis if appropriate.

7.2 Potential Commitments for 2020/21 to 2022/23

7.2.1 As part of the capital planning process, future commitments for the following two years are also identified, although there is no guarantee that the funding will actually be released for the specific project unless it was needed to physically complete the asset. Table 3 below and Appendix 2 shows that there are £37.305m of projects which meet this Capital Strategy's key priorities and principles. These include ongoing committed schemes, grant funded projects, 21st Century Schools and investment in the Council's existing assets to increase the life of these assets into the future. The table shows that only the 21st Century Schools will require some funding from unsupported borrowing for the Council Fund. The HRA plans to borrow £0.250m of unsupported borrowing, but the HRA will fund the costs of repayment of the loan as it falls due and all revenue capital financing costs arising from the borrowing.

7.2.2 Appendix 2 summarises the proposals submitted for new projects 2020/21. Whilst there is enough funding for all these projects without the need to take additional unsupported borrowing, each one has been scored objectively by the officer panel, particularly with regards to contribution towards the Council Plan 2017/22.

7.2.3 The table below summarises the proposed capital programme for the period 2020/21 to 2022/23 as per category, for example, ongoing committed scheme. This shows an ambitious programme for increasing and improving housing stock for the HRA. The construction of a new extra care facility is also planned for the HRA. The table below also shows that the 21st Century Schools project is the most substantial programme for the Council Fund.

Table 3
Summary of Capital Schemes (see Appendix 2 for individual project details)

Capital Schemes	Expenditure			
	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Committed Schemes Brought Forward	5,829	1,500	460	**7,789**
Investing in Existing Assets	6,192	5,272	5,272	**16,736**
21st Century Schools Projects	2,755	16,761	12,249	**31,765**
Potential new Schemes 2020/21	2,274	-	-	**2,274**
Housing Revenue Account Projects (HRA)	20,255	17,704	14,002	**51,961**
	37,305	**41,237**	**31,983**	**110,525**

7.2.4 The funding available for the above capital schemes is summarised below in Table 5. This shows that, for 2020/21, all projects could be funded without the need for significant unsupported borrowing. The only unsupported borrowing required for 2020/21 would be towards the Council's share of the 21st Century Schools projects. The table excludes a forecast for capital receipts as this information is not available. However, if the Council does sell any assets, it will reduce the need to borrow. The Council's assets available for sale is reducing due a number of Council assets which have been sold in previous years. It should be noted that any school closures leading to a sale would be used towards the 21st Century Schools Programme.

Table 4
Estimated Capital Programme Funding 2020/21 to 2022/23

Funding	Funding			
	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Funding Brought Forward 2018/19 for Slipped Projects	9,905	-	-	**9,905**
External Grants and Contributions	5,783	10,835	8,415	**25,033**
General Capital Grant	2,165	1,818	1,818	**5,801**
Capital Receipts - Excluding Schools	245	-	-	**245**
Capital Receipts - Schools	-	-	-	**-**
Supported Borrowing	2,364	2,159	2,159	**6,682**
Supported Borrowing 21st Century Schools	721	4,386	4,001	**9,107**
Unsupported Borrowing - Council Fund	1,145	6,996	4,248	**12,389**
Unsupported Borrowing - HRA	250	5,750	700	**6,700**
Capital Receipts Reserve and Capital Reserve	500	-	-	**500**
HRA Reserve and in-year revenue	14,227	9,294	10,642	**34,163**
Revenue - Council Fund	-	-	-	**-**
Total	**37,305**	**41,237**	**31,983**	**110,525**

7.3 Longer-term Capital Expenditure Plans

7.3.1 The above draft capital programme provides a medium-term forecast which is in line with the Medium Term Financial Plan and the Council Plan 2017/22 and Treasury Management Strategy Statement. This capital strategy also communicates the long-term intentions with regard to the 21st Century Schools Programme which is comprehensively outlined above and is expected to continue beyond 2022/23. The estimated spend on Band B alone is estimated to be £36m between 2020/21 and 2025/26, of which 35% (£12.7m) will be funded by the Council, mainly from unsupported borrowing. As each scheme in Band B is developed, the financial impact is assessed but it is accepted that some projects will need to go ahead to meet the Council's overall priorities and that the additional revenue costs will need to be funded from revenue savings or increases in Council Tax. If, as the Council progresses through Band B of the 21st Century Schools Programme, it finds that there are affordability issues, then the projects included in Band B will be reviewed. The Welsh Government also plans a phase C and D of the programme, however, these could only be undertaken if affordable.

7.3.2 All of the principles included in section 2 should also be used as a basis for longer-term capital spend unless the new Council Plan 2023/28 differs significantly. Any non-schools projects, such as the refurbishment of existing assets should be funded by grant or supported borrowing into the future, if those funding streams continue to be available into the long-term.

7.4 Non-Treasury Management Investment Strategy

7.4.1 The Treasury Management Investment Strategy is included in the TMSS discussed below. In addition, the Council holds a number of non-treasury management investments. These are the investment properties from which the Council earns rental income. These help provide a long-term revenue stream for the Council. The investment property portfolio held 71 properties at 31 March 2019, which were valued at £6m. These include retail properties, office units and commercial units. In 2018/19, £346k of rental income was collected from investment properties. Costs of £129k were spent on maintenance etc., which resulted in a net operational income of £217k from rental income. In terms of future plans for the investment properties, the buildings will continue to be maintained to legal standards. In addition, a new industrial unit complex was recently constructed and is operational in Llangefni. The Council is also working in partnership with Welsh Government on the construction of Industrial Units at Penrhos, Holyhead. These are likely to become operational in 2020/21.

7.4.2 Local Authorities have the power to purchase or develop properties as investments in order to improve the economic activity within the Council area or as a means of generating additional income for the Council. At present, the Council has no plans to use these powers more widely than on the plans detailed above, but the use of these powers remains an option and the Strategy allows the Council to incur expenditure on investment properties in order to meet key Council objectives or to take advantage of any significant external funding which may become available.

8. Borrowing and Treasury Management

8.1 The Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMPs) provide the framework to ensure there is sufficient cash to pay suppliers, ensure that any surplus cash is invested safely and that borrowing to fund the capital programme 2020/21 to 2022/23 is affordable. The TMSS will be presented to the full Council on 10 March 2020.

8.2 Appendix 11 of the TMSS 2020/21, provides the prudential and treasury indicators for the periods 2018/19 to 2022/23, which help determine whether borrowing plans are affordable.

8.3 A measure of affordability is the ratio of financing costs to net revenue streams. The estimated ratio of financing costs to net revenue streams for the 2 years prior to this strategy and for the life of this strategy are as follows:-

2018/19 (Actual):	6.34%
2019/20 (Estimated)	6.68%
2020/21 (Projected)	6.62%
2021/22 (Projected)	6.57%
2022/23 (Projected)	7.01%

Based on the above, the proposed capital programme remains affordable in terms of the revenue implications.

In 2018/19, the Council revised its Minimum Revenue Provision policy and was able to back date the changes. The revision of the policy was designed to ensure a prudent provision is charged to the revenue account each year. However, a consequence of this change was that it identified an over provision in previous years and this over provision can be used in future years to ensure that the annual financing costs remain affordable. The Section 151 Officer will take this into account when determining the annual MRP charge.

8.4 Another important measure is that the level of external borrowing does not exceed the operational boundary for borrowing. The operational boundary must allow the Council the ability to borrow to cover emergency situations, including inability to access bank deposits, cash flow problems arising from a failure to collect income, emergency expenditure following an unexpected event or the need to take advantage of cheaper borrowing costs in times of rising interest rates. The current operational boundary is set at £25m above the capital financing requirement (CFR).

8.5 The Treasury Management Strategy aims to utilise the Council's internal cash balances, wherever possible, in place of external borrowing. In determining the level of internal borrowing, sufficient cash balances must be maintained to meet the daily cash needs of the Council i.e. paying staff, suppliers etc.

8.6 Table 5 below summarises the level of external borrowing compared to the operational boundary and shows the level of internal borrowing which the Council will utilise to fund the capital programme.

Table 5
Borrowing Forecast for 2018/19 to 2022/23

Borrowing - Forecast	2018/19 Actual £000	2019/20 Estimate £000	2020/21 Proposal £000	2021/22 Proposal £000	2022/23 Proposal £000
Operational Boundary General Borrowing	164,000	173,000	178,000	193,000	199,000
Actual and Forecast External Borrowing	132,549	129,257	134,093	152,944	160,388
Difference between Authorised Limit and Actual / Forecast External Borrowing (headroom)	44,451	48,743	48,907	45,056	43,612
Internal Borrowing (use of cash balances)	6,113	12,777	13,892	10,321	8,581
Total External and Internal Borrowing	**138,662**	**142,034**	**147,985**	**163,265**	**168,969**

9 Potential Risks arising from the Capital Strategy

9.1 The substantial annual savings required over the next three years puts the Council at risk, and this includes the capital programme. If the savings target is difficult to achieve, this might lead to a review of the capital programme to ensure that capital financing costs affecting revenue are reduced.

9.2 The Council's Capital Strategy is based on an assumed level of funding from Welsh Government and via external grants. Given the continued uncertainty over budgets and the changes to grant funding currently received from the European Union, there is a risk that this assumed level of grant funding may not be received as set out in the strategy. Any changes to funding will require a reassessment of the capital strategy and annual capital programme.

9.3 The Council has used internal borrowing for a number of years to fund capital expenditure. This has had a significant impact on cash balances and it is unlikely that the Council can sustain internal borrowing in the medium term. Internal borrowing will have to replaced, at some point, with external borrowing which, in turn, increases the capital financing costs charged to the revenue account. Increasing these costs in the present financial climate may impact on affordability and the Council's capacity to fund new capital projects through additional external borrowing. The Council externalised £15m of borrowing in March 2019 at very low rates with the PWLB.

9.4 The strategy acknowledges the importance of maintaining existing Council assets. There is a risk that the replacement programme is not sufficient and that the standard of the assets falls to such a point that a greater level of investment is required in order to maintain services. This additional investment may not be affordable or it will require other new projects to be removed from the programme.

9.5 The 21st Century Schools Programme is such an aspirational and substantial programme there is a risk that the Council will not be able to afford Bands C and D. Band B of the programme will need to be kept under constant review in order to ensure that costs are kept within the budgets set in the business cases.

9.6 External borrowing results in a significant interest cost each year. The majority of the Council's loans are fixed and are not affected by any interest rate rises. However, any sharp rise in interest rates may impact on the affordability of future projects which are funded from borrowing. Steps are outlined in the Treasury Management Strategy which mitigate this risk to some extent.

10. Knowledge and Skills

10.1 The Resources accounting team has six qualified accountants, including the Director of Function (Resources) / Section 151 Officer, who look after the capital programme and treasury management function. There is also a qualified accounting technician who has substantial experience in capital and treasury management. The team attend CIPFA courses on capital and treasury management and have a sound knowledge of this very specialised accounting area. There is also a team of professionals within services such as architects, project managers, engineers which support the Council with delivering the Capital Programme. The Council also commissions specialist advice from Link Asset and Treasury Management consultants. The decision-makers of the Council receive regular reports on capital and treasury management and Members are offered treasury management training. The governance arrangements are outlined in the Constitution and the Treasury Management Strategy Statement.

Appendix 2
Proposed Capital Programme 2020/21

Scheme Name	Budget 2020/21 £	Funded By								
		2019/20 B/F	General Capital Grant	Supported Borrowing	Capital Receipts	Capital Reserve	Unsupported Borrowing	External Grants	Reserves	Total Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2019/20 Schemes Brought Forward										
Star Gypsy and Traveller Site	479	479								479
Tourism Gateway	1,003	1,003								1,003
Holyhead Strategic Infrastructure	1,999	1,999								1,999
Llangefni Strategic Infrastructure	256	256								256
Flood Defences Red Wharf Bay	638	638								638
School Safety Project	200	200								200
Increasing Capacity for Childcare Capital Grant	324	324								324
Economic Development Schemes	30	30								30
Holyhead Regeneration (THI Phase II)	900	825			11	64				900
Total 2019/20 Schemes Brought Forward	**5,829**	**5,754**	**-**	**-**	**11**	**64**	**-**	**-**	**-**	**5,829**
Refurbishment / Replacing Existing Assets – Buildings, Vehicles, IT & Highways										
Disabled Facilities Grants	636		636							636
Disabled Access in Education Buildings	300			300						300
Refurbish Schools	1,000	1,034		1,000						2,034
Refurbish – Non School Buildings	600			379	121	100				600
Highways Resurfacing	1,850		726	524				600		1,850
Purchase of New Vehicles	480		480							480
Upgrading / Replacing IT Equipment	292		292							292
Total Refurbishment / Replacing Existing Assets	**6,192**	**1,034**	**2,134**	**2,203**	**121**	**100**	**-**	**600**	**-**	**6,192**
New Capital Projects 2020/21										
Economic Development and Environmental Well Being	95			95						95
Porth Wrach Slipway – Enforcement Cameras	30			30						30
Refurbishment of Plas Mona Residential Home	80		31	36	13					80

Scheme Name	Budget 2020/21 £	Funded By								
		2019/20 B/F	General Capital Grant	Supported Borrowing	Capital Receipts	Capital Reserve	Unsupported Borrowing	External Grants	Reserves	Total Funding
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Match Funding for Flood Relief Schemes	573					86		487		573
Leisure Improvements	250					250				250
Smallholding Refurbishments	100				100					100
Holyhead Landscape Partnership	1,146							1,146		1,146
Total New Capital Projects 2020/21	**2,274**	**-**	**31**	**161**	**113**	**336**	**-**	**1,633**	**-**	**2,274**
21st Century Schools / School Modernisation										
Completion of Band A Programme	1,205			217			602	386		1,205
Commencement of Band B Programme	1,550			504			542	504		1,550
Total 21st Century Schools / School Modernisation	**2,755**	**-**	**-**	**721**	**-**	**-**	**1,144**	**890**		**2,755**
TOTAL GENERAL FUND	**17,050**	**6,788**	**2,165**	**3,085**	**245**	**500**	**3,679**	**4,912**	**-**	**17,050**
Housing Revenue Account										
Planned Maintenance and WHQS Improvements	6,645							2,660	3,985	6,645
New Developments and re-purchase of RTB properties	10,493						250		10,243	10,493
HRA capital projects brought forward from 2091/20	3,117	3,117								3,117
Total Housing Revenue Account	**20,255**	**3,117**	**-**	**-**	**-**	**-**	**250**	**2,660**	**14,228**	**20,255**
TOTAL CAPITAL PROGRAMME 2020/21	**37,305**	**9,905**	**2,165**	**3,085**	**245**	**500**	**1,145**	**5,783**	**14,228**	**37,305**

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**COUNTY COUNCIL**
DATE:	**10 MARCH 2020**
SUBJECT:	**MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2020/21**
PORTFOLIO HOLDER(S):	**COUNCILLOR R WILLIAMS**
HEAD OF SERVICE:	**MARC JONES**
REPORT AUTHOR: TEL: E-MAIL:	**MARC JONES** 01248 752601 rmjfi@ynysmon.gov.uk
LOCAL MEMBERS:	**n/a**

A - Recommendation/s and reason/s

1. MEDIUM TERM FINANCIAL STRATEGY AND 2020/21 REVENUE BUDGET

1.1 Purpose

The Executive is agreed a number of key matters in respect of the 2020/21 budget. This allows the final recommendations to be presented to the full Council at its meeting on 10 March 2020. The matters agreed by the Executive were:-

- The Council's Revenue Budget and resulting Council Tax for 2020/21;
- The Council's updated Medium Term Financial Strategy;
- The use of any one off funds to support the budget.

1.2 Summary

The report considered by the Executive showed the detailed revenue budget proposals requiring final review and agreement for 2020/21 and the resulting impact on the Isle of Anglesey County Council's revenue budget. These are matters for the Council to agree..

Following on from the recommendation of the Corporate Scrutiny Committee and comments received during the consultation process, the Executive have included one change in their final proposal from that outlined in the budget paper. The Executive have proposed not to increase the car park charges for Town Centre Car Parks for 2020/21 but are still proposing to abolish the half hour charge, making the minimum charge period as 1 hour. This proposal will reduce the savings proposals from £343,000 to £306,820. This change will be funded by reducing contingency budgets by a corresponding amount. The Council's overall net revenue budget would remain as £142.146m.

The paper also updates the Medium Term Financial Strategy which provides a context for work on the Council's future budgets. However, it should be noted that a further report on the Council's Medium Term Financial Strategy will be presented to the Executive later in the year when further information on the ecomony and the proposed future local government financial settlement may be clearer.

2. 2020/21 REVENUE BUDGET AND COUNCIL TAX RECOMMENDATIONS

The Executive is recommending the following to the full Council :-

- To note the formal consultation meetings on the budget and consider the resulting feedback as outlined in Section 2 of Appendix 1 and Appendix 2;
- The final details of the Council's proposed budget, including the revised funding in response to budget pressures and the proposed savings as shown in Section 8 of Appendix 1, Appendix 3 (amended following Executive) and Appendix 4;
- To note the Section 151 Officer's recommendation that the Council should be working towards achieving a minimum of £7.1m general balances;
- To note the comments made by the Section 151 Officer on the robustness of the estimates made as set out in Section 6 of Appendix 1;
- To approve a net budget for the County Council of £142.146m and resulting increase in the level of Council Tax of 4.5% (£56.16 – Band D) to the full Council, noting that a formal resolution, including the North Wales Police and Community Council precepts, will be presented to the Council on the 10 March 2020;
- 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 remains at 35% and to for empty homes remains at 100%.

B - What other options did you consider and why did you reject them and/or opt for this option?

A number of options were considered following the issue of the initial budget proposals. The final budget proposals take account of the final local government settlement, views expressed during the consultation process and the views of the Scrutiny Committee

C - Why is this a decision for the Executive?

The Council's Constitution requires the Executive to publish its final budget proposal prior to its consideration by the Council.

CH - Is this decision consistent with policy approved by the full Council?

N/A

D - Is this decision within the budget approved by the Council?

N/A

DD -	Who did you consult?	What did they say?
1	**Chief Executive / Strategic Leadership Team (SLT)** (mandatory)	The Chief Executive and Senior Leadership Team have been part of the budget setting process throughout and and are in agreement with the report and support the final budget proposal.
2	**Finance / Section 151** (mandatory)	N/A – this is the Section 151 Officer's report.
3	**Legal / Monitoring Officer** (mandatory)	The Monitoring Officer is part of the SLT and, as such, the Officer's comments have been taken into account.
4	**Human Resources (HR)**	-
5	**Property**	-
6	**Information Communication Technology (ICT)**	-
7	**Scrutiny**	Final budget proposals were considered by the Scrutiny Committee at its meeting on 27 February 2019. The Committee proposed not to increase Town Centre Car Parks charge and to increase risk contingency budgets by £198k. These changes to be funded by a 5% increase in Council Tax
8	**Local Members**	The Council's budget is applicable to all Members and consultation has taken place throughout the budget setting Process.
9	**Any external bodies / other/s**	See Section 2 of the report
E -	**Risks and any mitigation (if relevant)**	
1	**Economic**	
2	**Anti-poverty**	Increasing Council Tax will impact on the levels of disposable income for Taxpayers. The Council Tax Reduction Scheme assists low income taxpayers by reducing the sum due in part or in full
3	**Crime and Disorder**	-
4	**Environmental**	-
5	**Equalities**	See Section 11 of Appendix 1
6	**Outcome Agreements**	-
7	**Other**	-

F - Appendices:

- Appendix 1 – Detailed report on the Budget Proposals – presented to the Executive 2 March 2020
- Appendix 2 – Summary of the Results of the Consultation Process
- Appendix 3 – Summary of the Proposed Revenue Budget 2020/21 by Service – amended following the Executive Committee on 2 March 2020
- Appendix 4 – Final Revenue Savings Proposals 2020/21

FF - Background papers (please contact the author of the Report for any further information):

1. INTRODUCTION AND BACKGROUND

1.1. The following report sets out the 2020/21 revenue budget proposals and is one of a set of reports, which provides an overall picture of the financial position of the Council and ensures that the Council funding is allocated to meet its priorities. The other reports in the set relate to the Council's Capital Programme and Capital Strategy, the Council's Treasury Management Strategy, Fees and Charges and the Use of Council Reserves.

1.2. The revenue budget and the continued need to identify revenue savings has been driven by the Medium Term Financial Plan as approved by the Executive Committee in September 2019 and can be summarised as follows:-

Table 1
Medium Term Financial Plan 2020/21 to 2022/23

	2020/21 £'m	2021/22 £'m	2022/23 £'m
Net Revenue Budget B/F	135.21	139.60	141.67
Budget Pressures and Inflation	6.16	4.84	3.65
Revised Budget	**141.37**	**144.44**	**145.32**
Aggregate External Finance (AEF)	98.21	98.21	98.21
Council Tax	41.39	43.46	45.63
Total Funding	**139.60**	**141.67**	**143.84**
Savings Required	**1.77**	**2.77**	**1.48**
Main Assumptions			
Pay Awards – Non Teaching	2.0%	2.0%	2.0%
Pay Awards - Teaching	2.3%	2.0%	2.0%
Teachers' Pension	14.4%	0.0%	0.0%
General Inflation	2.1%	2.1%	2.0%
Change in AEF	2.5%	0.0%	0.0%
Increase in Council Tax	5.0%	5.0%	5.0%

1.3. The table above shows that despite a continuing 5% increase in Council Tax, this would not be sufficient to meet the additional cost arising from service demands and inflation. The assumptions relating to the AEF allowed for grants transferring into the settlement in 2020/21 but no additional funding would be available. The outcome of the plan was that the Council would be looking to identify £6m of revenue budget savings over the next 3 years.

1.4. The Executive considered its initial budget proposals at its meeting on 13 January 2020 and approved the initial Standstill Budget at £142.203m. The provisional revenue settlement published by Welsh Government was better than anticipated with £1.533m of grants and adjustments coming into the settlement (1.6%) and a further £3.68m of additional funding (3.78%). This increased the provisional AEF to £101.005m, which was £2.795m higher than the assumed figure in the Medium Term Financial Plan.

1.5. Based on the standstill budget and the provisional settlement, it would be possible to balance the budget with a 4.64% increase in Council Tax and no requirement to implement budget savings. However £0.343m of savings had been identified as being possible, with no impact on services. The Executive decided at the meeting on 13 January 2020, to consult on a Council Tax rise of between 4.5% and 5.0% and on the implementation of the savings identified

2. THE COUNCIL'S CONSULTATION

2.1. The Council published its budget proposals on 14 January 2020 and the consultation period closed on 7 February 2020. Citizens, partners, stakeholders and staff were asked to respond to the consultation by various means, including:-

- Social Media;
- Responding via the Council's website;
- Responding directly by letter or e-mail.

2.2. In addition, the Council also undertook :-

- Focus groups for people under the age of 25;
- Older People's Forum;
- Session with Headteachers and Senior School Managers;
- Town and Community Council Forum;
- Partnership Forum (Police, Fire, Health, Town & Community Forums, Third Sector).

2.3. The results of the consultation process are attached as Appendix 2.

3. REVISED STANDSTILL BUDGET 2019/20 AND THE BUDGET GAP

3.1. Since the completion of the initial budget proposals, further work has been undertaken to review and revise the standstill budget for 2020/21. This has resulted in a small number of changes which are detailed in Table 2 below:-

Table 2
Adjustments to Standstill Budget

	£m	£m
Standstill Budget as at 13 January 2020		142.203
Proposed Budget Savings		(0.343)
Increase in Service Demand Contingency		0.287
Initial 2020/21 Budget Proposal as at 13 January 2020 (assumes 4.5% increase in Council Tax)		**142.147**
Final Adjustments		
Correction of NNDR budgets following confirmation of the final multiplier	(0.003)	
Correction of Insurance Premium Budget	0.004	
Correction of Housing Benefit Administration Grant Budget following confirmation of grant award for 2020/21	0.027	
Total of Budget Adjustments		**0.028**
Revised Standstill Budget Requirement as at 2 March 2020		**142.175**

3.2. On 25 February 2020, the Welsh Government published their final settlement for Welsh Councils. The published figures showed no change from the provisional settlement and therefore Anglesey will receive £101.005m as AEF for 2020/21.

3.3. As part of the final settlement, the Welsh Government announced an additional £10m grant in addition to the £30m grant allocated in 2019/20, to help local authorities deal with the increased demand for Social Care services. Anglesey's share of these grants is £932k.

4. COUNCIL TAX

4.1. The Council's Band D Council Tax charge for 2019/20 was £1,248.57, which was 16th from the 22 Authorities in Wales and is lower than the Welsh Average of £1,319. More importantly for Anglesey is the comparison to the 5 other North Wales authorities. This is shown in Table 3 below:-

Table 3
Comparison of Council Tax Band Charges for North Wales Authorities

Authority	Band D Charge 2019/20 £	Amount Above / Below Anglesey £	Percentage Above / Below Anglesey %
Anglesey	1,249		
Gwynedd	1,376	+ 127	+ 10.2%
Conwy	1,281	+ 32	+ 2.6%
Denbighshire	1,327	+ 78	+ 6.2%
Flintshire	1,281	+ 32	+ 2.6%
Wrexham	1,153	- 96	- 7.7%

4.2. The Council Tax budget for 2019/20 (prior to an increase in the Council Tax but after adjusting for the change in the Council Tax Base and premium) is £39.370m. Therefore, each 1% increase generates an additional £393k.

After taking into account the final settlement figure of £101.005m, the revised budget requirement of £142.177m (see Table 2) would require £41.172m in Council Tax funding. To fund the revised budget requirement, the minimum increase in the level of Council Tax would be 4.58%, taking the Band D charge to £1,305.72, an increase of £57.15 or £1.10 per week.

4.3. Any increase in Council Tax would provide more funding than is required to fund the Revised Standstill budget of £142.177m. An increase of 5% would provide an additional £156k in funding. The surplus funding can be utilised to as follows:-

- To fund the budget pressures identified in paragraph 8 above;
- To allow some of the £0.343m of proposed savings to be deferred;
- To increase contingency budgets, thereby reducing the risk of overspending in 2020/21.

4.4. In the final settlement, the standard tax element for the Council i.e. the standard Council Tax figure across Wales, which is used to determine the AEF for each Council, was set at £1,335.76, which is 7.1% higher than the 2019/20 figure.

5. GENERAL AND SPECIFIC RESERVES, CONTINGENCIES AND FINANCIAL RISK

5.1. The proposed budget incorporates a number of assumptions in terms of likely levels of income and expenditure in future years. There are, therefore, inevitably a number of financial risks inherent in the proposed budget. The key financial risks are highlighted below:-

- Any projected overspend in 2019/20 has direct implications for the 2020/21 budget, i.e. will services which are currently overspending face the same budget pressures in 2020/21 and, as a result, will they be able to deliver services within the proposed budget in 2020/21. In addition, any overspend in 2019/20 will impact on the Council's level of general reserves moving forward. A net overspend on Service budgets (excluding corporate budgets and capital financing costs) of £1.10m is currently being forecast for 2019/20 and this is an important factor to take into consideration. This figure is after receiving £363k of additional grant funding from Welsh Government to meet additional demand for social care during the winter months. No announcement has been made as to whether this funding will be received again in 2020/21 and without this funding the underlying overspend on services is £1.46m. An additional £1.43m has been included into the standstill budget, to cover this potential overspend.

- The demand for Adult Services, Children's Services and additional specialist educational services and associated costs has increased over the past two to three years. The standstill budget is based on the current level of demand but there is still a significant risk that the demand for these services will continue to grow given that we have an ageing population and the improvement in processes within Children's Services which may identify further children which require intervention by the Authority.
- The teachers' pay award up to September 2020 has been agreed and the required sum included in the budget proposal. However, the pay award for the period September 2021 onwards has not. A 2% increase has been allowed for, but it is unclear at this stage if this will be sufficient.
- The non-teaching pay award which is effective from 1 April 2020 has not been agreed. The Employers have offered a 2% increase but the Unions are seeking a 10% increase. Additional funding has been included in the budget to cover a 2% pay rise. Each 1% above this rate increase the annual cost by approximately £450k.
- An inflationary increase of 2.0% has been allowed for across all of the non-pay expenditure (unless the contractual inflationary increase is known). Although most forecasts suggest that inflation will remain on or around 2% for the foreseeable future, the uncertainty over Brexit and its impact on the UK economy may result in inflation rising above the figure allowed for in the budget;
- Non statutory fees and charges have been raised by an average of 3% in each service. No adjustment has been made for a change in the demand for the services and, should the increase in fees and charges result in a reduction in demand, then there is a risk that income budgets will not be achieved.

5.2. In terms of any contingencies and reserves, the Section 151 Officer needs to review these in their totality in conjunction with the base budget itself and the financial risks which face the Authority. In addition, the review should incorporate a medium term view where needed and should take into account key developments that may impact on the need and use of one off resources.

5.3. A robust view is being taken on managing budget risks and protecting the financial health of the Council at this time. This is particularly the case when one off funds need to be adequately protected to fund future strategic/transformational changes as opposed to funding significant overspends on the base budget itself.

5.4. Account has been taken of the need to keep the immediate reductions in spending and the resulting impact on services to a minimum, but this must be balanced against the need to ensure the medium and long term financial stability of the Council, and for savings to be implemented over the coming years in a phased and structured way. In addition, there is always some risk of unforeseen items of expenditure or overspending because of a more general pressure on a service budget, and reserves must also be adequate to absorb these pressures.

5.5. As at 31 March 2019, the Council's general reserves stood at £5.912m, which is equivalent to 4.4% of the Council's net revenue budget for 2019/20, 6.1% if the delegated schools' budget is excluded. The level of general reserves held is a matter for the Council to decide based on a recommendation from the Section 151 Officer but, as a general rule of thumb, 5% of the net revenue budget is considered to be an acceptable level. Based on the 2020/21 standstill revenue budget, this would require a level of general reserves of approximately £7.1m. This takes into account that the majority of secondary schools no longer have any reserves to fall back on and that primary schools are increasingly relying on their service reserves to balance their budgets. If the delegated schools budget is taken out of the calculation, the general level of reserves required would be £5.0m.

5.6. During 2019/20, a number of items have changed the level of the general reserves or the Executive have agreed to fund the cost from the general reserves. These include:-

- Crediting 50% of the value of the Teacher's Pension Grant back to the General Reserve. This increased the reserve by £479k.
- Funding the additional cost of backdated holiday pay payments to supply teachers. This reduced the reserve by £110k.

In addition, it is currently projected that the revenue budget will overspend by £1.25m in 2019/20. After adjusting for the sum that will be credited to individual Service Reserves, the general fund will reduce by £1.67m taking the projected balance as at 31 March 2020 to £4.61m, which is equivalent to 3.2% of the 2020/21 proposed revenue budget.

5.7. In times of financial austerity, budgets are reduced and do not have the capacity to deal with increases in demands, particularly in those services which have less control over demand e.g. Social Services. There is, therefore, an argument that the need for general reserves is greater because the risk of budget overspending increases and the Council will require a greater level of financial resources to minimise the risk.

5.8. It is the professional opinion of the Section 151 Officer that the level of general reserves has now reached a critical point and should not be allowed to fall any further. Having as little as 3% of financial reserves is a financial risk to the Authority and this risk increases the longer the reserves remain at this low level. In the medium term, the Council's financial plan must include budgeting for a surplus which can be used to restore the level of the general reserves back to the minimum figure of £7m. It is accepted that this cannot be achieved in one financial year and it may take between 3 to 5 years for this to be achieved and this annual contribution to the reserves will have to take place during a period of continued austerity and the need to find further savings.

5.9. The Council also holds £9.9m as earmarked and restricted reserves (as at 31 March 2019). The majority of these reserves are necessary and are identified to fund specific projects, relate to the balance of unallocated grants or are available to fund potential risks should they materialise into an issue. These earmarked and restricted reserves continue to be used and it is estimated that the balance will have fallen to £8.4m by the end of the 2019/20 financial year. The majority of the £8.4m is to cover potential risks e.g. uninsured risks, to hold unallocated grants and to fund projects which are partly underway and will be completed during 2019/20.

5.10. There may be scope to release a small amount of the earmarked reserves back to the general reserves and a full report on General and Earmarked Reserves is included as a separate item on the Committee Agenda.

5.11. The standstill revenue budget for 2020/21 includes £1.183m of earmarked and general contingencies. Items included under this heading include a general contingency £404k, salary and grading contingency £150k, and £108k for time limited funding including, Regional Growth bid and the North Wales STEM project. The budget also includes a contingency of £235k to mitigate the risk noted above and £287k to contribute to any additional costs in Social Care budgets as a result of increased demand for services. Contingency budgets provide a level of mitigation against the risk of the Council experiencing unforeseen or increased costs during the year. Reducing the level of general contingency budgets would result in unforeseen or increased costs having to be funded from general balances.

6. ROBUSTNESS OF ESTIMATES

6.1. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of budget estimates and the adequacy of the proposed financial reserves.

6.2. Budget estimates are based on assumptions of future expenditure and income and contain an element of assumption risk. The impact of this risk can be mitigated through contingency plans, contingency budgets and financial reserves.

6.3. The robustness of budget estimates is not simply a question of whether they are correctly calculated. In practice, many budgets are based on estimates or forecasts, and there may be an element of risk as to whether plans will be delivered or targets achieved. Different risks to the budget are considered in turn below:-

- **Inflation Risk** – This is the risk that actual inflation could turn out to be significantly different to the assumption made in the budget. For 2020/21, inflation has been included in the budget as follows: pay awards as per the Employer's pay offer for NJC staff and for Teachers, price inflation (2.0%). The latest forecasts do not show that inflation will rise significantly during 2020/21 and it is expected to be on or around the Government's target of 2%. Approximately £54m of the Council's budget is for supplies and services where the price will increase as inflation increases. A 1% rise in inflation may add £540k to the Council's costs (around 0.5% of the net budget). Although inflation is still a risk, the Council has sufficient reserves to fund a sudden and sharp rise in inflation.
- **Interest Rate Risk** - Interest rates affect a single year's revenue budget through the interest earned - i.e. an interest rate rise is beneficial. The Authority's Treasury Management Strategy requires investments to be made on the grounds of security and liquidity of the investment as the first consideration, with investment returns being a lower priority, therefore, the budget is not reliant on high investment returns. Interest rates continue to be very low and, although they may begin to rise, they will not rise significantly during 2020/21. The majority of the interest paid by the Council relates to fixed rate loans which will not change should the interest rate rise. Therefore, the interest rate risk is considered low and, as in previous years, this is a compensating risk for inflation risk, because if one increases the other is likely to increase also.
- **Grants Risk -** These are risks attached to the large number of specific grants from WG, Europe or other bodies which support a good proportion of Council spending. Some of these may be reduced substantially or cut altogether; we do not have a complete picture of all these and we will not even have one as the financial year begins. While the immediate response is to say that when the grant ceases, so must the associated expenditure, there is a risk that this may not always be possible. It may not be possible when contract terms mean the expenditure cannot be cut as quickly as the income, or involves unfunded severance costs. It may not be possible if the activity funded turns out to be so important to the delivery of the Council's own Priorities that the Council decided it must continue the expenditure. Efforts to mitigate this risk are to ensure we have the best information available on each grant, but significant changes during the year cannot be entirely ruled out.

- **Income Risks –** The budget is based on securing an overall 3% increase in fees, and a number of services have assumed rises up to 3%. If the elasticity of demand for Council Services is such that volume falls, and income targets are not achieved, that may cause overspending on net budgets. This will require close monitoring of the net budget position and, if necessary, cutting back on spending to match reduced income.
- **Optimum Risk –** In previous years probably the greatest risk in current circumstances is that the Authority, Members and Officers, have been over-optimistic in the savings that will be achieved or that demand for services, particularly social care, will not increase significantly. For 2020/21, the level of proposed savings are small and can be easily implemented, however the risk of increased demand for services still remains. The proposed budget does provide some mitigation to this risk, by holding some funding in a contingency but if demand rises sharply, significant overspending could occur.
- **Over-caution Risk –** This is the opposite of optimum risk: the danger that our budgets have been drawn up with too much caution and, so, are more than is required and this would result in the Council Tax being set at a level that is higher than required, which is something that Members are keen to avoid;
- **Staff Redundancy Costs –** Due to the level of savings required in previous years both teaching and non-teaching staff have been released through the redundancy process. The cost of redundancy has been funded from a central contingency. The contingency was £400k in 2019/20 but the proposed budget reduces this figure to £150k. The 2020/21 budget does not include savings proposals, which will see the need to reduce staff numbers and the delegated school's budget also allows for all additional costs to be funded and this should not require schools to reduce teaching numbers significantly. The contingency set should be sufficient to meet any redundancy costs which arise during the year.
- **Council Tax Premium –** The increase in the premium for empty properties from 25% to 100% has seen a reduction in the number of empty properties subject to the premium (-29% between November 2018 and November 2019) as the owners of these properties take action to bring the property back into use. It is anticipated that this will continue into 2020/21 but the risk is mitigated by only including 80% of empty properties into the taxbase calculation. The change in the second home premium from 25% to 35% has not resulted in a significant drop in properties and although some owners have moved their properties from the Council Tax register to the Non Domestic register, the overall number of properties subject to the 2nd home premium has increased by 5% (November 2018 to November 2019). Again 80% of the properties are included in the taxbase which provides some mitigation against the reduction in the number of properties subject to the premium.
- **Council Tax Income –** The Council Tax income budget is based on the taxbase calculation as at November of the previous financial year. The taxbase changes constantly during the year, as new properties are included and exemptions and single person discounts are granted. These changes cannot be estimated and invariably lead to a difference between the actual debit raised and the budget.
- **Demand Risk –** As noted previously in the report, and as we have experienced in the past two financial years, there has been an increase in the demand for services, particularly in social care and education, and these increases have put a financial strain on the Authority and has resulted in significant budget overspends. The standstill budget for 2020/21 has taken into account the increased demand experienced during 2019/20 but any further increases would be unfunded and increase the risk of further overspending in 2020/21.

6.4. Having considered all the risks noted above and the mitigating actions, the Section 151 Officer is of the view that the budgets are robust and deliverable.

7. SCRUTINY COMMITTEE

7.1. Due to the delays in receiving the provisional and final settlement the budget timetable for 2020/21 has had to be condensed in order to ensure that the Council are in a position to set the Council Tax within the timeframe set out in the Local Government Finance Act 1992 (Section 30(6)). The 2020/21 budget was given further consideration by the Corporate Scrutiny Committee at its meeting of 27 February, 2020 and a verbal report on the Committee's deliberations will be presented to the Executive at the Committee meeting.

8. PROPOSED BUDGET AND COUNCIL TAX LEVEL

8.1. Having considered the funding available the results of the consultation process and the response of the Scrutiny Committee, the Executive has revised its final budget proposal and includes the following changes:-

- That the standstill budget for 2020/21, after allowing for £0.343m of proposed savings, is set at £142.177m (see Table 2).
- That the Council Tax is increased by 4.5% in 2020/21, which raises the Band D Council Tax by £56.16 to £1,304.73.
- That any remaining balance required to balance the budget fully is adjusted through the general contingency.

8.2. Table 4 below summarises the movement in the 2020/21 budget taking into account the proposals set out in paragraph 10.1 above.

Table 4
Proposed Budget Requirement and Funding 2020/21

Budget Requirement	£'m	£'m
Final Budget 2019/20		135.210
Committed Charges and Inflation		6.993
Standstill Budget as at 13 January 2019		**142.203**
Initial Savings Proposals		(0.343)
Increase in Demand Risk Contingency		0.287
Adjustments to Standstill Budget – see Table 2		0.028
Standstill Budget as at 2 March 2020		**142.175**
Final Budget Proposals – paragraph 8.1		
Adjustment of Contingency Budget	(0.029)	
		(0.029)
Final Proposed Budget Requirement		**142.146**
Funded By:		
Revenue Support Grant	76.692	
Non-Domestic Rates	24.313	
Total AEF		101.005
Council Tax (including Premium)		41.141
Total Funding		**142.146**

9. EQUALITIES IMPACT ASSESSMENT

9.1. In delivering its services, the Council has to be mindful of its duties under the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 to assess the impact of key financial decisions on protected groups and have due regard to the result of such assessments.

9.2. The proposed budget savings will not impact on any of the protected groups set out in the Regulations and as a result no Equality Impact Assessments are considered necessary.

10. UPDATING THE MEDIUM TERM FINANCIAL STRATEGY

10.1. The initial budget proposals to the Executive on 13 January 2019 was based on the Medium Term Financial Strategy approved by the Executive in September 2019 (see Table 1). This estimated that the total AEF would remain constant in 2021/22 and 2022/23 as per the 2020/21 settlement and that Council Tax would rise by 5% and that the premium on second homes and empty properties would remain unchanged.

10.2. Although the actual settlement for 2020/21 was £5.214m higher in cash terms than the figure anticipated in the Medium Term Financial Plan, this has in the main allowed the Council to defer the need to make £4.2m of savings which the MTFP anticipated would have had to have been made.

10.3. Estimating future changes in the AEF is difficult and much will depend on the performance of the UK economy post Brexit. The new UK Government will set out its new financial policies in its budget on 11 March 2020. After this point the future funding levels for Welsh Local Government may become clearer although the protection that the Welsh Government gives to other areas of spending compared to local government will also have a significant impact on the level of future local government settlements.

10.4. Given the uncertainty surrounding future funding, any update of the Medium Term Financial Plan at this point would be speculative at best and may give the impression that the Council's financial position is better or worse than the true position that will materialise. The situation will become clearer over the coming months and the Executive will receive an update on the Council's financial position in September 2020.

11. CONCLUSIONS

11.1. It is important for the forthcoming year that the budget set is achievable and accurately reflects the demands faced by services currently, and for the period of the MTFP. This requirement has greater relevance given that the level of reserves has fallen and cannot be seen as a continued source of funding when the budget overspends and that the level of school reserves has also fallen. It is also necessary that the budget addresses the long term financial viability and sustainability of the Council and ensures that the Council is in a strong financial position to respond to any further reductions in funding from the Welsh Government.

11.2. Therefore, in the professional opinion of the Section 151 Officer, the revenue budget for 2019/20 must achieve the following objectives:-

- Ensure that the financial resources allocated to each service is sufficient to meet the current budget pressures and fulfil the demand for the statutory functions which the services must provide.
- Addresses the underlying financial pressures in the Services which have been impacted most by an increased demand for services; Education, Children's Services and Adults Services.
- Avoid setting a budget that further erodes the Council reserves, either by using reserves to balance the budget or by setting an unachievable budget, which will ultimately result in overspending at the end of the 2020/21 financial year.
- To set a level of Council Tax which is comparable with the Welsh Government's assessment of where Anglesey's Council Tax should be and is in line with the Council Tax set by other Welsh authorities of a similar size and type.

12. RECOMMENDATIONS

12.1. The Executive is recommended to approve the final budget proposal as set out in Paragraph 8 to the full Council meeting on 10 March 2020.

APPENDIX 2

Response to the Executive Committee's Initial Budget Proposals – 2020/21

ISLE OF ANGLESEY COUNTY COUNCIL

February 2020

Author – Gethin Morgan, Business Planning, Programme and Performance Manager

Head of Service – Carys Edwards, Head of Human Resources & Corporate Transformation

1. *Introduction*

1.1. The Council recently undertook a consultation exercise on the initial budget proposals agreed for consultation by the Executive Committee between 15th January and 7th February, 2020. The 3 week consultation period focused on proposals from across Council services.

1.2. These proposals were the result of the annual budgetary process and were consulted upon in order to gain the views of the public and ensure the Executive can (as the process draws to a close) make recommendations from a fully informed position. They were presented by the services during the autumn where they were also challenged and agreed upon for the purposes of consultation by the Elected Members of every political group in the Council.

1.3. Consideration was given to a broad range of savings where the internal challenge and consensus had led to proposals that varied from matters such as increasing Council Tax levels by between 4-5% to the deletion of certain vacant posts to increasing car parking costs at costal sites and towns by differing rates.

1.4. These proposals were publicised in various ways;

1.4.1. Statements and articles in the press

1.4.2. The proposals were published on the Council's website (homepage)

1.4.3. Extensive use of social media – Twitter, Facebook to promote the proposals to a broader range of residents

1.4.4. An interview by the Portfolio Holder Robin Williams on MônFM promoting the consultation and its contents

Each of the channels above were aimed at publicising and creating enthusiasm amongst citizens and staff to engage and respond to the initial proposals.

1.5. Citizens, partners and staff were asked to respond to the consultation through different means, including:

- An on-line survey on our website
- E-mail or
- Writing to us in the traditional way by posting a letter

1.6. As well as the above, the Council held further engagement exercises with :

- Town & Community Council forum together with partners in the Council Chamber
- Sessions with young people via the Young Farmers and Urdd forums.
- A session with the Head teachers and Senior Managers of schools on the Island

The consultation this year followed a similar pattern to previous consultation events that have been held in recent years, but wasn't as extensive as past years due to the shortened timescale enforced upon the Council by Welsh Government. The emphasis this year was placed on gaining an electronic response through our extensive use of social media.

85 responses were received via electronic means, 3 e-mails and 2 letters were received via e-mail.

The results / findings are as follows –

Do you agree that the Council should continue to invest in Adult Services as a response to an increase in demand?

			Response Percent	Response Total
1	Yes		80.72%	67
2	No		19.28%	16

Analysis								
	Mean:	1.19	Std. Deviation:	0.39	Satisfaction Rate:	19.28	answered	83
	Variance:	0.16	Std. Error:	0.04			skipped	2

Do you agree with the Executive's proposal to protect the School's budget by not implementing the £800k cut that was postponed in 2019/20?

			Response Percent	Response Total
1	Yes		73.49%	61
2	No		26.51%	22

Analysis								
	Mean:	1.27	Std. Deviation:	0.44	Satisfaction Rate:	26.51	answered	83
	Variance:	0.19	Std. Error:	0.05			skipped	2

Do you think it is reasonable that we raise the Council Tax between 4.5% and 5%? (When considering the level of the settlement and the need to fund the increase in financial demand within Adult Services and Schools)								
							Response Percent	**Response Total**
1	Yes						30.12%	25
2	No						69.88%	58
Analysis	Mean:	1.7	Std. Deviation:	0.46	Satisfaction Rate:	69.88	answered	83
	Variance:	0.21	Std. Error:	0.05			skipped	2

Do you agree with the proposals in Appendix 4 of the Revenue Budget Report?								
							Response Percent	**Response Total**
1	Yes						58.90%	43
2	No						41.10%	30
Analysis	Mean:	1.41	Std. Deviation:	0.49	Satisfaction Rate:	41.1	answered	73
	Variance:	0.24	Std. Error:	0.06			skipped	12

The result above demonstrates an outcome in favour of the proposals put forward for savings during 2020/21. Having said this, there are some views which question certain proposals and the Council received seventeen such views. These vary from questioning the value of increasing car parking charges to challenging why such an increase in Council tax is required.

The point re: increasing car-parking costs at coastal location is a point of concern for two e-mailed responses (one of which is from Red Wharf Sailing and Water-sports Club) which outline the impact such a change could have if increases are implemented and whether this could have further far-reaching effects to individual health and well-being opportunities into the future.

Others question the validity of increasing Council Tax year on year with some highlighting the fact that the rise is normally at a rate above inflation which means their disposable income is decreasing year on year. One comment stated that Welsh Government should increase funding levels for Councils and three comments pointed to the view that second home owners should pay a greater tax for their second home on Anglesey.

A single comment questioned the value of the reducing the civic events budget, questioning its impact on tourism, social inclusion and intergenerational activities and a response from a community council noted that the 3 week consultation period wasn't sufficient for them to reply.

Do you agree with our proposals in our full capital programme for 2020/21 provided in the Capital budget report?

			Response Percent	Response Total
1	Yes		53.42%	39
2	No		46.58%	34

Analysis							
Mean:	1.47	Std. Deviation:	0.5	Satisfaction Rate:	46.58	answered	73
Variance:	0.25	Std. Error:	0.06			skipped	12

The responses to the capital budget proposals were more evenly matched with 53% in agreement with the proposals and 47% not in favour of them.

Seventeen comments were received, one of which questioned why there was no public facing documents used for consultation and that failure to do so inferred a 'tokentistic' consultation process. A couple of comments pointed to the fact that the government should be lobbied to a greater degree in order to realise corporation tax from large organisations.

Others questioned the relevance of the following –

- Why protect the education budget?
- Why increase council tax?
- Travellers site
- The purchasing of new gritters

One response questioned whether there should be an investment into Ysgol Syr Thomas Jones, Amlwch as part of the school modernisation programme as it is believed it is a 'money pit'. Another questioned whether an investment into Ysgol Gyfun Llangefni should be realised due to the condition of the current school and a further comment pleaded with the Council to build the new Corn Hir school with a 50% increase in capacity due to increasing number of families that will make Llangefni their home over the forthcoming years.

Other responses noted that old Council buildings should be sold off and the number of Council staff should be reduced together with the stern questioning of whether Mon Community Transport is an unnecessary luxury that has become unaffordable when there are other alternative transport options for customers to use.

APPENDIX 3

FINAL BUDGET PROPOSAL 2020/21 BY SERVICE (AS AMENDED BY EXECUTIVE 2 MARCH 2020)

	Standstill Budget Following Provisional Settlement £	Adjustment to Standstill £	Savings £	Council Tax Increase @ 4.5% £	Budget Pressures & Final Adjustments £	Final Budget Proposal Amendments following Executive 2 March 2020 £	Final Proposed Budget 2020/21 £
Education and Culture	54,022,185	(5,733)	-	-	-	-	54,016,452
Adult Services	26,859,321	3,520	-	-	-	-	26,862,841
Children's Services	10,543,297	1,089	-	-	-	-	10,544,386
Housing Services	1,266,792	2,240	(101,000)	-	-	-	1,168,032
Highways, Waste and Property	15,266,195	9,530	(104,000)	-	-	36,180	15,207,905
Economic and Community Regeneration	4,075,136	3,254	(65,000)	-	-		4,013,390
Corporate Transformation	4,998,708	(228)	(5,000)	-	-		4,993,480
Resources	3,140,972	27,790	(60,000)	-	-		3,108,762
Council Business	1,669,243	150	-	-	-		1,669,393
Corporate Management	625,462	100	-	-	-		625,562
Total Service Budgets	**122,467,311**	**41,712**	**(335,000)**	**-**	**-**	**36,180**	**122,210,203**
Corporate and Democratic Costs	2,807,237	(14,249)	(8,000)	-	-		2,784,988
Recharges to HRA	(700,000)	-	-	-	-		(700,000)
Levies	3,598,489	-	-	-	-		3,598,489
Capital Financing	6,939,100	-	-	-	-		6,939,100
Benefits Granted	111,870	-	-	-	-		111,870
Discretionary Rate Relief	70,000	-	-	-	-		70,000
Council Tax Reduction Scheme	6,016,238	-	-	-	-		6,016,238
Total Allocated Budgets	**141,310,245**	**27,463**	**(343,000)**	**-**	**-**	**36,180**	**141,030,888**
General & Other Contingencies	892,530	-	-	-	259,072	(36,180)	1,115,422
Total Budget 2020/21	**142,202,775**	**27,463**	**(343,000)**	**-**	**259,072**	**-**	**142,146,310**
Funded By							
Revenue Support Grant	(76,691,916)	-		-	-		(76,691,916)
Non Domestic Rates	(24,312,956)	-		-	-		(24,312,956)
Council Tax Including Council Tax Premium	(39,370,571)	-		(1,770,867)	-		(41,141,438)
Council Reserves	-	-		-	-		-
Total Funding	**(140,375,443)**	**-**	**-**	**(1,770,867)**	**-**	**-**	**(142,146,310)**
Difference Budget to Funding	**1,827,332**	**27,463**	**(343,000)**	**(1,770,867)**	**259,072**	**-**	**-**

APPENDIX 4

FINAL PROPOSED REVENUE BUDGET SAVINGS 2020/21

Proposed Saving	Service	Potential Savings £'000
Reduce the cost of running the Council's vehicle fleet by investing in more fuel efficient vehicles (electricity and LPG) and by improving administrative procedures to reduce vehicle down time.	Highways, Waste & Property	10
Rearrange the out of hours rota of the Property repairs team in order to reduce the cost of the current service provision.	Highways, Waste & Property	11
Increase Car Park Fees - Coastal Sites - increase current £3.50 rate to £4.00, the current £4.50 rate to £6.00 and the current £6.00 rate to £8.00. Town Sites - Abolish 50p rate, making the minimum payment £1.	Highways, Waste & Property	47
Delete the budgets for low usage telephone lines and mobile phones.	Transformation	5
Reduce the cost of holding specific Civic events.	Council Business	8
Reduce postage budgets as a result of investments in the Payroll and Housing Benefits systems which has allowed the transfer of information electronically rather than posting paper documents.	Resources	10
Reduce Corporate Procurement Budgets – a corporate approach to the purchase of some goods and services has generated savings which can now be released.	Resources	50
Increased income from Breakwater County Park.	Regulation	1
Delete the remainder of the Outdoor Facilities budget following the transfer of the assets from the Council's control.	Regulation	37
Increase maritime fees, ending the current moratorium on increases.	Regulation	5
Reduce the Development Control Team's administrative capacity. The recent investment in the planning system allows this reduction to be implemented.	Regulation	22
Delete the post of Strategic Development Officer – the post is currently vacant.	Housing	27
Reduce the cost of administrative support to the Head of Housing.	Housing	4
Capitalise the staffing costs relating to the delivery of Disabled Facilities grants.	Housing	36
Adjust the charges to the Housing Revenue Account to reflect the increase in costs.	Housing	19
Delete un-utilised budgets identified following a service budget review.	Housing	15
Total Potential Savings to be Implemented		**307**

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	**COUNTY COUNCIL**
DATE:	**10 MARCH 2020**
SUBJECT:	**FINAL PROPOSED CAPITAL BUDGET 2020/21**
PORTFOLIO HOLDER(S):	**COUNCILLOR R WILLIAMS**
HEAD OF SERVICE:	**MARC JONES (EXT. 2601)**
REPORT AUTHOR: TEL: E-MAIL:	**MARC JONES** **EXT. 2601** **rmjfi@ynysmon.gov.uk**
LOCAL MEMBERS:	**n/a**

A - Recommendation/s and reason/s

1. PURPOSE OF THE REPORT

1.1 The Council is required to approve a capital budget for 2020/21.

2. RECOMMENDATIONS

- To approve the following Capital Programme for 2020/21:-

	£'000	Ref
2019/20 Schemes Brought Forward	5,829	Section 2.2
Refurbishment / Replacement of Assets	6,192	Section 2.4
New One Off Capital Projects	2,174	See report 13/01/2020
Smallholdings funded from capital receipts	100	"
21st Century Schools	2,755	Section 2.3
Housing Revenue Account	20,255	Section 2.6
Total Recommended Capital Programme 2020/21	**37,305**	
Funded By:		
General Capital Grant	2,165	
Supported Borrowing General	2,364	
Supported Borrowing 2019/20 brought forward	1,034	
Capital Receipts	245	
Capital Reserve	500	
21st Century Schools Supported Borrowing	721	
21st Century Schools Unsupported Borrowing	1,145	
HRA Reserve & In Year Surplus	14,228	
HRA Unsupported Borrowing	250	
HRA brought-forward from 2019/20	3,117	
External Grants	5,782	
2019/20 Council Funding Brought Forward	5,754	
2020/21 Total Capital Funding	**37,305**	

B -	**What other options did you consider and why did you reject them and/or opt for this option?**
	A number of additional schemes are to be considered in the capital programme with the main driving factor in funding being affordability and the maximisation of external grant funding. The proposed capital programme and the additional Capital schemes, if supported, do not commit the Council to a level of borrowing which increases minimum revenue provision or interest payments to an unaffordable level.
C -	**Why is this decision for the Executive?**
	The matter is delegated to the Executive to propose the capital budget.
CH -	**Is this decision consistent with policy approved by the full Council?**
	Yes
D -	**Is this decision within the budget approved by the Council?**
	N/A

DD -	**Who did you consult?**	**What did they say?**
1	**Chief Executive / Strategic Leadership Team (SLT)** (mandatory)	Comments from the SLT have been incorporated into the report
2	**Finance / Section 151** (mandatory)	n/a – this is the Section151 Officer's report
3	**Legal / Monitoring Officer** (mandatory)	Comments from the SLT have been incorporated into the report
4	**Human Resources (HR)**	-
5	**Property**	Property Services were consulted in the process of drawing up the draft budget proposal
6	**Information Communication Technology (ICT)**	
7	**Scrutiny**	The Scrutiny Committee considered the draft budget proposal at its meeting on 13 January 2020
8	**Local Members**	N/A
9	**Any external bodies / other/s**	N/A

E -	**Risks and any mitigation (if relevant)**	
1	**Economic**	
2	**Anti-poverty**	
3	**Crime and Disorder**	
4	**Environmental**	
5	**Equalities**	
6	**Outcome Agreements**	
7	**Other**	

F - Appendices:

Appendix 1 – Report on the Capital Budget 2020/21
Appendix 2 – Proposed Capital Budget 2020/21

FF - Background papers (please contact the author of the Report for any further information):

Draft Capital Budget – Executive Committee - 13 January 2020
Capital Budget 2020/21 – Executive Committee – 2 March 2020

APPENDIX 1

DRAFT CAPITAL BUDGET 202/21

1. INTRODUCTION

1.1. At its meeting on 13 January 2020, the Executive recommended to approve the following provisional Capital Programme for 2020/21, as shown in Table 1 below. The draft Capital Budget for 2020/21, set out below in Table 1 and Appendix 2, takes into account the principles set out in the Capital Strategy which was approved by the Executive in February 2019 and the full Council in May 2019. It also meets the principles of the Draft Capital Strategy 2020/21, which will be considered alongside this Capital Programme.

Table 1

Summary Recommended Capital Programme 2020/21 Recommended at the Executive 13 January 2020

	£'000	**Ref within Draft Capital Budget Report 2020/21, Executive 13 January 2020.**
2019/20 Schemes Brought Forward	3,294	Para 4.1 and Table 2
Refurbishment / Replacement of Assets	5,158	Para 4.2.2 and Table 3
New One Off Capital Projects	2,174	Para 5.2 and Table 4
Smallholdings funded from capital receipts	100	Para 5.7
21st Century Schools	9,039	Para 6
Housing Revenue Account	17,138	Para 7
Total Recommended Capital Programme 2020/21	**36,903**	
Funded By:		
General Capital Grant	2,165	
Supported Borrowing General	2,364	
Capital Receipts	245	
Capital Reserve	500	
21st Century Schools Supported Borrowing	2,680	
21st Century Schools Unsupported Borrowing	3,679	
HRA Reserve & In Year Surplus	14,228	
HRA Unsupported Borrowing	250	
External Grants	7,572	
2019/20 Funding Brought Forward	3,219	
2020/21 Total Capital Funding	**36,903**	

2. OUTCOME OF THE PUBLIC CONSULTATION PROCESS

2.1 A small number of comments relating to the Draft Capital Programme 2020/21 were received during the budget consultation 2020/21 which closed on 7 February 2020.

2.1.1 One respondee was supportive of the 21st Schools Programme but expressed concern about investment in Ysgol Sir Thomas Jones, which the respondent considered to be unfit for purpose. Another individual recommended that the 21 Century Schools' programme should focus more on the secondary schools. An individual asked for 50% more capacity over and above estimated capacity if the Council builds the new Corn Hir School in Llangefni. The increasing need for more school places in Llangefni was highlighted. The individual commented on the lack of capacity in Ysgol y Graig, which is a fairly new school.

2.1.2 One respondee recommended selling off or consolidating Council land and buildings.

2.1.3 One respondee expressed concern about the need to purchase a new gritter and considered it to be too high an expense for such short time usage.

2.1.4 A respondee questioned the need for IT improvements every year.

2.1.5 A respondee made a general comment which could apply to the revenue or capital budget as follows " There doesn't seem to be anything that's innovative or creative to generate income or to entice investment to the area. If there is, it doesn't come across".

3. UPDATING THE CAPITAL PROGRAMME FOR SLIPPAGE FROM 2019/20

3.1 An estimated slippage of £3,294k from 2019/20 was included in the budget for 2020/21. This was based on the projected outturn position at the end of Quarter 2. The Quarter 3 capital monitoring report has provided more up-to-date information and the slippage from 2019/20 to 2020/21 is expected to be £5,829k. The main changes are as follows:-

- The Gypsy and Traveller forecast slippage has reduced from £670k to £479k.
- Delays in the Tourism Gateway and Holyhead Strategic Partnership grant funded projects are expected with increased slippage expected to 2020/21.
- The Flood Defence Red Wharf Bay project is now expected to slip by £638k into 2020/21.
- The project for School Safety allocation of £200k in 2019/20 is expected to slip in its entirety due to resourcing issues. The service has requested that the project be carried forward onto the 2020/21 programme.
- The capital grant to expand school facilities for childcare settings is also expecting to underspend by £324k. This can be carried forward to 2020/21 in accordance with the conditions of the grant.
- Similarly, the Regulation and Economic Service has requested carry-forward of approximately £30k relating to the Economic Development Schemes intended to attract significant grant funding to Anglesey.
- The Holyhead Regeneration (THI Phase II) project continues to slip into 2020/21 at an estimated £900k. This slippage may be subject to change at yearend. Any changes will be reported at yearend and approval will be sought for the revised slippage budget for 2020/21.

3.2 The Council is currently moving towards the end of its Band A phase of the 21st Century Schools Programme. An estimated expenditure of £10,167k is expected on the last of the Band A projects, of which £1,205k is expected to be spent in 2020/21. In January, it was reported that £5,297k would be spent in 2020/21 on Band A projects but the delays in determining and approving the details of the project has led to a revision of this estimate. The majority of the project expenditure would take place in 2021/22 should the project be approved.

3.3 Band B projects are also expected to spend less in 2020/21 and more in 2021/22 and 2022/23. Currently, £1,550k is expected to be spent on Band B projects in 2020/21.

3.4 The Council was recently awarded an additional capital grant of £1,034k from Welsh Government to improve school buildings. Given the lateness of the announcement, it is not possible to plan and spend the grant by the end of the financial year. The Welsh Government are aware of the difficulties and the grant conditions allow this grant to be used in place of core funding in 2019/20, provided that the unused core funding is then used in 2020/21 for school improvements. The draft budget allocated £1,000k in 2020/21 towards school improvements and the receipt of this grant will increase the sum available to £2,034k in 2020/21.

3.5 An estimated underspend of £3,117k on the HRA capital programme 2019/20 is now predicted, due to delays in purchasing, refurbishing or building new houses. Therefore, slippage of £3,117k has been added to the HRA Capital Programme for 2020/21.

3.6 In order to maximise grant funding and to use the cheapest method of funding for the capital programme, flexibility in funding is needed. Therefore, the sources of funding per scheme identified in the Capital Budget 2020/21 (as shown in Appendix 2) may change during 2020/21. This is common practice and allows the Council to ensure that the use of grants are maximized and external borrowing is minimized.

3.7 These changes have been incorporated into the revised Proposed Capital Programme for 2020/21 which is summarized in Table 2 below.

Table 2
Final Proposed Capital Programme 2020/21

	£'000	**Ref**
2019/20 Schemes Brought Forward	5,829	Para 3.1
Refurbishment / Replacement of Assets	6,192	Para 3.4
New One Off Capital Projects	2,174	See report 13/01/2020
Smallholdings funded from capital receipts	100	"
21st Century Schools	2,755	Para 3.2 & 3.3
Housing Revenue Account	20,255	Para 3.6
Total Recommended Capital Programme 2020/21	**37,305**	
Funded By:		
General Capital Grant	2,165	
Supported Borrowing General	2,364	
Supported Borrowing 2019/20 brought forward	1,034	
Capital Receipts	245	
Capital Reserve	500	
21st Century Schools Supported Borrowing	721	
21st Century Schools Unsupported Borrowing	1,145	
HRA Reserve & In Year Surplus	14,228	
HRA Unsupported Borrowing	250	
HRA brought-forward from 2019/20	3,117	
External Grants	5,782	
2019/20 Council Funding Brought Forward	5,754	
2020/21 Total Capital Funding	**37,305**	

APPENDIX 2

Proposed Capital Programme 2020/21

Scheme Name	Budget 2020/21 £	Funded By								
		2019/20 B/F	General Capital Grant	Supported Borrowing	Capital Receipts	Capital Reserve	Unsupported Borrowing	External Grants	Reserves	Total Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2019/20 Schemes Brought Forward										
Star Gypsy and Traveller Site	479	479								479
Tourism Gateway	1,003	1,003								1,003
Holyhead Strategic Infrastructure	1,999	1,999								1,999
Llangefni Strategic Infrastructure	256	256								256
Flood Defences Red Wharf Bay	638	638								638
School Safety Project	200	200								200
Increasing Capacity for Childcare Capital Grant	324	324								324
Economic Development Schemes	30	30								30
Holyhead Regeneration (THI Phase II)	900	825			11	64				900
Total 2019/20 Schemes Brought Forward	**5,829**	**5,754**	**-**	**-**	**11**	**64**	**-**	**-**	**-**	**5,829**
Refurbishment / Replacing Existing Assets – Building, Vehicles, IT & Highways										
Disabled Facilities Grants	636		636							636
Disabled Access in Education Buildings	300			300						300
Refurbish Schools	1,000	1,034		1,000						2,034
Refurbish – Non School Buildings	600			379	121	100				600
Highways Resurfacing	1,850		726	524				600		1,850
Purchase of New Vehicles	480		480							480
Upgrading / Replacing IT Equipment	292		292							292
Total Refurbishment / Replacing Existing Assets	**6,192**	**1,034**	**2,134**	**2,203**	**121**	**100**	**-**	**600**	**-**	**6,192**
New Capital Projects 2020/21										
Economic Development and Environmental Well Being	95			95						95
Porth Wrach Slipway – Enforcement Cameras	30			30						30
Refurbishment of Plas Mona Residential Home	80		31	36	13					80
Match Funding for Flood Relief Schemes	573					86		487		573

Scheme Name	Budget 2020/21 £	Funded By								
		2019/20 B/F	General Capital Grant	Supported Borrowing	Capital Receipts	Capital Reserve	Unsupported Borrowing	External Grants	Reserves	Total Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Leisure Improvements	250					250				250
Smallholding Refurbishments	100				100					100
Holyhead Landscape Partnership	1,146							1,146		1,146
Total New Capital Projects 2020/21	**2,274**	**-**	**31**	**161**	**113**	**336**	**-**	**1,633**	**-**	**2,274**
21st Century Schools / School Modernisation										
Completion of Band A Programme	1,205			217			602	386		1,205
Commencement of Band B Programme	1,550			504			542	504		1,550
Total 21st Century Schools / School Modernisation	**2,755**	**-**	**-**	**721**	**-**	**-**	**1,144**	**890**		**2,755**
TOTAL GENERAL FUND	**17,050**	**6,788**	**2,165**	**3,085**	**245**	**500**	**3,679**	**4,912**	**-**	**17,050**
Housing Revenue Account										
Planned Maintenance and WHQS Improvements	6,645							2,660	3,985	6,645
New Developments and re-purchase of RTB properties	10,493						250		10,243	10,493
HRA capital projects brought forward from 2091/20	3,117	3,117								3,117
Total Housing Revenue Account	**20,255**	**3,117**	**-**	**-**	**-**	**-**	**250**	**2,660**	**14,228**	**20,255**
TOTAL CAPITAL PROGRAMME 2020/21	**37,305**	**9,905**	**2,165**	**3,085**	**245**	**500**	**1,145**	**5,783**	**14,228**	**37,305**

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CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

PENDERFYNIAD DRAFFT
AR OSOD
Y DRETH GYNGOR
2020/21

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DRAFT RESOLUTION
ON SETTING
THE COUNCIL TAX
2020/21

DRAFT COUNCIL TAX RESOLUTION

1. RESOLVED

(a) Pursuant to the recommendations of the Executive, to adopt the 2020/21 Budget at Section 8, as a Budget Strategy within the meaning given by the Constitution, and to affirm that it becomes part of the budget framework with the exception of figures described as current.

(b) Pursuant to the recommendations of the Executive, to adopt a revenue budget for 2020/21 as shown at Table 4, Section 8 of the 2020/21 Budget Report Appendix 1 and Appendix 3.

(c) Pursuant to the recommendations of the Executive, to adopt a capital budget as shown in the Capital Budget Report 2020/21 report.

(ch) To delegate to the Director of Function (Resources)/Section 151 Officer the power to make adjustments between headings in the Final Budget Proposal 2020/21 at Appendix 3 in order to give effect to the Council's decisions. In addition, to delegate to Director of Function (Resources)/Section 151 Officer the power to transfer up to £50k per item from the general contingency. Any item in excess of £50k will require the approval of the Executive before any transfer from the general contingency is made.

(d) To delegate to the Executive Committee, for the financial year 2020/21, the powers to transfer budgets between headings as follows:-

(i) unlimited powers to spend each budget heading in Appendix 3 Final Budget Proposal 2020/21 against the name of each service, on the service to which it relates;

(ii) powers to approve the use of service and earmarked reserves to fund one-off spending proposals that contribute to the delivery of the Council's objectives and improve services;

(iii) powers to vire from new or increased sources of income.

(dd) To delegate to the Executive Committee, in respect of the financial year 2020/21 and on the advice of the Head of Function (Resources), the power to release up to £250k from general balances to deal with priorities arising during the year.

(e) To delegate to the Executive Committee in respect of the period to 31 March 2021, the following powers:-

(i) powers to make new commitments from future years' revenue budgets up to amount identified under New Priorities in the Medium Term Financial Plan;

(ii) the power and the duty to make plans for achievement of revenue budget savings implied by the Medium Term Financial Plan;

(iii) powers to transfer budgets between capital projects in the Capital Budget Report 2020/21 report and to commit resources in following years and consistent with the budget framework.

(f) To set and approve the prudential and treasury indicators which are estimates and limits for 2020/21 and onwards as shown in the report on the Treasury Management Strategy Statement 2020/21.

(ff) To approve the Treasury Management Strategy Statement for 2020/21 and the Capital Strategy 2020/21.

(g) To confirm that items 1(b) to (ff) become part of the budget framework.

2. RESOLVED to adopt and affirm for the purposes of the financial year 2020/21 the decision of the County Council on 10 March 1998 to set the discount level applicable to the prescribed Class A and prescribed Class B of dwellings under Section 12 of the Local Government Finance Act 1992 (as amended), as described by the Council Tax (Prescribed Classes of Dwellings) (Wales) Regulations 1998, as follows:-

Prescribed Class A	Nil Discount
Prescribed Class B	Nil Discount

3. **RESOLVED** to adopt and affirm for the purposes of the financial year 2020/21 the decision of the County Council on 6 March 2007 to set the discount level applicable to the prescribed Class C of dwellings under Section 12 of the Local Government Finance Act 1992 (as amended), as described by the Local Authorities (Calculation of Tax Base) and Council Tax (Prescribed Classes of Dwellings) (Wales) (Amendment) Regulations 2004 as follows:-

   Prescribed Class C   Nil Discount

4. **RESOLVED** to disapply any discount(s) granted to long-term empty dwellings and dwelling occupied periodically (usually known as second homes) and to vary the full Council's decision made on 28 February 2018 and apply for the financial year 2020/21 a higher amount of Council Tax (called a Council Tax Premium) of 100% of the standard rate of Council Tax for long-term empty dwellings and for dwellings occupied periodically (usually known as second homes) to apply a higher amount of Council Tax (called a Council tax Premium) of 35% under Sections 12A and 12B of the Local Government Finance Act 1992 as inserted by Section 139 of the Housing (Wales) Act 2014.

5. That it be noted that at its meeting on 28 February 1996 the Council resolved not to treat any expenses incurred by the Council in part of its area or in meeting any levy or special levy as special expenses and that the resolutions remain in force until expressly rescinded.

6. That it is noted that a resolution of the Executive on 25 November 2019 approved the amount calculated by the Isle of Anglesey County Council for its council tax base for 2020/21 and to further note that the full Council in its meeting on the 11 December 2018 approved that the local Council Tax Reduction Scheme will continue unchanged for subsequent years unless substantially amended. It is also noted that the full Council on 28 February 2018 adopted and approved a local Council Tax Discretionary Policy under Section 13A of the Local Government Finance Act 1992, delegating to the Executive the power to revoke, re-enact and/or amend the Policy. The Executive having last amended the Policy on 26 November 2018.

7. At its meeting on 25 November 2019, the Executive, in accordance with the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base)(Wales) Regulations 1995 (SI19956/2561) as amended by SI1999/2935 and the Local Authorities (Calculation of Council Tax Base) and Council Tax (Prescribed Classes of Dwellings)(Wales) Amendment) Regulations 2004 and the Local Authority (Calculation of Taxbase) (Wales) (Amendment) Regulations 2016 resolved to approve the amounts calculated by the Isle of Anglesey County Council as its tax base and for the parts of the area, for the year 2020/21, as follows:-

   a) **31,532.53** being the amount approved by the Executive as the Isle of Anglesey County Council's council tax base for the year.

   b) The parts of the Council's area, being the amounts calculated by the Executive as the amounts of the Isle of Anglesey County Council's council tax base for the year for dwellings in those parts of its area to which one or more special items relate, are as follows:-

Community/Town Council Areas	Tax Base 2020/21
Amlwch	1,495.67
Beaumaris	1,082.64
Holyhead	3,967.89
Llangefni	1,990.72
Menai Bridge	1,440.67
Llanddaniel-fab	397.03
Llanddona	378.63
Cwm Cadnant	1,150.29
Llanfair Pwllgwyngyll	1,325.03
Llanfihangel Ysgeifiog	691.10
Bodorgan	470.32
Llangoed	656.53
Llangristiolus & Cerrig Ceinwen	636.43
Llanidan	418.06
Rhosyr	1,030.96
Penmynydd	244.02
Pentraeth	587.83

Community/Town Council Areas	Tax Base 2020/21
Moelfre	628.73
Llanbadrig	701.83
Llanddyfnan	511.77
Llaneilian	578.69
Llanerch-y-medd	530.09
Llaneugrad	187.19
Llanfair Mathafarn Eithaf	1,874.32
Cylch y Garn	409.69
Mechell	554.88
Rhos-y-bol	481.07
Aberffraw	303.31
Bodedern	422.10
Bodffordd	419.32
Trearddur	1,277.31
Tref Alaw	263.66
Llanfachraeth	229.19
Llanfaelog	1,277.95
Llanfaethlu	279.75
Llanfair-yn-Neubwll	564.91
Valley	988.73
Bryngwran	363.51
Rhoscolyn	357.81
Trewalchmai	362.90
Total Taxbase	**31,532.53**

8. That the following amounts be now calculated by the Council for the year 2020/21, in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

a) £200,207,025 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (d) of the Act.

b) £56,580,850 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) and (c) of the Act.

c) £143,626,175 being the amount by which the aggregate at 8(a) above exceeds the aggregate at 8(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.

ch) £101,004,872 being the aggregate of the sums which the Council estimates will be payable for the year into its council fund in respect of redistributed non-domestic rates, revenue support grant and specific grant, reduced by any amount calculated in accordance with Section 33(3) of the Act.

d) £ 1,351.66 being the amount at 8(c) above less the amount at 8(ch) above, all divided by the amount at 7(a) above, calculated by the Executive, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year.

dd) £ 1,479,865 being the aggregate amount of all special items referred to in Section 34(1) of the Act.

e) £ 1,304.73 being the amount at 8(d) above less the result given by dividing the amount at 8(dd) above by the amount at 7(a) above, calculated by the Executive, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates.

f)

		Band D equivalent per area including Isle of Anglesey Council and Community/Town Council elements
Amlwch	£	1,370.97
Beaumaris	£	1,331.82
Holyhead	£	1,433.16
Llangefni	£	1,392.66
Menai Bridge	£	1,372.05
Llanddaniel-fab	£	1,327.95
Llanddona	£	1,323.00
Cwm Cadnant	£	1,332.09
Llanfair Pwllgwyngyll	£	1,340.91
Llanfihangel Ysgeifiog	£	1,331.82
Bodorgan	£	1,329.12
Llangoed	£	1,322.55
Llangristiolus & Cerrig Ceinwen	£	1,317.24
Llanidan	£	1,333.53
Rhosyr	£	1,330.29
Penmynydd	£	1,335.42
Pentraeth	£	1,326.78
Moelfre	£	1,323.00
Llanbadrig	£	1,343.88
Llanddyfnan	£	1,323.27
Llaneilian	£	1,327.23
Llanerch-y-medd	£	1,337.67
Llaneugrad	£	1,326.06
Llanfair Mathafarn Eithaf	£	1,333.62
Cylch y Garn	£	1,321.74
Mechell	£	1,322.73
Rhos-y-bol	£	1,321.29
Aberffraw	£	1,326.15
Bodedern	£	1,337.85
Bodffordd	£	1,330.92
Trearddur	£	1,332.90
Tref Alaw	£	1,330.29
Llanfachraeth	£	1,339.92
Llanfaelog	£	1,335.96
Llanfaethlu	£	1,325.25
Llanfair-yn-Neubwll	£	1,334.79
Valley	£	1,339.02
Bryngwran	£	1,334.97
Rhoscolyn	£	1,315.89
Trewalchmai	£	1,328.13

being the amount given by adding to the amount at 8(e) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 8(b) above, calculated by the Executive in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one of more special items relate.

Valuation Bands

		Council Tax per Band, per Area, which includes the Isle of Anglesey County Council and Community/Town Council elements/precepts								
		A	B	C	D	E	F	G	H	I
Amlwch	£	913.98	1,066.31	1,218.64	1,370.97	1,675.63	1,980.29	2,284.95	2,741.94	3,198.93
Beaumaris	£	887.88	1,035.86	1,183.84	1,331.82	1,627.78	1,923.74	2,219.70	2,663.64	3,107.58
Holyhead	£	955.44	1,114.68	1,273.92	1,433.16	1,751.64	2,070.12	2,388.60	2,866.32	3,344.04
Llangefni	£	928.44	1,083.18	1,237.92	1,392.66	1,702.14	2,011.62	2,321.10	2,785.32	3,249.54
Menai Bridge	£	914.70	1,067.15	1,219.60	1,372.05	1,676.95	1,981.85	2,286.75	2,744.10	3,201.45
Llanddaniel-fab	£	885.30	1,032.85	1,180.40	1,327.95	1,623.05	1,918.15	2,213.25	2,655.90	3,098.55
Llanddona	£	882.00	1,029.00	1,176.00	1,323.00	1,617.00	1,911.00	2,205.00	2,646.00	3,087.00
Cwm Cadnant	£	888.06	1,036.07	1,184.08	1,332.09	1,628.11	1,924.13	2,220.15	2,664.18	3,108.21
Llanfair Pwllgwyngyll	£	893.94	1,042.93	1,191.92	1,340.91	1,638.89	1,936.87	2,234.85	2,681.82	3,128.79
Llanfihangel Ysgeifiog	£	887.88	1,035.86	1,183.84	1,331.82	1,627.78	1,923.74	2,219.70	2,663.64	3,107.58
Bodorgan	£	886.08	1,033.76	1,181.44	1,329.12	1,624.48	1,919.84	2,215.20	2,658.24	3,101.28
Llangoed	£	881.70	1,028.65	1,175.60	1,322.55	1,616.45	1,910.35	2,204.25	2,645.10	3,085.95
Llangristiolus & Cerrig Ceinwen	£	878.16	1,024.52	1,170.88	1,317.24	1,609.96	1,902.68	2,195.40	2,634.48	3,073.56
Llanidan	£	889.02	1,037.19	1,185.36	1,333.53	1,629.87	1,926.21	2,222.55	2,667.06	3,111.57
Rhosyr	£	886.86	1,034.67	1,182.48	1,330.29	1,625.91	1,921.53	2,217.15	2,660.58	3,104.01
Penmynydd	£	890.28	1,038.66	1,187.04	1,335.42	1,632.18	1,928.94	2,225.70	2,670.84	3,115.98
Pentraeth	£	884.52	1,031.94	1,179.36	1,326.78	1,621.62	1,916.46	2,211.30	2,653.56	3,095.82
Moelfre	£	882.00	1,029.00	1,176.00	1,323.00	1,617.00	1,911.00	2,205.00	2,646.00	3,087.00
Llanbadrig	£	895.92	1,045.24	1,194.56	1,343.88	1,642.52	1,941.16	2,239.80	2,687.76	3,135.72
Llanddyfnan	£	882.18	1,029.21	1,176.24	1,323.27	1,617.33	1,911.39	2,205.45	2,646.54	3,087.63
Llaneilian	£	884.82	1,032.29	1,179.76	1,327.23	1,622.17	1,917.11	2,212.05	2,654.46	3,096.87
Llanerch-y-medd	£	891.78	1,040.41	1,189.04	1,337.67	1,634.93	1,932.19	2,229.45	2,675.34	3,121.23
Llaneugrad	£	884.04	1,031.38	1,178.72	1,326.06	1,620.74	1,915.42	2,210.10	2,652.12	3,094.14
Llanfair Mathafarn Eithaf	£	889.08	1,037.26	1,185.44	1,333.62	1,629.98	1,926.34	2,222.70	2,667.24	3,111.78
Cylch y Garn	£	881.16	1,028.02	1,174.88	1,321.74	1,615.46	1,909.18	2,202.90	2,643.48	3,084.06
Mechell	£	881.82	1,028.79	1,175.76	1,322.73	1,616.67	1,910.61	2,204.55	2,645.46	3,086.37
Rhos-y-bol	£	880.86	1,027.67	1,174.48	1,321.29	1,614.91	1,908.53	2,202.15	2,642.58	3,083.01
Aberffraw	£	884.10	1,031.45	1,178.80	1,326.15	1,620.85	1,915.55	2,210.25	2,652.30	3,094.35
Bodedern	£	891.90	1,040.55	1,189.20	1,337.85	1,635.15	1,932.45	2,229.75	2,675.70	3,121.65
Bodffordd	£	887.28	1,035.16	1,183.04	1,330.92	1,626.68	1,922.44	2,218.20	2,661.84	3,105.48
Trearddur	£	888.60	1,036.70	1,184.80	1,332.90	1,629.10	1,925.30	2,221.50	2,665.80	3,110.10
Tref Alaw	£	886.86	1,034.67	1,182.48	1,330.29	1,625.91	1,921.53	2,217.15	2,660.58	3,104.01
Llanfachraeth	£	893.28	1,042.16	1,191.04	1,339.92	1,637.68	1,935.44	2,233.20	2,679.84	3,126.48
Llanfaelog	£	890.64	1,039.08	1,187.52	1,335.96	1,632.84	1,929.72	2,226.60	2,671.92	3,117.24
Llanfaethlu	£	883.50	1,030.75	1,178.00	1,325.25	1,619.75	1,914.25	2,208.75	2,650.50	3,092.25

		Council Tax per Band, per Area, which includes the Isle of Anglesey County Council and Community/Town Council elements/precepts								
		A	B	C	D	E	F	G	H	I
Llanfair-yn-Neubwll	£	889.86	1,038.17	1,186.48	1,334.79	1,631.41	1,928.03	2,224.65	2,669.58	3,114.51
Valley	£	892.68	1,041.46	1,190.24	1,339.02	1,636.58	1,934.14	2,231.70	2,678.04	3,124.38
Bryngwran	£	889.98	1,038.31	1,186.64	1,334.97	1,631.63	1,928.29	2,224.95	2,669.94	3,114.93
Rhoscolyn	£	877.26	1,023.47	1,169.68	1,315.89	1,608.31	1,900.73	2,193.15	2,631.78	3,070.41
Trewalchmai	£	885.42	1,032.99	1,180.56	1,328.13	1,623.27	1,918.41	2,213.55	2,656.26	3,098.97

being the amounts given by multiplying the amounts at 8(e) and 8(f) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Executive, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

9. That it be noted that for the year 2020/21, the Police and Crime Commissioner North Wales has stated the following amounts in a precept issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Precepting Authority **Valuation Bands**

		A	B	C	D	E	F	G	H	I
Police and Crime Commissioner North Wales	£	193.74	226.03	258.32	290.61	355.19	419.77	484.35	581.22	678.09

10. That, having calculated the aggregate in each case of the amounts at 8(ff) and 9 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2016/17 for each of the categories of dwellings shown below:-

		Council Tax per Band, per Area, which includes the Isle of Anglesey County Council element, Community/Town Council Precepts and North Wales Police Precept								
		A	B	C	D	E	F	G	H	I
Amlwch	£	1,107.72	1,292.34	1,476.96	1,661.58	2,030.82	2,400.06	2,769.30	3,323.16	3,877.02
Beaumaris	£	1,081.62	1,261.89	1,442.16	1,622.43	1,982.97	2,343.51	2,704.05	3,244.86	3,785.67
Holyhead	£	1,149.18	1,340.71	1,532.24	1,723.77	2,106.83	2,489.89	2,872.95	3,447.54	4,022.13
Llangefni	£	1,122.18	1,309.21	1,496.24	1,683.27	2,057.33	2,431.39	2,805.45	3,366.54	3,927.63
Menai Bridge	£	1,108.44	1,293.18	1,477.92	1,662.66	2,032.14	2,401.62	2,771.10	3,325.32	3,879.54
Llanddaniel-fab	£	1,079.04	1,258.88	1,438.72	1,618.56	1,978.24	2,337.92	2,697.60	3,237.12	3,776.64
Llanddona	£	1,075.74	1,255.03	1,434.32	1,613.61	1,972.19	2,330.77	2,689.35	3,227.22	3,765.09
Cwm Cadnant	£	1,081.80	1,262.10	1,442.40	1,622.70	1,983.30	2,343.90	2,704.50	3,245.40	3,786.30
Llanfair Pwllgwyngyll	£	1,087.68	1,268.96	1,450.24	1,631.52	1,994.08	2,356.64	2,719.20	3,263.04	3,806.88
Llanfihangel Ysgeifiog	£	1,081.62	1,261.89	1,442.16	1,622.43	1,982.97	2,343.51	2,704.05	3,244.86	3,785.67
Bodorgan	£	1,079.82	1,259.79	1,439.76	1,619.73	1,979.67	2,339.61	2,699.55	3,239.46	3,779.37
Llangoed	£	1,075.44	1,254.68	1,433.92	1,613.16	1,971.64	2,330.12	2,688.60	3,226.32	3,764.04
Llangristiolus & Cerrig Ceinwen	£	1,071.90	1,250.55	1,429.20	1,607.85	1,965.15	2,322.45	2,679.75	3,215.70	3,751.65
Llanidan	£	1,082.76	1,263.22	1,443.68	1,624.14	1,985.06	2,345.98	2,706.90	3,248.28	3,789.66
Rhosyr	£	1,080.60	1,260.70	1,440.80	1,620.90	1,981.10	2,341.30	2,701.50	3,241.80	3,782.10
Penmynydd	£	1,084.02	1,264.69	1,445.36	1,626.03	1,987.37	2,348.71	2,710.05	3,252.06	3,794.07
Pentraeth	£	1,078.26	1,257.97	1,437.68	1,617.39	1,976.81	2,336.23	2,695.65	3,234.78	3,773.91
Moelfre	£	1,075.74	1,255.03	1,434.32	1,613.61	1,972.19	2,330.77	2,689.35	3,227.22	3,765.09
Llanbadrig	£	1,089.66	1,271.27	1,452.88	1,634.49	1,997.71	2,360.93	2,724.15	3,268.98	3,813.81
Llanddyfnan	£	1,075.92	1,255.24	1,434.56	1,613.88	1,972.52	2,331.16	2,689.80	3,227.76	3,765.72
Llaneilian	£	1,078.56	1,258.32	1,438.08	1,617.84	1,977.36	2,336.88	2,696.40	3,235.68	3,774.96
Llanerch-y-medd	£	1,085.52	1,266.44	1,447.36	1,628.28	1,990.12	2,351.96	2,713.80	3,256.56	3,799.32
Llaneugrad	£	1,077.78	1,257.41	1,437.04	1,616.67	1,975.93	2,335.19	2,694.45	3,233.34	3,772.23
Llanfair Mathafarn Eithaf	£	1,082.82	1,263.29	1,443.76	1,624.23	1,985.17	2,346.11	2,707.05	3,248.46	3,789.87
Cylch y Garn	£	1,074.90	1,254.05	1,433.20	1,612.35	1,970.65	2,328.95	2,687.25	3,224.70	3,762.15
Mechell	£	1,075.56	1,254.82	1,434.08	1,613.34	1,971.86	2,330.38	2,688.90	3,226.68	3,764.46
Rhos-y-bol	£	1,074.60	1,253.70	1,432.80	1,611.90	1,970.10	2,328.30	2,686.50	3,223.80	3,761.10
Aberffraw	£	1,077.84	1,257.48	1,437.12	1,616.76	1,976.04	2,335.32	2,694.60	3,233.52	3,772.44
Bodedern	£	1,085.64	1,266.58	1,447.52	1,628.46	1,990.34	2,352.22	2,714.10	3,256.92	3,799.74
Bodffordd	£	1,081.02	1,261.19	1,441.36	1,621.53	1,981.87	2,342.21	2,702.55	3,243.06	3,783.57
Trearddur	£	1,082.34	1,262.73	1,443.12	1,623.51	1,984.29	2,345.07	2,705.85	3,247.02	3,788.19
Tref Alaw	£	1,080.60	1,260.70	1,440.80	1,620.90	1,981.10	2,341.30	2,701.50	3,241.80	3,782.10
Llanfachraeth	£	1,087.02	1,268.19	1,449.36	1,630.53	1,992.87	2,355.21	2,717.55	3,261.06	3,804.57
Llanfaelog	£	1,084.38	1,265.11	1,445.84	1,626.57	1,988.03	2,349.49	2,710.95	3,253.14	3,795.33
Llanfaethlu	£	1,077.24	1,256.78	1,436.32	1,615.86	1,974.94	2,334.02	2,693.10	3,231.72	3,770.34
Llanfair-yn-Neubwll	£	1,083.60	1,264.20	1,444.80	1,625.40	1,986.60	2,347.80	2,709.00	3,250.80	3,792.60
Valley	£	1,086.42	1,267.49	1,448.56	1,629.63	1,991.77	2,353.91	2,716.05	3,259.26	3,802.47
Bryngwran	£	1,083.72	1,264.34	1,444.96	1,625.58	1,986.82	2,348.06	2,709.30	3,251.16	3,793.02
Rhoscolyn	£	1,071.00	1,249.50	1,428.00	1,606.50	1,963.50	2,320.50	2,677.50	3,213.00	3,748.50
Trewalchmai	£	1,079.16	1,259.02	1,438.88	1,618.74	1,978.46	2,338.18	2,697.90	3,237.48	3,777.06

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	**The Executive** **County Council**
Date:	**17 February 2020** **10 March 2020**
Subject:	**Strategic Equality Plan 2020-2024**
Portfolio Holder(s):	**Cllr Llinos Medi**
Head of Service:	**Lynn Ball** **Head of Function – Council Business / Monitoring Officer**
Report Author: Tel: E-mail:	**Carol Wyn Owen, Policy and Strategy Manager** **01248 752561** **CarolWyn@ynysmon.gov.uk**
Local Members:	**Not applicable**

A –Recommendation/s and reason/s
Recommendation: The Executive is requested to recommend to the County Council that the Council's draft Strategic Equality Plan for 2020-2024 be approved and to authorize officers, in consultation with the Portfolio Holder, to complete and publish the Plan by 31 March 2020. **Reason:** The Equality Act 2010 places a General Duty on listed public bodies which requires them, when carrying out their functions (and on other persons when carrying out public functions) to have due regard to the need to: • eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Act • advance equality of opportunity between persons who share a relevant protected characteristic and those who do not • foster good relations between people who share a relevant protected characteristic and people who do not In April 2010, the Welsh Government exercised its powers to introduce Specific Duties. These are set out in the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011. Under these Regulations, all local authorities were required to publish a Strategic Equality Plan by 2 April 2012. Equality objectives are required for each of the protected characteristics, namely Age; Disability; Gender reassignment; Sex; Pregnancy and maternity; Sexual orientation; Race; Religion or belief; Marriage and civil partnerships.

** Key:*
Strategic – key corporate plans or initiatives
Operational – service delivery
For information

The Plan and its objectives must be reviewed at least every four years. The current Plan, covering 2016-2020, comes to an end on 31 March 2020, by which time a new Plan for the period 2020-2024 must be published. The purpose of the Plan is to set out the steps the Council is taking to fulfil its specific equality duties.

Equality officers in all six North Wales Local Authorities, Betsi Cadwaladr University Health Board, North Wales Fire and Rescue Service, Welsh Ambulance Service NHS Trust, National Parks Authority and North Wales Police have shared good practice for many years. During 2011/12, the North Wales Public Sector Equality Network (NWPSEN) developed a set of shared objectives which every partner has agreed to and the objectives were reviewed to coincide with the preparation of Strategic Equality Plans for 2016-20. A further review has been carried out recently to inform our Plans for 2020-2024. To ensure that our new objectives aim to address the challenges set out in the Equality and Human Rights Commission's report 'Is Wales Fairer? 2018, NWPSEN's regional objectives for 2020-2024 are based on the six themes of life identified in the EHRC report, namely:

1 - Outcomes in **education** attainment and wellbeing in schools are improved
2 - We will take action to ensure we are a **fair employer and reduce pay gaps**
3 - We will take action to improve the **living standards** of people with different protected characteristics
4 - We will improve **health, wellbeing and social care** outcomes
5 - We will improve **personal security and access to justice**
6 - We will increase access to **participation** to improve diversity of decision-making

In addition, to address the Welsh Government's proposal to implement the socio-economic duty, the following regional objective has also been agreed:

7 - We will develop our knowledge and understanding of the **socio-economic duty** (when guidance becomes available) to identify the key areas of impact to be addressed under each objective.

For consistency, and as was the case with the two previous plans, we have chosen to adopt the regional objectives, as well as one additional local objective:
8 – We will improve the **Council's procedures** to ensure fairness for all.

Draft priorities have been identified under each of the above objectives which, alongside other improvement actions highlighted in other key corporate and service plans, should help us build a fairer society for all of Anglesey's citizens.

** Key:*
Strategic – key corporate plans or initiatives
Operational – service delivery
For information

B – What other options did you consider and why did you reject them and/or opt for this option?
-

C – Why is this a decision for the Executive?
To obtain high level ownership of the Council’s equality agenda, the Executive is requested to recommend that the full Council approves the draft Plan
D – Is this decision consistent with policy approved by the full Council?
Yes
DD – Is this decision within the budget approved by the Council?
Yes

E – Who did you consult?		**What did they say?**
1	**Chief Executive / Strategic Leadership Team (SLT)** (mandatory)	The draft Plan was submitted to a meeting of the Senior Leadership Team on 27 January 2020. No changes were made to the content of the Plan.
2	**Finance / Section 151** (mandatory)	
3	**Legal / Monitoring Officer** (mandatory)	
5	**Human Resources (HR)**	Specific sections of the Plan relate to Human Resources issues (ie. Our Staff; Objective 2 – we will take action to ensure we are fair employer and reduce pay gaps)
6	**Property**	
7	**Information Communication Technology (ICT)**	
8	**Scrutiny**	The draft Strategic Equality Plan was submitted to the Partnership and Regeneration Scrutiny Committee on 4 February 2020. Consideration was given to the document and as a result of discussion it was resolved: • To recommend that the Executive approves the Strategic Equality Plan 2020-2024 • That arrangements are put in place for the Patnership and Regeneration Scrutiny Committee to monitor progress on equality on an annual basis, as a matter of course.

** Key:*
Strategic – key corporate plans or initiatives
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For information

9	**Local Members**	
10	**Any external bodies / other/s**	See page 10 of the Plan – 'engagement, consultation and evidence gathering'.
F – Risks and any mitigation (if relevant)		
1	**Economic**	
2	**Anti-poverty**	
3	**Crime and Disorder**	
4	**Environmental**	
5	**Equalities**	No negative impact have been identified at this stage. The purpose of the equality objectives and priorities within the Plan is to help enable the Council to meet the three aims of the general equality duty to have due regard to the need to: - Eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Act - Advance equality of opportunity between people who share a relevant protected characteristic and those who do not - Foster good relations between people who share a protected characteristic. In addition to the priorities and other initiatives contained in the Plan, the Council will progress the principles of equality of opportunity for people of all backgrounds and circumstances in all its plans and procedures. The equality impact assessment is available at Appendix 2.
6	**Outcome Agreements**	
7	**Other**	
FF - Appendices:		
Appendix 1 – Draft Strategic Equality Plan for 2020-2024 Appendix 2 – Equality Impact Assessment		
G - Background papers (please contact the author of the Report for any further information):		

** Key:*
Strategic – key corporate plans or initiatives
Operational – service delivery
For information

Isle of Anglesey County Council

Strategic Equality Plan

2020 – 2024

DRAFT

March 2020

Mae'r ddogfen hon hefyd ar gael yn Gymraeg / This document is also available in Welsh.

How to contact us

We welcome any comments, suggestions or feedback about this Strategic Equality Plan. Please contact us:

E-mail: equality@ynysmon.gov.uk
Telephone: 01248 752520 / 752561

Democratic Services (Equality)
Council Business
Isle of Anglesey County Council
Council Offices
Llangefni
Anglesey
LL77 7TW

We are also happy to provide this document in alternative formats on request. Please use the above details to contact us.

Foreword

Welcome to the Isle of Anglesey County Council's Strategic Equality Plan 2020-2024. The Plan sets out our ambition for equality to build a fairer society for all of Anglesey's citizens and helping us achieve our vision for an Anglesey that is healthy and prosperous where families can thrive.

Our Council Plan 2017-2022 sets our three most important priorities:

(1) Ensure that the people of Anglesey can thrive and realise their long-term potential.
(2) Support vulnerable adults and families to keep them safe, healthy and as independent as possible.
(3) Work in partnership with our communities to ensure that they can cope effectively with change and developments whilst protecting our natural environment.

We believe that the equality objectives we have identified in this Strategic Equality Plan will complement our Council Plan priorities and help us deliver them in a way which will benefit all members of our community.

It is important to note that this Plan will be delivered in a challenging economic climate, where we have already had to make significant savings and there will be more difficult decisions ahead about the services we provide and how we provide them. It is inevitable that some people will be affected more than others. We will give due regard to how our decisions affect the people of Anglesey and do everything possible to reduce any negative impacts we identify.

In achieving **all** its work, the Council will continue its commitment to promoting equality and diversity. This commitment applies in terms of how we deliver our services, our responsibilities as a major employer and in ensuring that our policies, procedures and practices do not discriminate in any way.

Councillor Llinos Medi
C**ouncil Leader and Portfolio Holder for Equality and Diversity**

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The Equality Act 2010

The Equality Act 2010 is about ensuring fairness and protects the following characteristics (also known as 'protected groups'):

- Age
- Disability
- Sex
- Gender reassignment
- Pregnancy and maternity
- Race
- Religion or belief, including lack of belief
- Sexual orientation
- Marriage and civil partnership

The promotion and use of the Welsh language is not included within the Equality Act 2010 as this aspect is covered by the requirements set out in the **Welsh Language (Wales) Measure 2011.** Under the Measure, public bodies must comply with Welsh Language Standards. The basic principles of the Standards are that the Welsh language should not be treated less favourably than the English language and that the use of Welsh should be promoted and facilitated, making it easier for people to use Welsh in their everyday lives.

It is important to include the Welsh language alongside the above protected characteristics to encourage a holistic approach to the needs of all communities in planning and delivering services.

The General Equality Duty

The Act places a General Duty on public bodies in carrying out their functions to have due regard to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not
- Foster good relations between people who share a protected characteristics and those who do not.

Specific Duties

The Welsh Government introduced specific duties to help public bodies in Wales to meet the general duty. These specific duties include a requirement to develop and publish **equality objectives** and **Strategic Equality Plans** at least once every four years. **Annual equality reports** must also be produced by 31 March each year. The purpose of these reports is to demonstrate how we have met our general and specific equality duties.

Our Council

Political Structure - Anglesey's residents are represented by 30 elected members (also known as Councillors). The Council's main decision-making body is an Executive of nine members, chaired by the Leader of the Council. The Executive's decisions are held to account by two Scrutiny Committees. Further information about the Council's political arrangements, as well as details of our committees and dates of meetings, can be found on our website.

Management Structure - A new strategic management structure came into effect in August 2019, with a Senior Leadership Team which includes the Chief Executive, Deputy Chief Executive and five Directors with responsibility for:

- Council Business
- Education, Skills and Young People
- Place and Community Well-being
- Resources
- Social Services

Four Heads of Service are responsible for:

- Children and Families
- Highways, Waste and Property
- Housing
- Transformation and Human Resources

Council Priorities

Council Plan 2017-2022

The Council's aim, as stated in our Council Plan, is that we will be working towards an Anglesey that is healthy and prosperous where families can thrive. To fulfil this aim, the Council's objectives for 2017-2022 are to:

(1) Ensure that the people of Anglesey can thrive and realise their long-term potential.
(2) Support vulnerable adults and families to keep them safe, healthy and as independent as possible.
(3) Work in partnership with our communities to ensure that they can cope effectively with change and developments whilst protecting our natural environment.

The Council also publishes:

- An **Annual Delivery Document** which focuses on the work we are doing to realise the targets set in the Council Plan

- An **Annual Performance Report** which looks at performance over the previous financial year against the improvements and priorities set out in the Annual Delivery Document for the same year.

Anglesey and Gwynedd Well-being Plan 2018

The Well-being of Future Generations (Wales) Act 2015 established Public Services Boards (PSB) to ensure that public bodies work together to create a better future for the people of Wales. The Act also placed a duty on PSBs to publish Well-being Plans to outline how the Boards intended to improve the well-being of the area's residents. The Anglesey and Gwynedd Well-being Plan is based on two objectives, with six priorities which the PSB will focus on to realise these objectives:

(1) Communities which thrive and are prosperous in the long term
- The Welsh language
- Homes for local people
- Effect of poverty on the well-being of our communities
- Effect of climate change on the well-being of our communities

(2) Residents who are healthy and independent with a good quality of life
- Health and care of adults
- Welfare and achievement of children and young people.

The above objectives and priorities will contribute towards tackling inequality and disadvantage to close the gap between the most privileged communities and the most deprived communities.

Strategic Equality Plan 2020-2024

This is the Council's third Strategic Equality Plan and demonstrates our continued commitment to equality. It sets out our strategic equality objectives, our reasons for choosing them and how we intend to deliver them.

To demonstrate our commitment to mainstreaming equality into the work of the Council and in line with our 'One Council' approach to service delivery, we have sought to maintain close links between this Plan and the **Council Plan 2017-2022**, which informs the decision making process at all levels in the Council.

Our Staff

Employment information and pay differences

The Council is committed to the principle of equal opportunities and equal treatment for all employees. It has a clear policy of paying employees equally for the same or equivalent work and evaluates job roles and pay grades as necessary to ensure a fair structure.

The Council is constantly striving to collect accurate information relating to different protected characteristics. Whilst accepting the rights of individuals not to disclose personal information, a fuller picture is needed to help us identify any inequalities between people with different characteristics. In 2018, the Authority introduced a number of changes to the way in which it collates data, in an attempt to obtain more data on current staff who commenced work prior to the introduction of the self-service system.

We will continue to address this through the actions we have identified under equality objective 2 – We will take action to ensure we are a fair employer and reduce pay gaps (page 19).

The employment information currently available for the Council, including the 2019 Gender Pay Gap report, is outlined in our 2018/19 Annual Equality Report

Promoting knowledge and understanding within our workforce

The Council is committed to providing learning and development opportunities to staff that enable them to perform to their best ability. We also recognise that it is important that people throughout the Council are aware of the general and specific equality duties. We have addressed this through our priority are ‘a staff training programme is in place to ensure the right staff have the right skills to deliver equality improvement (Priority 8.1 – page 38).

Relevant Equality Information

The Council publishes relevant equality information within a wide range of corporate and service plans and strategies, which are available on our website. Paper copies or alternative formats are also available on request – please use the contact details on page 2 to get in touch with us.

Relevant equality information can also be found under each equality objective in this Plan, as well as the regional data and evidence report – Equality in North Wales (see the section on engagement, consultation and evidence gathering on the next page for more details).

Collecting relevant information must be an ongoing process. We will continue to do this through engagement wherever possible to gain a better understanding of the size, nature and complexity of all protected groups on Anglesey.

Key information on the population of Anglesey is outlined below.

- The estimated resident population for Anglesey was 69,961 on 30 June 2018.
- In the last five years, the population of Anglesey has seen a decrease of 0.3% (180 people).

As at 30 June 2018:

- 49.2% were male and 50.8% female.
- 25.7% were aged over 65, compared to 20.8% across Wales
- 17.2% were children aged 0-15, compared to 17.9% across Wales.

According to the 2011 Census:

- 98.2% were white, compared to 95.6% across Wales
- 0.7% were from a mixed/multiple ethnic group, compared to 1.0% across Wales
- 0.7% were Asian/Asian British, compared to 2.3% across Wales
- 0.1% were Black/African/Caribbean/Black British, compared to 0.6% across Wales
- 0.3% were from another ethnic group, compared to 0.5% across Wales
- 57.2% of people could speak Welsh, compared to 19.0% across Wales.

Source: Office for National Statistics (Infobase Cymru).

Engagement, consultation and evidence gathering

In order to develop this Plan and to choose new equality objectives and priorities, the Council has given due regard to relevant information gathered from a range of different sources, including:

- A regional engagement event held on 24 May 2018 which was hosted by the North Wales Public Sector Equality Network (NWPSEN*)

- NWPSEN officer workshop held on 7 June 2019 to review the regional equality objectives – see page 13 for more details.

*NWPSEN is a group of equality officers from all six North Wales Local Authorities, Betsi Cadwaladr University Health Board, North Wales Fire and Rescue Service, Welsh Ambulance Service NHS Trust, National Parks Authority, North Wales Police and the Office of the Police and Crime Commissioner. The group has been working together since 2010 when the Equality Act came into force.

- Local engagement during a meeting of a Wellbeing Network hosted by Medrwn Môn on 25 September 2019

- Analysis of local and regional data, including *Is Wales Fairer? 2018* and a regional data and evidence report – *Equality in North Wales*.

The *Equality in North Wales* report was commissioned by the North Wales Public Services Board Officers network to gain a deeper understanding of equality data at a local level. It is a supplement to the data and findings contained in “is Wales Fairer?” and concentrating on the more detailed information available at North Wales level and more locally, if available.

Our draft objectives were shared with members of the Anglesey Wellbeing Network, as well as other stakeholders, for comment. In future, the hope is to build upon this engagement model to gain a better understanding of local needs.

Promoting equality

The following paragraphs give some examples of issues raised during our recent local engagement and what we have already been doing to promote equality in these areas:

The importance of **accessible transport** for those with a physical or sensory impairment was highlighted during regional and local engagement. The Council, its partners and community groups offer assisted community transport services across Anglesey. Examples include:

- Môn Community Transport - provides transport for disabled people who are unable to use public transport
- British Red Cross – provides a transport and service to assist people who cannot use conventional public transport
- Medrwn Môn – operates Car Linc Môn, a voluntary social transport scheme for essential journeys
- Good Turn Schemes – local community transport schemes run by volunteers who use their own cars to take people who have no means of transport on short and medium length journeys

A useful 'Anglesey Community Transport Directory' is available on Medrwn Môn's website at:https://en.medrwnmon.org/anglesey-community-transport-directory

The need to create **work opportunities** for people with learning impairments – and the importance of focusing on the skill, rather than the impairment, of the individual – was raised during local engagement. An internal project group has been set up within the Council to identify suitable opportunities and seek to match these opportunities with individuals who have expressed an interest in volunteering work.

The Council is also involved in a project for young people with learning impairments to prepare them for employment by giving them a range of transferrable skills and providing work experience opportunities. Project SEARCH is a national programme and Betsi Cadwaladr University Health Board was the first NHS provider in Wales to host the project, with placements at Ysbyty Gwynedd, Bangor. The overall goal is paid employment for graduates of the project, a number of whom have been successful.

We have been told locally of the importance of bringing communities together to tackle loneliness and isolation and to ensure that people are aware of what help is available to them.   Ensuring that **community hubs** are available across the island to support older adults to remain independent, reduce isolation, stay active and improve personal wellbeing is a priority in our **Council Plan 2017-2022**. The Council is also working in partnership with Medrwn Môn to facilitate Place Shaping within Anglesey's communities. The aim is that communities are able to take more responsibility and ownership within their own areas. Progress against our Council Plan priorities is included in our Annual Performance Reports (see page 7).

The need to provide **appropriate support for carers** – and ensuring that they are aware of the help available to them - was raised across the themes covered during more recent local and regional engagement. In the 2011 Census, just over 8,000 (12%) of Anglesey residents reported providing unpaid care per week.

The North Wales Regional Partnership Board recognises that carers need to be supported in their vital role. This has led to the establishment of a North Wales Carers' Strategic Group who have developed of a North Wales Carers' Strategy. The strategy acknowledges the importance of working in partnership with carers throughout their contact with services. Locally, a sub-group covering Anglesey and Gwynedd has been established to develop an action plan to take the strategy forward.

Assessing for impact

The Council recognises the statutory requirement to undertake equality impact assessments and that carrying out robust assessments is an effective way of ensuring that any potential areas of inequality are identified and addressed promptly

Securing a consistent approach across the authority in terms of completing effective impact assessments (EIAs) was identified as a priority back in 2011/12. Throughout this time, we have been continuously developing our arrangements, with the aim of mainstreaming this process into day-to-day work carried out within the Council. However, there is still room for improvement in terms of consistency across the Council. Priority 8.2 on page 40 sets out what we intend to do to further develop our corporate process.

Collaboration

Equality officers in all six North Wales Local Authorities, Betsi Cadwaladr University Health Board, North Wales Fire and Rescue Service, Welsh Ambulance Service NHS Trust, National Parks Authority, North Wales Police and the Office of the Police and Crime Commissioner have shared good practice for many years. During 2011/12, the North Wales Public Sector Equality Network (NWPSEN) developed a set of shared objectives which every partner agreed to. The objectives were reviewed to coincide with the preparation of Strategic Equality Plans for 2016-20 and a further review has been carried out recently to inform our Plans for 2020-2024.

The recent review brought NWPSEN to the conclusion that many of the barriers facing people with protected characteristics are long-standing and entrenched and it will take some time to fully address them. Our new objectives therefore cover broadly the same themes as those chosen for 2016-2020.

To ensure a clear connection between our new regional objectives and the challenges set out in the Equality and Human Rights Commission's report 'Is Wales Fairer? 2018, the wording of NWPSEN's objectives for 2020-2024 is based on the six themes of life identified in the EHRC report, namely:

- Education
- Work
- Living standards
- Health
- Personal security and access to justice
- Participation

An additional regional objective has been chosen to address the Welsh Government's proposal to implement the socio-economic duty.

Our equality objectives for 2020-2024

As with our first two Plans, we have chosen to adopt the regional objectives, as well as one additional local objective to 'improve the **Council's procedures** to ensure fairness for all'. Our objectives for the next four years are set out below:

Objective 1:	Outcomes in **education** attainment and wellbeing in schools are improved
Objective 2:	We will take action to ensure we are a **fair employer** and reduce **pay gaps**
Objective 3:	We will take action to improve the **living standards** of people with different protected characteristics
Objective 4:	We will improve **health, wellbeing and social care** outcomes
Objective 5:	We will improve **personal security and access to justice**
Objective 6:	We will increase access to p**articipation** to improve diversity of **decision making**
Objective 7:	We will develop our knowledge and understanding of **the socio-economic duty** (when guidance becomes available) to identify the key areas of impact to be addressed under each of our objectives
Objective 8:	We will improve the **Council's procedures** to ensure fairness for all

The following pages explain what priorities we have chosen, why they have been chosen them and how we intend to work towards achieving them.

It is important to note, however, that our commitment to equality is not limited to the priorities contained in this Plan. We will take every opportunity to progress equality through our work at all levels within the Council to help us build a fairer society for all our citizens.

Objective 1: Outcomes in **Education attainment and wellbeing in schools** are improved

Priority 1.1: We will reduce the **educational attainment gap between different groups**

Why have we chosen this as a priority?

According to *Is Wales Fairer? 2018*, at GCSE level, attainment gaps persist for pupils in receipt of free school meals and children with additional learning needs.

Data on attainment at school-leaving age in North Wales (*Equality in North Wales*: data and evidence report) indicates:

- By gender, 58.5% of girls in North Wales achieved the Level 2 Inclusive Threshold[1] compared to 45.9% of boys. Results for 2017/18 show that Anglesey, at 19.2%, had the largest gender gap in North Wales.
- By socio-economic group, 57.9% of pupils in North Wales who were not claiming Free School Meals (FSM) achieved the Threshold compared to 27.8% of those in receipt of free school meals. At 23.8%, Anglesey had the lowest gap in North Wales but still requires improvement.

It should be noted that the level 2 Inclusive threshold will be replaced by a new measure – Capped 9 points score - as from next year.

How we plan to do this?	By when?
Maintain the performance of pupils with additional learning requirements at GCSE level so that no significant gap in educational attainment is seen.	Continuous
Halve the educational attainment gap between boys and girls achieving the Capped 9 points score at school leaving age, where it is more than 10% and to continue to address this issue across all schools.	Continuous
Implement plans to lessen the difference in performance of pupils who receive free school meals and those who do not.	Continuous through the effective use of Pupil Development Grant finance at individual school level.

Which protected characteristics does this affect? Age (including children and young people from disadvantaged backgrounds), Disability, Sex.

[1] Level 2 Inclusive Threshold requires the equivalent of five GCSEs at grade A* - C including English or Welsh first language and mathematics or equivalent qualification.

What should success look like?

Steps have been taken to address the gaps in educational attainment between different protected groups, including gaps that arise from socio-economic disadvantage.

Lead Service: Learning (with support from Social Services).

Objective 1: Outcomes in **Education attainment and wellbeing in schools** are improved

Priority 1.2: We will reduce **identity based bullying in education**

Why have we chosen this as a priority?

According to *Is Wales Fairer? 2018*, those with special needs or a disability, lesbian, gay, bisexual and transgender (LGBT) pupils and those from an ethnic minority or religious background are at particular risk of being bullied; cyberbullying is also on the rise.

Identity based bullying featured strongly during engagement at both regional and local level and this has been the case since our first Plan in 2012. Regionally, a commonly-raised concern was that schools may not be aware of recent trends and may not have the tools to identify and address problems. Locally, we were told that online bullying is a particular problem and that bullying also happens to very young children, but this is not always recognised as such.

In our previous Plans we said we would develop anti-bullying activities based on the Welsh Government's 2011 anti-bullying guidance, *Respecting Others*, and Estyn's 2014 report, *Action on Bullying.* However, it is clear that the problem is still far from being resolved. The Welsh Government's guidance to challenge bullying in schools, *Respecting Others,* has recently been revised and the new guidance – *Rights, Respect, Equality*, was made available on 6 November 2019.

How we plan to do this?	By when?
Assist schools to implement the recommendations of the Welsh Government's guidance *Rights, Respect, Equality.*	Continuous
Distribute information to schools during the annual All-Wales Hate Crime Awareness Week.	Annually – October.

Which protected characteristics does this affect? All characteristics.

What should success look like?

The Council has assurance that schools can demonstrate they are taking action to challenge bullying and hate crime, address unacceptable behaviour and improve well-being.

Lead Service: Learning (with support from Social Services).

Objective 2: We will take action to ensure we are a **fair employer and reduce pay gaps**

Priority 2.1: We will identify and address inequalities within **recruitment, retention, training and promotion processes.**

Why have we chosen this as a priority?

The Council is committed to ensuring that no job applicant or employee receives less favourable treatment on the grounds of any protected characteristic or is disadvantaged by conditions or requirements that cannot be shown to be justifiable. We recognise that adhering to our employment policies and practices maximises the effective use of individuals in both the organisation and the employees' best interests.

One example is our policy regarding the right to apply for flexible working. This has been identified as a priority from the outset in our previous Plans and its importance was reinforced during our recent local engagement session, when we were told flexible working arrangements are essential in breaking down barriers to gaining employment.

How we plan to do this?	By when?
Continually look to develop further strategies to assist staff to work flexibly and other family friendly policies.	Continuous

Which protected characteristics does this affect? All characteristics

What should success look like?

Employees are provided, where possible, with an adjustment to working patterns to help them combine work with other responsibilities whilst providing the Council with flexibility to provide a better integrated and more responsive service.

Lead Service: Corporate Transformation – Human Resources.

Objective 2: We will take action to ensure we are a **fair employer and reduce pay gaps**

Priority 2.2: We will identify and address any **pay gaps between people with different protected characteristics**

Why have we chosen this as a priority?

The Council is committed to the principle of equal opportunities and equal treatment for all employees. It has a clear policy of paying employees equally for the same or equivalent work and evaluates job roles and pay grades as necessary to ensure a fair structure.

With regard to the **gender** pay gap, the Council's mean gender pay gap of 10.2% in 2018 was an improvement on 2017 (12.7%) and was below the UK average for the whole economy of 17.1% (ONS 2018). The Council remains committed to reducing this gap and will continue to report on an annual basis on what it is doing to reduce the gender pay gap and any further progress.

The Council is constantly striving to collect accurate information relating to **different protected characteristics**. Whilst accepting the rights of individuals not to disclose personal information, a fuller picture is needed to help us identify any inequalities between people with different characteristics. We have already set out on page 8 the changes we have already introduced to address this issue. We will continue to work towards obtaining more complete information in order to improve our understanding of our staff on the basis of the evidence collected.

How we plan to do this?	By when?
Continue to encourage more staff to provide personal information to enable the Authority to obtain a fuller picture of the number of Council employees by protected characteristic.	Continuous.
Analyse the workforce data year-on-year and produce annual reports of the information analysed.	Gender pay gap reports and employment information must be published annually by 31 March (reporting on data as at 31 March in the preceding year).

Which protected characteristics does this affect? All characteristics.

What should success look like?

The Council routinely collects and uses employee monitoring data around all protected groups to identify and reduce pay gaps and other inequalities.

Lead Service: Corporate Transformation – Human Resources.

Objective 3: We will take action to improve the **living standards** of people with different protected characteristics

Priority 3.1: We will improve **physical access to services, transport, the built environment and open spaces**

Why have we chosen this as a priority?

Improving physical access was identified as a priority back in 2011/12, when we developed our first Plan. The importance of **accessible public transport** in particular has been highlighted in engagement activities from the outset and the need for improvements has again been emphasised during both our latest regional and local engagement activities. The need for **dropped kerbs** has also been identified as a priority in the past and was again raised at our local engagement event.

Whilst we have made improvements in the areas noted above, there is still more to be done. The number of easy access boarding kerbs in place as at September 2015 was 187, compared with 169 at the time of developing our first Plan in 2011/12. However, planned improvements to bus stops since 2015 have been minimal, due to budgetary constraints and no grant funding being available.

In addition to doing all we can to make further improvements, we also need to ensure that obstructions are kept to a minimum. Drivers that use the pavement for parking or park next to crossing points fail to realise the consequences of their vehicle blocking the footpath. Often there is insufficient space for pedestrians to get past and they are forced to walk out into the road. This puts blind and partially sighted people in particular at much greater risk from traffic.

How we plan to do this?	By when?
Continue, where possible, to improve bus stops on the island to make them accessible.	Ongoing – works will be carried out as part of footway renewal schemes undertaken by the Highways, Waste and Property Service and by utilising any new grant funding received.
Continue to provide suitable drop kerbs and tactile crossing facilities as part of footway improvement schemes.	
Respond as appropriate to complaints received by members of the public by using our powers under traffic management legislation to keep pavements and crossing points clear of obstructions caused by parked cars.	In response to any specific complaints received.

Which protected characteristics does this affect?

Age; Disability; Pregnancy and Maternity.

Having dropped kerbs and accessible bus stops is not only essential for wheelchair and mobility scooter users, but also useful for a wide cross-section of people, from parents with prams to older people and tourists with heavy luggage.

What should success look like?

The number of accessible bus stops, suitable drop kerbs and tactile crossing facilities on the island increases.

Complaints received regarding vehicles parked on pavements or near crossing points are addressed and resolved, wherever possible.

Lead Service: Highways, Waste and Property – Traffic and Parking.

Objective 3: We will take action to improve the **living standards** of people with different protected characteristics

Priority 3.2: We will continue to work towards ensuring more **suitable and affordable homes** in the right places to meet local needs

Why have we chosen this as a priority?

According to *Is Wales Fairer? 2018*, disabled people in Wales face a shortage of accessible and adaptable homes and long delays in making existing homes accessible.

The Council is the largest social landlord on Anglesey. As at the end of January 2019, there were 4,733 units of social housing on Anglesey, of which 3,819 properties were owned and managed by the Council. Over the course of the Business Plan, it is intended that the stock will increase to over 5,000 units.

The Council's Housing Strategy sets out the Council's objectives relating to all housing on the island, to best meet identified housing need and to ensure high housing standards for all citizens. The Housing Revenue Account (HRA) Business Plan is an important means of delivering these overall objectives and includes providing home adaptations to improve people's independence and quality of life.

How we plan to do this?	By when?
Continue to assess existing Council and registered social landlord owned properties to ensure their accessibility for disabled people.	Ongoing – continuous development.
Continue to invest in minor and major adaptations for council properties - social housing - through the Housing Revenue Account (HRA)	In accordance with the HRA Business Plan and annual HRA budget.
Continue to monitor performance levels on turnaround days for Disabled Facilities Grant applications for continuous improvement.	Quarterly

Which protected characteristics does this affect? All characteristics, but Disability and Age in particular. The socio-economic duty will also be relevant here.

What should success look like?

More homes of high quality which meet the needs of our residents.

Lead Service: Housing (with support from Social Services)

Objective 4: We will improve **health, wellbeing and social care** outcomes

Priority 4.1: We will increase the number of people in all sectors of the community, particularly under-represented groups, choosing **healthy lifestyles**

Why have we chosen this as a priority?

Promoting healthy lifestyles was identified as a priority at the outset in 2011/12. Throughout this time, schemes have been in place in Anglesey to encourage specific groups to become more active. Achievements over the past eight years have been outlined in our annual equality reports but there is still more to be done. We will continue to encourage our communities to become more active as part of a wide range of current and new initiatives. Two examples of our current initiatives are outlined below:

The aim of the **Insport Development** Programme, led by Disability Sport Wales, is to facilitate and deliver a cultural change in attitude, approach and provision of physical activity (including sport) and wider opportunities for disabled people. Anglesey has achieved the Insport silver standard and is working towards gold. The role of a local authority at gold level is to ensure that disabled people are naturally part of its thinking; in preparation and planning, delivery and implementation, and review and refinement. To date, no authority in Wales has achieved the gold standard. Throughout our journey towards the gold standard, it is essential that everybody works together - leisure, education, health, social services, our communities and local charities - to offer a provision and attitude that anything is possible for disabled residents (or visitors) on Anglesey. In order for us to develop services, a survey will be used to consult with our residents on Anglesey. By doing this, we will be able to identify where more opportunities support is required.

The National Exercise Referral Scheme (NERS) is a Public Health Wales (PHW) funded scheme which has been in development since 2007. The Scheme targets clients aged 16 and over who have, or are at risk of developing, a chronic disease. We will continue to offer Anglesey's Referral Scheme and will work towards achieving national NERS targets.

In our Annual Equality Reports, we will report on progress against the above initiatives as well as any other new developments.

How we plan to do this?	By when?
Progress actions to achieve the Insport Gold Award	April 2021
Continue to offer the Anglesey Referral Scheme, working towards the following national NERS targets:	Continuous

How we plan to do this?	By when?
- Percentage of NERS clients who complete the exercise programme (50% and above) - Percentage of NERS clients whose health had improved on completion of the exercise programme (80% and above)	

Which protected characteristics does this affect?

Age; Disability.

What should success look like?

More opportunities are available and people from all sectors of the community, particularly those from under-represented groups, choose healthy lifestyles by becoming more active.

Lead Service: Regulation and Economic Development – Leisure (with support from Social Services.

Objective 4: We will improve **health, wellbeing and social care** outcomes

Priority 4.2: We will create the conditions for individuals to improve their **health and wellbeing**

Why have we chosen this as a priority?

We recognise the importance of ensuring that everyone has timely access to healthcare and information about health without discrimination and that mental wellbeing is equally as important as physical wellbeing.

According to *Is Wales Fairer? 2018* (EHRC), health outcomes among the most vulnerable groups are not good enough. The report recommends that Welsh Government should increase uptake rates and close regional variations in people with learning impairments taking up their right to an annual health check. Locally, we were told during recent engagement that the take up rate of annual health checks in Anglesey was only around 20%. It is therefore important that work is done to raise awareness of this service.

During engagement when preparing our previous Plan four years ago, we were told that people should be able to express themselves in the language they are most confident with so that any misunderstandings are avoided. This was raised again recently at our local engagement event, referring in particular to young children and people with cognitive impairments whose first language is Welsh. The proactive offer of Welsh language services is already made throughout the Council as part of its commitment to comply with its Welsh Language Standards (see page 5) and there is a specific standard that must be met when meetings are related to the well-being of an individual. In addition, as noted in our previous Plan, Social Services also work in accordance with '*More than Just Words'*, which is a strategic framework developed by the Welsh Government for Welsh language services in Health, Social Services and Social Care.

How we plan to do this?	By when?
Work in partnership with primary care providers in Anglesey as part of a pilot scheme to raise awareness of the annual health check service for people with learning impairments.	In accordance with the pilot scheme action plan.
Continue to promote the proactive offer of services through the medium of Welsh.	Continuous

Which protected characteristics does this affect?

Age, Disability.

What should success look like?

- The number of people with learning impairments who take up the offer of annual health checks is increased.

- All individuals who contact the Council are proactively offered services through the medium of Welsh.

Lead Service: Social Services.

Objective 5: We will improve **personal security and access to justice**

Priority 5.1: We will increase the reporting of hate crime and harassment**,** and take steps to **reduce incidents of hate crime and harassment**, including online abuse and bullying.

Why have we chosen this as a priority?

According to *Is Wales Fairer? 2018*, the number of recorded hate crimes has increased across all protected characteristics in Wales. In North Wales, the number of offences recorded as hate crime has increased over recent years; in particular between 2016/17 (465 offences) and 2017/18 (681 offences) – a 46% increase (NWPSEN research document). Participants at our regional engagement event also noted a recent increase in reported hate crime, which they attributed to raised awareness and better procedures for reporting.

This area was identified as a priority in our first Plan and the Council is already working with partners across North Wales to highlight the issues of hate crime and promote reporting to North Wales Police or Victim Support. In addition, a multi-agency working group has been established to tackle hate crime on a local level. The group includes representatives from North Wales Police and Victim Support, the North West Wales Regional Community Cohesion Co-ordinator and officers from the Housing Service. On a regional level, a North Wales Hate Crime Tactical Group scrutinises quarterly.

How we plan to do this?	By when?
Continue to work with partners across North Wales to highlight the issues of hate crime and promote reporting to North Wales Police or Victim Support during the annual All-Wales Hate Crime Awareness Week.	Annually – October.
The multi-agency Hate Crime Working Group to develop and implement a hate crime action plan in order to improve reporting and support individuals who are victims of hate crime.	In accordance with the timescales set out in the hate crime action plan.

Which protected characteristics does this affect? All characteristics.

What should success look like?

More people are aware of the fact that support is available for victims as well as how to report a hate crime.

Lead Services:

Council Business – Democratic Services (as a member of NWPSEN, where support is provided by North Wales Police and the Police and Crime Commissioner's Office)

Housing (with support from North Wales Police, Victim Support and the North West Wales Regional Community Cohesion Co-ordinator.

Victims are encouraged to report by phoning North Wales Police on 101 (or 999 in an emergency). Alternatively, Victim Support can be contacted by phoning 0300 30 31 982 (this is free and open all the time) or online at [www.reportate.victimsupport.org.uk](www.reporthate.victimsupport.org.uk)

Objective 5: We will improve **personal security and access to justice**

Priority 5.2: We will ensure that the Council’s members and officers are equipped to discharge their **safeguarding duties** effectively, through safeguarding training at a level commensurate with their roles and responsibilities

Why have we chosen this as a priority?

Concerns were raised during local engagement regarding the exploitation of children and vulnerable people through *County Lines, **‘Cuckooing’ and ***Modern Slavery. Supporting children, adults at risk and families to keep them safe, healthy and as independent as possible is a priority in the Council Plan 2017-2022. As a Council, we believe that every child and adult has a right to be safe from harm. Whilst Social Services is the lead service for dealing with allegations or concerns that children and adults may be suffering significant harm, everyone has a responsibility to safeguard the welfare of children, young people and adults, whatever the role of the individual.

The Council’s **Corporate Safeguarding Policy** provides a framework for each service, setting out responsibilities in relation to safeguarding, as well as the methods by which the Council will be assured that it is fulfilling its duties. This policy is included in the core set of nine key policies in the Council’s electronic policy management system (Policy Portal) that must be accepted by staff with Council email accounts. This policy has been available to staff for acceptance since December 2018. (It is important to note that due to the Policy Portal’s reliance on the Council’s Active Directory, staff who do not have access to a computer as part of their work are unable to participate. We are currently looking at alternative arrangements for these staff members to accept the core set of policies).

Responsibility for monitoring the effectiveness of safeguarding arrangements across the Council lies with the **Corporate Safeguarding Board**. The Board has developed a Safeguarding Action Plan, which clearly outlines actions to be taken by the Council, and those acting on its behalf, to ensure the full implementation of the Safeguarding Policy. This also includes the Council’s plans in relation to its Modern Slavery, Prevent and Violence against Women, Sexual Abuse and Domestic Violence (VAWSADC) responsibilities.

How we plan to do this?	**By when?**
Use the Policy Portal to ensure that all current and new staff (who have current email accounts) have read, understood and accepted the Corporate Safeguarding Policy.	Continuous
Ensure that staff and members receive information and training regarding relevant aspects of the Corporate Safeguarding Policy, as directed by the Corporate Safeguarding Board.	Continuous

Which protected characteristics does this affect? All vulnerable groups.

What should success look like?

All staff and members are clear of the expectations placed upon them in terms of responding appropriately to concerns reported; effective procedures for recording and responding to incidents and any allegations or suspicions of harm or abuse.

Lead Service: Social Services – Safeguarding (with support from Council Business – Democratic Services with the Policy Portal)

*'County Lines' is a term used to describe gangs and organised criminal networks involved in exporting illegal drugs into one or more areas within the UK. They use dedicated mobile phone lines or other form of "deal line". They are likely to exploit children and vulnerable adults to move and store the drugs and money. They will often use coercion, intimidation, violence (including sexual violence) and weapons.

**'Cuckooing' is the practice where drug dealers take over the property of a vulnerable person and use it as a place from which to run their business. Victims are often fearful of going to the Police and worry that they will be implicated in the criminality.

***Modern Slavery – this term captures a whole range of types of exploitation, many of which occur together. Someone is in slavery if they are:

- Forced to work - through mental or physical threat
- Owned or controlled by an 'employer', usually through mental or physical abuse or the threat of abuse
- Dehumanised, treated as a commodity or bought and sold as 'property'
- Physically constrained or has restrictions placed on his/her freedom of movement.

Objective 5: We will improve **personal security and access to justice**

Priority 5.3: We will increase awareness in vulnerable communities around **fraud**

Why have we chosen this as a priority?

This was identified as a priority four years ago when scams, fraud and identity crime were among the issues raised during regional engagement. It has been highlighted again during our most recent regional engagement event, when participants raised concerns about fraud on older people, as well as telephone fraud and cyber-crime, which can happen to any age group.

In recent years Anglesey Trading Standards has worked with a number of partners including Ynys Mon CAB, North Wales Police and National Trading Standards Scams Team. In particular, Trading Standards have worked with Anglesey People First to develop easy read versions of doorstep crime and scams guidance for individuals with learning difficulties or low levels of literacy to support their living independently.

We have given details in our Annual Equality Reports since 2016 of what we have been doing to raise awareness and provide education within communities. We will continue to do so over the next four years.

How we plan to do this?	By when?
Continue to work with partners to raise awareness and provide education to local communities on how to deal with cold callers, doorstep crime, face to face fraud and general consumer disputes.	Continuous

Which protected characteristics does this affect?

All characteristics, but Age (older people) and Disability in particular.

What should success look like?

More people are aware of the most common methods of fraud and how to deal with them.

Lead Service: Regulation and Economic Development – Trading Standards

Objective 6: We will increase access **to participation** to improve diversity of decision making

Priority 6.1: Decision-making bodies become **more representative** of the communities they serve

Why have we chosen this as a priority?

Women remain under-represented among local election candidates in Wales and in public appointments (*Is Wales Fairer? 2018*). A survey of local government election candidates in Wales for the May 2017 elections found that 34% were women. Following the election, 26% of **councillors** were women, with considerable variation across Wales' 22 local authorities (*Is Wales Fairer? 2018*). The percentage across the six North Wales local authorities was 22.9%, of which Anglesey, with 10%, had the lowest percentage (*Equality in North Wales*: data and evidence report).

The under-representation of women in local government is only part of a wider diversity issue. Younger people in particular are under-represented on this Council.

According to a report by the National Assembly for Wales' Equality, Local Government and Communities Committee, '*Diversity in Local Government'* (April 2019), that the accessibility of information on the role of councillors is clearly an area for improvement. The report makes 22 recommendations to the Welsh Government, including a recommendation that "*the Welsh Government and the Welsh Local Government Association start work on a positive campaign to increase diversity among candidates standing for local government elections by summer 2019*."

Four of the Council's committees also include **co-opted members**. These representatives are recruited for fixed terms to represent a specific area of interest or issue of consideration. They are not elected members and are appointed because of their level of knowledge and experience. Currently, the gender profile is fairly balanced, with 45% (5) of the eleven co-opted members being women.

How we plan to do this?	**By when?**
Take all necessary steps locally to support the national campaign to widen participation in the 2022 local elections.	May 2022
Make use of positive action as part of the process of recruiting co-opted members.	As and when vacancies arise.

Which protected characteristics does this affect? All characteristics, but Age (young people) and Sex (women) in particular.

What should success look like?

An increase in diversity amongst individuals standing in the local government elections in 2022 and individuals who apply to become co-opted members as part of future recruitment processes.

Lead Service: Council Business

Objective 6: We will increase access to **participation** to improve diversity of decision making

Priority 6.2: Consultation and engagement is improved through strengthening links between the public sector and local and national groups representing people from all protected groups

Why have we chosen this as a priority?

The Council recognises that there is always room for further improvement in widening the cohort of citizens who actively engage, particularly with regard to hard to reach groups. As a result, opportunities have been taken to create a standardised and simplified process for engagement across the public and third sector.

The **community engagement model** is used to improve the corporate approach to community engagement. This model is essential in order to identify those communities and groupings that will have an interest in taking over responsibilities for delivery of local type needs in their communities. The model has since its inception been tailored for use in different engagement and consultation work. This model has been signed off by the revised **Joint Engagement and Consultation Board** led by a member of the Senior Leadership Team and attended by representatives of the third sector. The Joint Board provides a cross Council approach to engagement and stakeholder involvement which reduces duplication, ensures a collective approach to engagement and improves our area based intelligence as a Council.

One area of improvement identified recently by the Board is to develop a checklist for managers to identify the information and steps required to support effective local engagement and consultation. This checklist is in addition to the National Principles for Public Engagement (which were adopted on 5 September 2011 as part of the Council's Community Engagement Strategy) and its aim is to ensure consistency and provide assurance that the Council is meeting all its legal obligations.

On a regional level, we will continue to work on engagement as part of NWPSEN (see page 13) to share good practice and make the most of the resources available to us.

How we plan to do this?	**By when?**
Work in partnership with the third sector to raise awareness of relevant engagement and consultation opportunities amongst representatives of all protected characteristics.	Continuous
The Joint Engagement and Consultation Board to adopt an Engagement and Consultation Checklist and ensure that they are used effectively by services.	Continuous
Continue to work on engagement with our regional partners (as members of NWPSEN) by making the most of resources available us.	Continuous

Which protected characteristics does this affect? All.

What should success look like?

Consultation and engagement routinely carried out to a consistently high standard across the Council.

An increase in the number of representations received from hard to reach groups in response to engagement and consultation.

Lead Services:

Corporate Transformation
Council Business – Democratic Services (as part of NWPSEN)

Objective 7: We will develop our knowledge and understanding of the **socio-economic duty** (when guidance becomes available) to identify the key areas of impact to be addressed under each objective

Why have we chosen this as an objective?

In its 'Is Wales Fairer? 2018' report, the EHRC recommends that "*to ensure that public bodies work together to reduce the inequalities linked to socio-economic disadvantage, the socio-economic duty in the Equality Act should be brought into force in Wales by the Welsh Government as a matter of priority"*

The Welsh Government have recently confirmed that the socio-economic duty will be brought into force to require public bodies to consider the impact of their strategic decisions on the poorest people and groups. Further guidance will be issued in due course but at the time of writing this Plan it is anticipated that the duty will commence on 1 April 2020.

We have already begun to address the new duty in this Plan by including priorities that are aimed towards reducing the inequalities linked to socio-economic disadvantage - revising our corporate process for undertaking impact assessments (Priority 8.2) and addressing gaps in educational attainment (Priority 1.2).

How we plan to do this?	By when?
Develop our knowledge and understanding of the socio-economic duty and ensure that the duty becomes an integral part of our day-to-day business.	Once further guidance becomes available.
Reviewing corporate guidance and templates to ensure that due regard is given to the need to reduce socio-economic disadvantage – see also Priority 8.2.	Continuous.
Use our Annual Equality Reports to report on developments and demonstrate how we are complying with the socio-economic duty.	31 March annually.

Which protected characteristics does this affect? All characteristics, in the context of the socio-economic duty.

What should success look like?

Inequalities linked to socio-economic disadvantage are identified and given due regard within Council plans, policies and procedures.

Lead Service: Council Business – Democratic Services

Objective 8: We will improve the **Council's procedures** to ensure fairness for all

Priority 8.1: A **staff training programme** is in place to ensure the right staff have the right skills to deliver equality improvement

Why have we chosen this as a priority?

This has been a priority from the outset, to demonstrate the Council's commitment to ensuring that those employed and working with the Council are skilled, trained and motivated to meet the challenging and diverse needs of the community.

It is recognised that it is important that people throughout the Council are aware of the general and specific equality duties to ensure that this is fully considered in the work they do. In addition to raising awareness during corporate induction sessions, the Council now has an electronic policy management system – the Policy Portal - which places an expectation on staff who have Council email accounts to accept key corporate policies. The Council's Equality and Diversity Policy is included in the core set of nine corporate policies that must be accepted and the policy been available for acceptance since July 2019. (It is important to note that due to the Policy Portal's reliance on the Council's Active Directory, staff who do not have access to a computer as part of their work are unable to participate. We are currently looking at alternative arrangements for these staff members to accept the core set of policies).

In addition, should it become apparent that that there are any areas that need to be addressed as part of our customer care arrangements, we will respond appropriately to the issues identified.

How we plan to do this?	By when?
Continue to raise awareness of equality and diversity amongst Council staff during corporate induction sessions and by requiring staff who have Council email accounts to read, understand and accept the Equality and Diversity Policy.	Continuous.
Continue to promote equality and diversity training for all staff and respond appropriately where specific needs have been identified.	Continuous (as part of the Corporate Training Programme and in response to any needs identified).

Which protected characteristics does this affect? All characteristics

What should success look like?

A high level of awareness and improved understanding of equality and diversity duties across the Council.

Lead Service: Corporate Transformation – Human Resources (with support from Council Business – Democratic Services with the Policy Portal)

Objective 8: We will improve the **Council's procedures** to ensure fairness for all

Priority 8.2: An effective corporate process is established to ensure **the** ongoing **assessment of impact** across services

Why have we chosen this as a priority?

Securing a consistent approach across the authority in terms of completing effective equality impact assessments (EIAs) was identified as a priority back in 2011/12. Throughout this time, we have been continuously developing our arrangements, with the aim of mainstreaming this process into day-to-day work carried out within the Council. However, there is still room for improvement in terms of consistency across the Council. We also need to ensure that there is a clearer alignment between our corporate arrangements and:

The **Well-being of Future Generations Act** - which requires public bodies to work in a way that improves the economic, social, environmental and cultural well-being of Wales by meeting the needs of the present while protecting the needs of the future.

The **socio-economic duty** in the Equality Act – which is to be brought into force in Wales to reduce the inequalities linked to socio-economic disadvantage (see Objective 7).

How we plan do this?	**By when?**
Continue to provide support and development opportunities for members and officers to ensure that they have sufficient information about their duties towards people with protected equality characteristics.	In accordance with the Member Development and Training Plan, the Scrutiny Member Development Programme and the Corporate Staff Training Programme.
Review the following templates to strengthen the link with the Wellbeing of Future Generations Act and the socio-economic duty: - Scrutiny reporting templates - Corporate EIA template and guidance. -	Summer 2020
To support decision-making in the context of the Wellbeing of Future Generations Act: - Review the Questioning Strategy for scrutiny members	October 2020

How we plan do this?	By when?
- Develop a set of stock questions for scrutiny members, based on the Future Generations Framework for Scrutiny produced by the Future Generations Commissioner for Wales (January 2019)	December 2020

Which protected characteristics does this affect? All characteristics.

What should success look like?

Equality impact assessments routinely carried out to a consistently high standard and have become an integral part of everyday business.

Lead Service: Council Business – Democratic Services

Monitoring progress

To keep you informed on progress in delivering our equality objectives, we will produce annual equality reports. In addition, progress against our Council Plan priorities will be included in our Annual Performance Reports.

March 2020

Isle of Anglesey County Council - **Equality Impact Assessment Template**

Revision history:		
Version	**Date**	**Summary of changes**
1.0	11-12-19	First draft.

Step 1: Background	
1 - What are you assessing?	Strategic Equality Plan 2020-2024
2 - Is this a new or existing proposal?	The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 placed a specific duty on all local authorities to develop equality objectives and produce a Strategic Equality Plan by 2 April 2012. The Plan and its objectives must be reviewed at least every four years. The current Plan, covering 2016-2020, comes to an end on 31 March 2020, by which time a new Plan must be published.
3 - What are the aims and purpose of this proposal?	The purpose of the Plan is to set out the steps the Council is taking to fulfil its specific equality duties. Equality officers in all six North Wales Local Authorities, Betsi Cadwaladr University Health Board, North Wales Fire and Rescue Service, Welsh Ambulance Service NHS Trust, National Parks Authority and North Wales Police have shared good practice for many years. During 2011/12, the North Wales Public Sector Equality Network (NWPSEN) developed a set of shared objectives which every partner has agreed to and the objectives were reviewed to coincide with the preparation of Strategic Equality Plans for 2016-20. A further review has been carried out recently to inform our Plans for 2020-2024. To ensure that our new objectives aim to address the challenges set out in the Equality and Human Rights Commission's report 'Is Wales Fairer? 2018, NWPSEN's regional objectives for 2020-2024 are based on the six themes of life identified in the EHRC report, namely:

Template: V3a – May 2019

Step 1: Background	
	1 - Outcomes in **education** attainment and wellbeing in schools are improved 2 - We will take action to ensure we are a **fair employer and reduce pay gaps** 3 - We will take action to improve the **living standards** of people with different protected characteristics 4 - We will improve **health, wellbeing and social care** outcomes 5 - We will improve **personal security and access to justice** 6 - We will increase access to **participation** to improve diversity of decision-making In addition, to address the Welsh Government's proposal to implement the socio-economic duty, the following regional objective has also been agreed: 7 - We will develop our knowledge and understanding of the **socio-economic duty** (when guidance becomes available) to identify the key areas of impact to be addressed under each objective. For consistency, this Council has chosen to adopt the regional objectives, as well as one additional local objective: 8 – We will improve the **Council's procedures** to ensure fairness for all. **Draft priorities** have been identified under each of the above objectives which, alongside other improvement actions highlighted in other key corporate and service plans, should help us build a fairer society for all of Anglesey's citizens.
4 - Who is responsible for the proposal you are assessing?	The Director of Social Services is the corporate lead for equality and diversity.
5 - Who is the Lead Officer for this assessment?	Carol Wyn Owen, Policy and Strategy Manager.

Step 1: Background	
6 - Who else is involved in undertaking this assessment?	Rhian Wyn Jones, Policy Officer Tony Wyn Jones, Regional Community Cohesion Co-ordinator Daron Owens, Regional Community Cohesion Officer
7 - Is the proposal related to other areas of work? For example, are there other proposals of policies that should be taken into consideration as part of this assessment?	The Plan is a not a stand-alone document. The priorities within the Plan have been chosen to complement the Council Plan 2017-2022 and other key corporate and service plans.
8 - Who would be affected by the proposal(s) (adversely or positively, directly or indirectly)?	- The residents of Anglesey. - People with protected characteristics living in, visiting or working in Anglesey. - Elected members and employees of the Isle of Anglesey County Council.

9 - Is the proposal relevant to how the Authority complies with the public sector general duty relating to people who are protected by the Equality Act 2010~~?~~	Yes	No
The elimination of discrimination and harassment	✓	
The advancement of equality of opportunity	✓	
The fostering of good relations	✓	
The protection and promotion of human rights	✓	
Note: As a general rule, any policy that affects people is likely to be relevant across all protected groups		

Step 2: Information Gathering	
10 - Does this proposal ensure that the Welsh language is treated no less favourably than the English language, in accordance with the Council's Welsh Language Policy?	Yes. The Council has adopted the principles that: - in Wales, the Welsh language should be treated no less favourably than the English language and - - that persons in Wales should be able to live their lives through the medium of the Welsh language if they choose to do so. The Council's work on the Plan, as well as all its work across services, will be delivered in accordance with the above principles.
11 - Is there an opportunity here to offer more opportunities for people to learn and / or use the Welsh language on a day-to-day basis?	Yes. Priority 4.2 - We will create the conditions for individuals to improve their health and wellbeing – refers to the proactive offer of Welsh language services and that the Council's Social Services work in accordance with the Welsh Government's strategic framework 'More than just words'. The aim of the framework is to strengthen Welsh language services in health, social services and social care.
12 – Will this area of work proactively offer services in Welsh for users?	See 11 above.
13 – Is this proposal likely to protect and promote the Welsh language within communities?	See 11 above.
Appendix 1 to the Impact Assessment Guidance lists a series of questions which should be considered when assessing how proposals impact on the Welsh language in general. The extent to which these questions are relevant will depend on the proposal in question. The purpose of these questions is to make you think about the wider impact or contribution and these questions could be used as a prompt when responding to questions 10 – 13 above. However, when assessing how the Council's **main** policies and strategies impact on the Welsh language, it is recommended that these questions are considered in more detail so that comprehensive assessment is undertaken **– a separate template is available with these papers on MonITor, for you to complete, if appropriate.**	

Step 2: Information Gathering		
14 - Are there any Human Rights issues? If so, what are they? (For example, could this proposal result in the failure to safeguard the right to privacy?) (The 16 basic rights are listed at Appendix 1).	None known.	
15 – Does this proposal meet any of the seven national well-being goals outlined in the Well-being of Future Generations (Wales) Act 2015? (Discriptions of the wellbeing goals are listed at Appendix 2)	A prosperous Wales	
	A resilient Wales	
	A healthier Wales	✓
	A more equal Wales	✓
	A Wales of cohesive communities	✓
	A Wales of vibrant culture and thriving Welsh language	✓
	A globally responsible Wales	
16 - What has been done to date in terms of involvement and consultation with regard to this proposal?	Due regard has been given to relevant information gathered from a regional engagement event (North Wales) held on 24 May 2018 and local engagement at a meeting of the Anglesey Wellbeing Network on 25 September 2019. Following this, our draft objectives were shared with members of the Anglesey Wellbeing Network, as well as other stakeholders, for comment. In future, the aim is to build upon this engagement model to gain a better understanding of local needs.	
17 – Have you used any other information that is relevant to the proposal to inform your assessment? If so, please detail:	'*Is Wales Fairer? 2018'***;** Equality and Human Rights Commission. *Equality in North Wales*: Data and evidence report ; Gwynedd Council This report was commissioned by the North Wales Public Services Board Officers Network in order to gain a deeper understanding of equality data at local level – in particular on the issues covered in the "Is Wales Fairer?" report. The report was shared with NWPSEN members to inform their work on developing regional objectives. Relevant information is also included as background information under each equality objective to justify the priorities we have chosen.	

Step 2: Information Gathering	
18 - Are there any gaps in the information collected to date? **If so, how will these be addressed?**	Both the EHRC report *Is Wales Fairer? 2018* and The *Equality in North Wales* data and evidence report draws attention to the gaps in data and information at local levels and suggest some priorities for improvement. In future, the aim is to build upon this engagement model to gain a better understanding of local needs

Step 3: Considering the potential impact and identifying mitigating action

19 -– Note below any likely impact on equality for each individual group, and identify what action could be taken to reduce or improve the impact. *For determining potential impact, please choose from the following: **Negative / Positive / No impact**

Protected group	*Potential Impact	Details of the impact	Actions to mitigate negative impact
Age	**Positive**	The Plan will help to deliver a positive impact on people of all ages. Objectives contained in the Plan will help to: Address barriers to children and young people achieving their full potential (priority 1.1). Protect older, vulnerable people by raising awareness within local communities around different types of fraud (priority 5.3). Address barriers to people of all ages from participating in public life by taking part in a campaign to widen participation in the 2022 local elections (priority 6.1) and continuing to develop community hubs and place shaping (page 12 of the Plan)	No negative impact identified at this stage.
Disability	**Positive**	The Plan will help to deliver a positive impact on disabled people. Objectives contained in the Plan will help to: Address barriers to children and young people with additional learning requirements achieving their full potential (priority 1.1).	No negative impact identified at this stage.

Protected group	*Potential Impact	Details of the impact	Actions to mitigate negative impact
		Tackle identity based bullying and hate crime in schools (priority 1.2) Ensure that more properties and facilities such as bus stops, footways and crossings are accessible and meet the needs of disabled residents (priorities 3.1 and 3.2) Increase opportunities for disabled people to participate in sport (priority 4.1) Raise awareness of the annual health checks available to people with learning impairments (priority 4.2) Support disabled people who are victims of hate crime (priority 5.1) Also, the Plan refers to what we are already doing to create work opportunities for people with learning impairments (see Promoting Equality on page 11)	
Sex	**Positive**	The Plan will help to ensure that no Council employee receives less favourable treatment on the grounds of sex. Objectives contained in the Plan will help to: Ensure that employees are provided, where possible, with an adjustment to working patterns to help them combine work with other responsibilities (priority 2.1)	No negative impact identified at this stage.

Protected group	*Potential Impact	Details of the impact	Actions to mitigate negative impact
		Identify and reduce gender pay gaps and other inequalities (priority 2.2) Encourage more women to stand in the local government elections in 2022 (priority 6.1)	
Gender Reassignment	**Positive**	The Plan will help to deliver a positive impact on transgender people. Objectives in the Plan will help to: Tackle identity based bullying and hate crime in schools (priority 1.2) Support transgender people who are victims of hate crime (priority 5.1) Ensure that the Council respects and communicates with all transgender people as the gender they identify with (priority 8.1).	No negative impact identified at this stage.
Pregnancy & Maternity	**Positive**	The Plan will help to deliver a positive impact on anyone who is pregnant or who is in their maternity period.	No negative impact identified at this stage. Priority 2.1 in the Plan will address any barriers experienced on the grounds of pregnancy and maternity.
Race / Ethnicity / Nationality	**Positive**	The Plan will help enable the Council to meet the general duty in terms of eliminating discrimination, advancing equality of opportunity and promoting good relations between all people.	No negative impact identified at this stage.

Protected group	*Potential Impact	Details of the impact	Actions to mitigate negative impact
		Priority 1.2 will help tackle identity based bullying in schools. Priority 5.1 in the Plan will help to support individuals who are victims of hate crime.	
Religion or Belief	**Positive**	The Plan will help enable the Council to meet the general duty in terms of eliminating discrimination, advancing equality of opportunity and promoting good relations between all people. Priority 1.2 will help tackle identity based bullying in schools. Priority 5.1 in the Plan will help to support individuals who are victims of hate crime.	No negative impact identified at this stage.
Sexual Orientation	**Positive**	The Plan will help enable the Council to meet the general duty in terms of eliminating discrimination, advancing equality of opportunity and promoting good relations between all people. Priority 1.2 will help tackle identity based bullying in schools. Priority 5.1 in the Plan will help to support individuals who are victims of hate crime.	No negative impact identified at this stage.
Welsh language	**Positive**	See questions 10 – 13.	No negative impact identified at this stage.

Protected group	*Potential Impact	Details of the impact	Actions to mitigate negative impact
Human Rights	**No impact**	The Council's work will continue to be underpinned by a set of values which includes ensuring that the basic human rights of individuals are protected at all times.	No negative impact identified at this stage
Marriage or Civil Partnership (elimination of discrimination only)	**No impact**	The Council is committed to eliminating discrimination of all types and will protect the rights of married people and those in civil partnerships.	No negative impact identified at this stage.
Other - poverty	**Positive**	At the time of writing, it was anticipated that the **socio-economic duty** would be brought into force on 1 April 2020. The duty will require public bodies to consider the impact of their strategic decisions on the poorest people and groups. We have already begun to address the new duty by including priorities that are aimed towards reducing the inequalities linked to socio-economic disadvantage, namely: Revising our corporate process for undertaking impact assessments (Priority 8.2) Addressing gaps in educational attainment (Priority 1.1). We will develop our knowledge and understanding of the socio-economic duty, once guidance becomes available (objective 7), and ensure that the duty becomes an integral part of our day-to-day business.	No negative impact identified at this stage.

Protected group	*Potential Impact	Details of the impact	Actions to mitigate negative impact
		We will use our Annual Equality Reports to report on developments and demonstrate how we are complying with the socio-economic duty in due course.	

Step 4: Outcome of the assessment	
20 - Note the impacts identified and how it is intended to mitigate any negative impact (ie a summary of the above table)	No negative impact have been identified at this stage. The purpose of the equality objectives and priorities within the Plan is to help enable the Council to meet the three aims of the general equality duty to have due regard to the need to: - Eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Act - Advance equality of opportunity between people who share a relevant protected characteristic and those who do not - Foster good relations between people who share a protected characteristic. In addition to the priorities and other initiatives contained in the Plan, the Council will progress the principles of equality of opportunity for people of all backgrounds and circumstances in all its plans and procedures.
21 - Is there a strategy for dealing with any unavoidable but not unlawful negative impacts that cannot be mitigated?	No negative impacts identified at this stage.
22 - Describe any actions taken to maximise the opportunity to promote equality and/or the goals of the Well-being of Future Generations (Wales) Act 2015 (sustainability). (The seven well-being goals are listed in Appendix 2)	**A more equal Wales** - All the priorities contained in the Plan will contribute towards the goal of developing a society that enables people to fulfil their potential no matter what their background or circumstances. In particular, our objective to develop our knowledge and understanding of the socio-economic duty will ensure that inequalities linked to socio-economic disadvantage are identified and given due regard within all our plans, policies and procedures.

Step 4: Outcome of the assessment	
23 – Is there a need to reconsider the proposal as a result of conducting this assessment? (Evidence of negative impact could render the proposal or decision unlawful. If you have identified negative impact, you should consider at this stage whether it is possible to proceed with the proposal).	No. However, it is important to note that our commitment to equality is not limited to the priorities contained in the Plan. The Council will take advantage of any new opportunities to further advance equality as such considerations become more embedded within the Council's day to day work.
24 - Will the proposal be adopted / forwarded for approval? Who will be the decision-maker?	The Strategic Equality Plan will be taken through the following approval process: Partnership and Regeneration Scrutiny Committee – 4 February 2020 The Executive – 17 February 2020 Full Council – 10 March 2020.
25 - Are there monitoring arrangements in place? What are they?	Progress towards achieving our priorities will be reported in our Annual Equality Reports.

Step 5: Action Plan

Please detail any actions that are planned following completion of your assessment. You should include any changes that have been made to reduce or eliminate the effects of potential or actual negative impact, as well as any arrangements to collect data or to carry out further research.

Ref	Proposed actions	Lead officer	Timescale

Appendix 1 – Human Rights

Human rights are rights and freedoms that belong to all individuals, regardless of their nationality and citizenship. There are 16 basic rights in the Human Rights Act – all taken from the European Convention on Human Rights. For the purposes of the Act, they are known as 'the Convention Rights'. They are listed below:

(Article 1 is introductory and is not incorporated into the Human Rights Act)
Article 2: The right to life
Article 3: Prohibition of torture
Article 4: Prohibition of slavery and forced labour
Article 5: Right to liberty and security
Article 6: Right to a fair trial
Article 7: No punishment without law
Article 8: Right to respect for private and family life
Article 9: Freedom of thought, conscience and religion
Article 10: Freedom of expression
Article 11: Freedom of assembly and association
Article 12: Right to marry
Article 14: Prohibition of discrimination
Article 1 of Protocol 1: Protection of property
Article 2 of Protocol 1: Right to education
Article 3 of Protocol 1: Right to free elections
Article 1 of Protocol 13: Abolition of the death penalty

Appendix 2 - Well-being of Future Generations (Wales) Act 2015

This Act is about improving the social, economic, environmental and cultural well-being of Wales. Public bodies need to make sure that when making their decisions they take into account the impact they could have on people living their lives in Wales in the future. The Act puts in place seven well-being goals:

Goal	Description of the goal
A prosperous Wales	An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing decent work.
A resilient Wales	A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example climate change).
A healthier Wales	A society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood.
A more equal Wales	A society that enables people to fulfil their potential no matter what their background or circumstances (including their socio economic background and circumstances).
A Wales of cohesive communities	Attractive, viable, safe and well-connected communities.
A Wales of vibrant culture and thriving Welsh language	A society that promotes and protects culture, heritage and the Welsh language, and which encourages people to participate in the arts, and sports and recreation.
A globally responsible Wales	A nation which, when doing anything to improve the economic, social, environmental and cultural well-being of Wales, takes account of whether doing such a thing may make a positive contribution to global well-being.

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ISLE OF ANGLESEY COUNTY COUNCIL	
MEETING:	**DEMOCRATIC SERVICES COMMITTEE**
DATE:	30/01/2020
TITLE OF REPORT :	**Review of Polling districts and polling stations**
REPORT BY :	**Head of Democratic Services on behalf of Acting Returning Officer**
CONTACT OFFICER :	**Huw Jones**
PURPOSE OF REPORT :	**To report on the outcome of the review**

1. BACKGROUND

1.1 The Council has a duty under s.18 (1) and Schedule A1 of the Representation of the People Act 1983 ('the 1983 Act') to divide its area into polling districts for the purpose of elections, to designate a polling place for each polling district and to keep those districts under review in accordance with s.18 (2) of the Representation of the People Act 1983. In addition, the Electoral Registration and Administration Act 2013 introduced a change to the timing of compulsory reviews of UK Parliament polling districts and polling places.

1.2 The Council last carried out a review of polling districts, polling places and polling stations in 2014 when no changes made. The Council must, during each compulsory review period, carry out and complete a review of all the polling districts and places within its parliamentary constituency and area. These provisions do not prevent a relevant authority carrying out a review of some or all of the polling districts or polling places in its area at other times – there are occasions when it is necessary to change location of polling stations due to unavailability of venues or other reasons. In compliance with statutory provisions, the review must be undertaken by the end of January 2020.

2. Key Issues for Consideration

2.1 A preliminary review by the Acting Returning Officer of the current polling districts, polling places and polling stations within the Ynys Môn area has been done in respect of the parliamentary constituency, with a view to establishing their suitability, and identify any potential alternatives where considered appropriate.

2.2 Whilst assessing current arrangements, the location, size, availability and accessibility of polling places and station, and appropriateness of some of the polling stations used for elections held in 2019 has been considered.

2.3 As part of the review process, the Council must also seek to ensure the following is taken into account:

- Consider representations received to date;
- With regard to Polling Districts, all electors in the constituency are to have such reasonable facilities for voting as are practicable in the circumstance unless there are special circumstances;
- A polling place is designated for each polling district unless the size or other circumstances of a polling district are such that the situation of the polling stations does not materially affect the convenience of the electors or anybody of them, and that all electors have reasonable facilities for voting as are practicable in the circumstances;
- Polling places are accessible to all electors as far as is practicable, and when considering the designation of polling stations, have regard to the accessibility needs of disabled persons;
- The polling place for a polling district must be an area in the district, unless special circumstances make it desirable to designate an area wholly or partly outside the district; and is small enough to indicate to electors in different parts of the district how they will be able to reach the polling station;

2.4 In line with the Electoral Commission's Guidance, consideration has also been given to:

- In respect of polling districts - whether the boundaries are well defined, transport links and obstacles to voters;
- In respect of polling places - location, size, availability and accessibility.

2.5 The Review commenced on 5 June 2019 and ended on 20 January 2020, with an opportunity for stakeholders to comment on the Acting Returning Officer's recommendations on polling districts and location of polling stations – details in **Appendix 1**.

3. Consultation response

3.1 At the time of preparing this report, Canolfan Coed Cyrnol, Mona Road, Menai Bridge has been suggested by the Menai Bridge Town Council as a potential location for a polling station in the future in the town. This may be an option, if the need will arise in the ward, when planning future elections.

4.0 Recommendation

4.1 The Committee is requested to confirm arrangements as set out in Appendix 1, and recommend accordingly to the County Council.

Huw Jones
Head of Democratic Services
21/1/2020

Atodiad 1/Appendix 1

AROLWG LLEFYDD PLEIDLEISIO 2019 – ARGYMHELLION Y SWYDDOG CANLYNIADAU GWEITHREDOL / POLLING PLACES REVIEW 2019 -RECOMMENDATIONS OF ACTING RETURNING OFFICER.

Dosbarth Pleidleisio / Polling District		*Gorsaf Bleidleisio (ar ddechrau'r arolwg) / Polling Station(start of Review)*	*Wardiau / Wards*	*Etholwyr / Electorate*	*Argymhellion y Swyddog Canlyniadu/Recommendations of the Returning Of*
BIWMARES/BEAUMARIS	1	CANOLFAN GYMUNED DAVID HUGHES BIWMARES / DAVID HUGHES COMMUNITY CENTRE BEAUMARIS	BIWMARES/BEAUMARIS	1308	Dim newid/no change
AMLWCH (rhan)(part)	2	NEUADD GOFFA AMLWCH MEMORIAL HALL	AMLWCH (WARD WLEDIG/RURAL WARD)	1006	Dim newid/no change
AMLWCH (rhan)(part)	3	NEUADD GOFFA AMLWCH MEMORIAL HALL	AMLWCH (WARD Y DREF/TOWN WARD)	887	Dim newid/no change
AMLWCH (rhan)(part)	4	HEN YSGOL, PORTH AMLWCH / OLD SCHOOL, AMLWCH PORT	AMLWCH (WARD Y BORTH/PORT WARD)	859	Dim newid/no change
CAERGYBI (rhan) / HOLYHEAD (part)	5	NEUADD GYMUNED LLAINGOCH COMMUNITY HALL	WARD PARC A'R MYNYDD WARD	984	Dim newid/no change
CAERGYBI (rhan) / HOLYHEAD (part)	6	NEUADD Y DREF, CAERGYBI / TOWN HALL, HOLYHEAD	WARD PORTHYFELIN WARD	1526	Dim newid/no change
CAERGYBI (rhan) / HOLYHEAD (part)	7	YSGOL GYNRADD Y SANTES FAIR / ST. MARY'S PRIMARY SCHOOL.	WARD Y DREF/TOWN WARD	731	Dim newid/no change
CAERGYBI (rhan) / HOLYHEAD (part)	8	CLWB HENOED FFORDD LLUNDAIN / OLD PEOPLE'S CLUB LONDON ROAD	WARD FFORDD LLUNDAIN / LONDON ROAD WARD	1003	Dim newid/no change
CAERGYBI (rhan) / HOLYHEAD (part)	9	NEUADD GYMUNEDOL DEWI SANT / ST DAVID'S COMMUNITY CENTRE	WARD MORAWELON WARD	1062	Dim newid/no change
CAERGYBI (rhan) / HOLYHEAD (part)	10	CANOLFAN UCHELDRE CENTRE	WARD MAESHYFRYD WARD	1510	Canolfan Millbank Centre
CAERGYBI (rhan) / HOLYHEAD (part)	11	CANOLFAN GYMUNED KINGSLAND COMMUNITY CENTRE	WARD KINGSLAND WARD	1106	Dim newid/no change
LLANGEFNI (rhan)(part)	12	NEUADD T.C. SIMPSON HALL, LLANGEFNI	WARD CEFNI WARD	1182	Dim newid/no change
LLANGEFNI (rhan)(part)	13	NEUADD EGLWYS CYNGAR CHURCH HALL, LLANGEFNI	WARD CYNGAR WARD	1528	Dim newid/no change
LLANGEFNI (rhan)(part)	14	NEUADD T.C. SIMPSON HALL, LLANGEFNI	WARD TUDUR WARD	963	Dim newid –oherwydd cyfleusterau parcio gerllaw /no change due to parking facilities nearby
PORTHAETHWY (rhan) / MENAI BRIDGE (part)	15	CANOLFAN GOFFA GYMDEITHASOL PORTHAETHWY/MENAI BRIDGE WAR MEMORIAL COMMUNITY CENTRE	PORTHAETHWY (CADNANT) MENAI BRIDGE	822	Dim newid/no change
PORTHAETHWY (rhan) / MENAI BRIDGE (part)	16	YSGOL Y BORTH PORTHAETHWY / MENAI BRIDGE PRIMARY SCHOOL	PORTHAETHWY (TYSILIO) MENAI BRIDGE	1488	Dim newid/no change
CYLCH Y GARN (rhan)(part)	17	CANOLFAN LLANFAIRYNGHORNWY CENTRE	WARD LLANRHUDDLAD WARD	390	Dim newid/no change
CYLCH Y GARN (rhan)(part)	18	CANOLFAN LLANFAIRYNGHORNWY CENTRE	WARD LLANFAIRYNGORNWY WARD	179	Dim newid/no change
LLANFAETHLU	19	NEUADD GRIFFITH READE HALL, LLANFAETHLU	WARD LLANFAETHLU WARD WARD LLANFWROG WARD	415	Dim newid/no change
TREF ALAW (rhan)(part)	20	NEUADD BENTREF LLANDDEUSANT VILLAGE HALL	WARD LLANDDEUSANT WARD WARD LLANTRISANT WARD	308	Dim newid/no change
TREF ALAW (rhan)(part) LLANNERCHYMEDD (rhan)(part)	21	YSGOLDY CAPEL M.C. CARMEL M.C. CHAPEL SCHOOL ROOM	WARD LLECHCYNFARWY WARD WARD RHODOGEIDIO WARD (rhan/part)	162	Dim newid/no change
LLANFACHRAETH	22	NEUADD BENTREF LLANFACHRAETH VILLAGE HALL	LLANFACHRAETH	452	Dim newid/no change
Y FALI - VALLEY	23	YSGOL GYMUNED Y FALI / VALLEY COMMUNITY SCHOOL	Y FALI - VALLEY	1810	Dim newid/no change
RHOSCOLYN	24	NEUADD EGLWYS ST GWENFAEN CHURCH HALL	RHOSCOLYN	415	Dim newid/no change
TREARDDUR	25	NEUADD GYMUNED TREARDDUR COMMUNITY HALL	TREARDDUR	1305	Dim newid/no change
LLANFAIR-YN-NEUBWLL	26	Y NEUADD CAERGEILIOG HALL	LLANFAIR-YN-NEUBWLL	1003	Dim newid/no change
BODEDERN	27	NEUADD BENTREF BODEDERN VILLAGE HALL	BODEDERN	810	Dim newid/no change
LLANFAELOG (rhan)(part)	28	NEUADD BENTREF RHOSNEIGR VILLAGE HALL	WARD RHOSNEIGR WARD	653	Dim newid/no change
LLANFAELOG (rhan)(part)	29	CANOLFAN GYMUNED LLANFAELOG COMMUNITY CENTRE	WARD LLANFAELOG WARD	557	Dim newid/no change
BRYNGWRAN	30	CANOLFAN GYMUNED BRYNGWRAN COMMUNITY CENTRE	WARD BRYNGWRAN WARD WARD LLANBEULAN WARD	649	Dim newid/no change
BODFFORDD (rhan)(part)	31	CANOLFAN GYMUNED BODFFORDD COMMUNITY CENTRE	WARD HENEGLWYS WARD	412	Dim newid/no change

BODFFORDD (rhan)(part)	32 33	NEUADD GOFFA BODWROG MEMORIAL HALL	WARD BODWROG WARD WARD LLANDRYGARN WARD	355	Dim newid/no change
TREWALCHMAI	34	CANOLFAN HENOED GWALCHMAI OAP CENTRE	TREWALCHMAI	708	Dim newid/no change
LLANGRISTIOLUS (rhan)(part)	35	NEUADD YR HENOED LLANGRISTIOLUS OLD PEOPLE HALL	WARD LLANGRISTIOLUS WARD	656	Dim newid/no change
LLANGRISTIOLUS (rhan/part)	36	YSGOLDY CAPEL PISGAH CHAPEL ROOM, RHOSTREHWFA	WARD CERRIGCEINWEN WARD	467	Dim newid/no change
ABERFFRAW (rhan/part)	37	NEUADD GLANNAU FFRAW HALL, ABERFFRAW	WARD DDEHEUOL / SOUTHERN WARD WARD LLANGWYFAN WARD WARD OGLEDDOL / NORTHERN WARD	488	Dim newid/no change
LLANBADRIG	38	NEUADD BENTREF CEMAES VILLAGE HALL	WARD CEMAES WARD WARD PADRIG WARD	892	Dim newid/no change
MECHELL (rhan/part)	39	YSGOL GYMUNED LLANFECHELL COMMUNITY SCHOOL	WARD LLANFECHELL WARD	769	Dim newid/no change
MECHELL (rhan/part) TREF ALAW (rhan/part)	40	YSGOL GYNRADD CARREGLEFN PRIMARY SCHOOL	WARD CARREGLEFN WARD WARD LLANBABO WARD	270	Dim newid/no change
RHOSYBOL (rhan/part)	41	CANOLFAN GYMUNED RHOSYBOL COMMUNITY CENTRE	WARD RHOSYBOL WARD	588	Dim newid/no change
RHOSYBOL (rhan/part)	42	YSGOLDY CAPEL M.C. PARC LLANDYFRYDOG M.C. CHAPEL SCHOOL ROOM	WARD LLANDYFRYDOG WARD	249	Dim newid/no change
LLANEILIAN	43	NEUADD BENTREF PENYSARN VILLAGE HALL	WARD EILIAN WARD WARD LLWYFO WARD	912	Dim newid/no change
MOELFRE (rhan/part)	44	CANOLFAN GYMUNED PENRHOSLLIGWY COMMUNITY CENTRE	WARD PENRHOSLLIGWY WARD	192	Dim newid/no change
MOELFRE (rhan/part)	45	YSGOL GYMUNED MOELFRE COMMUNITY SCHOOL	WARD LLANALLGO WARD	547	Dim newid/no change
LLANEUGRAD	46	HEN YSGOL MARIANGLAS OLD SCHOOL	LLANEUGRAD	205	Dim newid/no change
LLANFAIR-MATHAFARN-EITHAF (rhan/part)	47	NEUADD BENTREF BRYNTEG VILLAGE HALL	WARD BRYNTEG WARD	364	Dim newid/no change
LLANFAIR-MATHAFARN-EITHAF (rhan/part)	48	Y GANOLFAN	WARD LLANBEDRGOCH WARD	386	Dim newid/no change
LLANFAIR-MATHAFARN-EITHAF (rhan/part)	49	LLYFRGELL BENLLECH LIBRARY	WARD 'BENLLECH A' WARD	724	Dim newid/no change
LLANFAIR-MATHAFARN-EITHAF (rhan/part)	50	NEUADD GYMUNEDOL A CHYN-FILWYR BENLLECH COMMUNITY EX-SERVICEMEN'S HALL	WARD 'BENLLECH B' WARD	1195	Dim newid/no change
LLANDDYFNAN (rhan/part)	51	NEUADD BENTREF TALWRN VILLAGE HALL	WARD LLANDDYFNAN WARD	501	Dim newid/no change
LLANDDYFNAN (rhan/part)	52	YSGOLDY CAPEL TY MAWR, CAPEL COCH	WARD LLANFIHANGEL TRE'R BEIRDD WARD	207	Dim newid/no change
LLANDDYFNAN (rhan/part)	53	YSGOLDY CAPEL M.C. LLANGWYLLOG M.C. CHAPEL SCHOOL ROOM	WARD TREGAIAN WARD WARD LLANGWYLLOG WARD	143	Dim newid/no change
LLANNERCHYMEDD	54	HEN STESION LLANNERCHYMEDD	WARD COEDANA WARD WARD RHODOGEIDIO WARD(rhan/part) WARD LLANNERCHYMEDD WARD	926	Dim newid/no change
PENTRAETH	55	NEUADD GOFFA PENTRAETH MEMORIAL HALL	PENTRAETH	929	Dim newid/no change
LLANDDONA	56	HEN YSGOL LLANDDONA OLD SCHOOL	WARD LLANDDONA WARD WARD LLANIESTYN WARD	551	Dim newid/no change
LLANGOED	57	NEUADD BENTREF LLANGOED VILLAGE HALL	WARD LLANGOED WARD WARD PENMON WARD	1010	Dim newid/no change
CWM CADNANT (rhan/part)	58 59	NEUADD Y PLWYF LLANDEGFAN PARISH HALL	LLANDEGFAN	1721	Dim newid/no change
LLANFAIRPWLL (rhan/part)	60	NEUADD GOFFA LLANFAIRPWLL MEMORIAL HALL	WARD BRAINT WARD	1145	Dim newid/no change
LLANFAIRPWLL (rhan/part)	61	YSGOLDY CAPEL EBENESER CHAPEL SCHOOL ROOM, LLANFAIRPWLL	WARD GWYNGYLL WARD	1215	Dim newid/no change
LLA NFIHANGEL ESCEIFIOG	62	NEUADD BENTREF GAERWEN VILLAGE HALL	LLANFIHANGEL ESCEIFIOG	1269	Dim newid/no change
LLANDDANIEL FAB	63	YSGOL PARC Y BONT SCHOOL	LLANDDANIEL FAB	637	Yr Efail
PENMYNYDD	64	HEN YSGOL PENMYNYDD OLD SCHOOL	PENMYNYDD	386	Dim newid/no change
LLANIDAN	65	CANOLFAN GYMUNED BRYNSIENCYN COMMUNITY CENTRE	LLANIDAN	797	Dim newid/no change
RHOSYR (rhan/part)	66	CANOLFAN PRICHARD JONES NIWBWRCH / PRICHARD JONES INSTITUTE NEWBOROUGH	WARD NIWBWRCH/NEWBOROUGH WARD	765	Dim newid/no change
RHOSYR (rhan/part)	67	YR HEN FECWS / THE OLD BAKEHOUSE	WARD LLANGEINWEN WARD	703	Dim newid/no change
RHOSYR (rhan/part)	68	NEUADD BENTREF LLANGAFFO VILLAGE HALL	WARD LLANGAFFO WARD	275	Dim newid/no change
BODORGAN	69	YSGOL GYNRADD BODORGAN PRIMARY SCHOOL	WARD TREFDRAETH WARD WARD LLANGADWALADR WARD	755	Dim newid/no change
			CYFANSWM / TOTAL =	51,387	

Annwen Morgan
Swyddog Canlyniadau Gweithredol/Acting Returning Officer 13/12/2019

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ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	**Executive and full Council**
Date:	**16.12.2019 and 10.03.2020**
Subject:	**Amendments to the Council's Constitution to reflect internal re-structure to the staffing model**
Portfolio Holder(s):	**Councillor Dafydd Rhys Thomas**
Head of Service:	**Lynn Ball**
Report Author: Tel: E-mail:	**Lynn Ball (Director of Function (Council Business) / Monitoring Officer)**
Local Members:	**Not a ward specific matter**

A –Recommendation/s and reason/s

Background

1. A decision has been made by the Chief Executive to change the staffing structure of the Senior Leadership Team and Heads of Service. The Appointments Committee has made appointments in accordance with those changes.

2. The amended staffing structure is to be reflected in the Council's Constitution and the delegation afforded to each member of the Senior Management Team to be updated accordingly.

Overview

3. The changes to the staffing structure include:

   (a) Changing job titles and specifications for members of the Senior Leadership Team / Heads of Service;

   (b) Removing the two roles of Assistant Chief Executives;

   (c) Creating one role of Deputy Chief Executive;

   (d) Removing the two roles of Head of Functions;

   (e) Creating five Director roles; and

   (f) Changing the reporting lines for some members of the Senior Leadership Team and Heads of Service.

4. The Constitution, at Part 7, includes a structure format. What currently appears in the Constitution reflects the previous format. This is included as **Enclosure 1** to this report.

5. An amended format has been prepared to reflect the above changes and this is included as **Enclosure 2** to this report**.** It is proposed that **Enclosure 2** be inserted in Part 7 of the Constitution (rather than Enclosure 1).

<u>Amendments possible to the Constitution without Council approval.</u>

6. Under paragraph 3.5.2.11 of the Constitution, "*The Chief Executive shall have authority to amend the job titles, and areas of responsibility of the Senior Leadership Team, the Heads of Function and the Heads of Service as he/she considers necessary to deliver the Council's functions, vision, priorities and as a consequence of staff reorganisation, in consultation with the s.151 Officer, Monitoring Officer, Head of Profession and Corporate Transformation Service and the relevant Portfolio Holder(s). Any such changes will be within budget and compliant with the Council's HR policies and processes*…".

7. Under paragraph 3.5.3.6.6 of the Constitution, as Head of Function (Council Business) / Monitoring Officer, I have the delegation: "*to review and update the Council's Constitution from time to time, to include any changes arising from amended, substituted or new legislation; any restructure of the organisation already authorised as required and to include new delegations to officers, namely the Head of Service with responsibility for the relevant service, to have full delegated authority to discharge the function on the Council's behalf, unless it is a matter reserved to the Council, Executive or a Committee."*

8. In accordance with the delegation in paragraph 3.5.2.11, the Chief Executive has the delegated authority therefore to alter job titles and responsibilities for the SLT and Heads of Functions and Services (subject to consultation).

9. As part of the consultation, the Chief Executive has presented a report to the Appointments Committee, albeit such consultation is not compulsory. The Appointments Committee has no authority to agree the structural changes, only to recommend / appoint individuals to the new / amended roles.

10. The following changes are within the Chief Executive's delegation to make and the Monitoring Officer's delegation to action any such changes to the Constitution itself (namely, to alter job titles and the responsibility and delegation for those revised roles):

Previous Title	New Title	Relevant Paragraph in the Constitution for the delegated authority
Head of Function (Resources) / s151 Officer	Director of Function (Resources) / s151 Officer	3.5.3.5
Head of Function (Council Business) / Monitoring Officer	Director of Function (Council Business) / Monitoring Officer	3.5.3.6
Head of Service (Adult Services)	Director of Social Services	3.5.3.7
Head of Service (Children's Services)	Head of Service: Children and Families and Deputy Director of Social Services	3.5.3.8
Head of Profession, HR and Corporate Transformation Service	Head of Profession HR and Transformation Service	3.5.3.9
Head of Service (Regulation and Economic Development)	Director of Place and Community Wellbeing	3.5.3.10
Head of Service (Highways , Waste and Property)	Head of Service: Highways, Waste and Property	3.5.3.11
Head of Service (Housing)	Head of Service: Housing	3.5.3.12
Head of Service (Learning)	Director of Education, Skills and Young People	3.5.3.13

Amendments to the Constitution following Council approval.

11. The Constitution is clear under paragraph 2.15.2.1 that "*Changes to the Constitution will only be approved by the full Council after consideration of the proposal by the Executive…"* That is the basis of this report which asks for the Executive and full Council approval to the other amendments to the Council's structure.

12. In the previous structure, there was a hierarchy of Chief Executive, followed by two Assistant Chief Executives; included with them on the Senior Leadership Team were the Head of Function (Resources) / s151 Officer and the Head of Function (Council Business) / Monitoring Officer. There were also 7 Heads of Service (who were not on the Senior Leadership Team). (This can be seen in **Enclosure 1**.)

13. In the new structure (**Enclosure 2**), the two Assistant Chief Executives roles are removed and a new single role of Deputy Chief Executive is created:

Previous Title	**New Title**	**Relevant Paragraph in the Constitution for the delegated authority**
Assistant Chief Executive (Governance and Business Process Transformation)	*Deleted*	3.5.3.2
Assistant Chief Executive (Partnership, Community and Service Improvement)	*Deleted*	3.5.3.3
None	Deputy Chief Executive	3.5.3.2

14. The new structure also alters the reporting lines between Heads of Service and the Senior Leadership Team; this amendment arises as a result of the introduction of Directors. In addition, whilst Housing will remain an independent Service, the Director of Function (Resources) / section 151 Officer will be line-managing the Head of Service: Housing.

15. Five Director roles have been created in total. Whilst the roles are new, they are amending the structure for individuals who are already in post as Head of Function/Service. The five Directors together with the Chief Executive and the Deputy Chief Executive will form the Senior Leadership Team.

16. There are now four Heads of Service, whose roles remain the same, albeit the Head of Children and Families' Service has also been appointed as the Deputy Director of Social Services. The titles have been slightly amended.

17. **Enclosure 3** includes a summary of the main changes made to the delegation of some of the above roles under the Constitution. Not all roles and/or changes are included (e.g. where terminology altered / additions made for a consistent approach across roles in the Senior Leadership Team / Heads of Service, these have not been included).

18. As a consequence of the new layer of Directors, a decision is required as to the role of the Appointments Committee when an appointment to the level of Director is required. The Appointments Committee's remit is included under paragraph 3.4.9 of the Constitution. On the basis the layer is on the same level as the s151 Officer and the Monitoring Officer, an assumption is made that future Director appointments will be made under the provision in 3.4.9.2 i.e. the Appointments Committee will interview and appoint individuals to the post.

RECOMMENDATION:

19. For full Council to:

19.1 Note the amendments and confirm its agreement to the new structure as included in **Enclosure 2** which shows: -

- a change in job titles and specifications to the Senior Leadership Team and Heads of Service roles,
- the removal of two Assistant Chief Executive roles,
- the insertion of one new Deputy Chief Executive role,
- the removal of two Heads of Function roles,
- the insertion of five new Director roles, and
- an amendment to the reporting lines between members of the Senior Leadership Team and Heads of Service.

19.2 Confirm its approval to the insertion of **Enclosure 2** in the Council's Constitution;

19.3 Confirm its approval to the changes in the delegation noted in **Enclosure 3**; and

19.4 Confirm its approval for any future Director appointments to be made by the Appointments Committee; and

19.5 Confirm its approval for such other consequential amendments to be made to the Constitution to reflect the above recommendations.

B – What other options did you consider and why did you reject them and/or opt for this option?
The Chief Executive has the delegated authority to amend job titles and areas of responsibility. Whilst some of the proposed changes to the staffing structure fall within this delegated authority – and the Monitoring Officers' delegated authority to amend the Constitution to reflect those decisions – there are other changes which require full Council approval. This report is brought to Council for its approval to amend the Constitution to reflect the changes made to the Senior Management Structure including: - removing the two Assistant Chief Executive posts and creating one Deputy Chief Executive post; - the insertion of a new layer of Directors; and - amending the line of responsibilities as a result of the new category of Directors on the Senior Management team. The Constitution should be updated to reflect the Council's current structure.

C – Why is this a decision for the Executive?
Paragraph 2.15.2.1 of the Constitution stipulates that "*Changes to the Constitution will only be approved by the full Council after consideration of the proposal by the Executive…".*

CH – Is this decision consistent with policy approved by the full Council?
N/A

D – Is this decision within the budget approved by the Council?
The Corporate Management Team underwent a restructure in 2015/16 when IOACC agreed to have a Chief Executive and two Assistant Chief Executives. The budget in 2014/15 was £961k. Following the restructure, this was reduced to £682k. In accordance with the the current re-structure i.e. a Chief Executive, one Deputy Chief Executive and five Directors, the draft budget for 2020/21 has fallen to £568k. The budget changes each year to allow for the pay award. If the 2014/15 budget is considered in line with 2020/21 prices, this figure is £1.08m. This is 90% higher than the actual budget for 2020/21 (£568k). The current re-structure therefore represents a saving for IOACC.

DD – Who did you consult?		What did they say?
1	**Chief Executive / Senior Leadership Team (SLT)** (mandatory)	Decision to amend the Senior Management Structure made by the previous Chief Executive. Consultation with members of the SLT was made as part of the HR consultation process at that time.
2	**Finance / Section 151** (mandatory)	Section D of this report has been completed by the section 151 Officer.
3	**Legal / Monitoring Officer** (mandatory)	Author of this report.
4	**Human Resources (HR)**	Comments incorporated as part of this Report
5	**Property**	N/A
6	**Information Communication Technology (ICT)**	N/A
7	**Procurement**	N/A
8	**Scrutiny**	N/A
9	**Local Members**	N/A
10	**Any external bodies / other/s**	N/A

E – Risks and any mitigation (if relevant)		
1	**Economic**	
2	**Anti-poverty**	
3	**Crime and Disorder**	
4	**Environmental**	
5	**Equalities**	
6	**Outcome Agreements**	
7	**Other**	

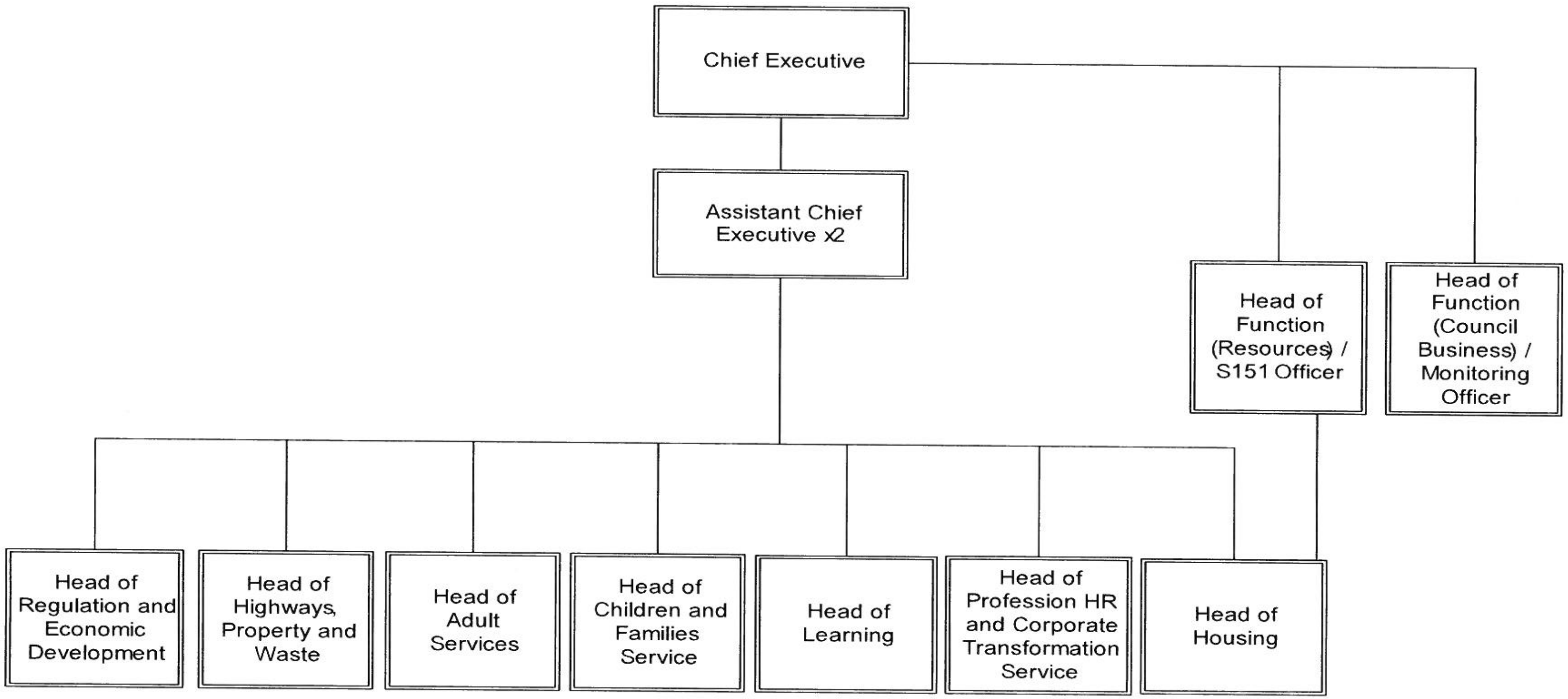
F - Appendices:

Enclosure 1	Current Senior Leadership Team structure – to be removed from the Constitution
Enclosure 2	Proposed Senior Leadership Team structure – to be included in the Constitution
Enclosure 3	Summary of main Constitutional changes to the delegated authority of certain members of the Senior Leadership Team / Heads of Service

FF - Background papers (please contact the author of the Report for any further information):

Part 7 Management Structure

Isle of Anglesey County Council
Senior Leadership Team and Heads of Service Structure Chart



November 2018

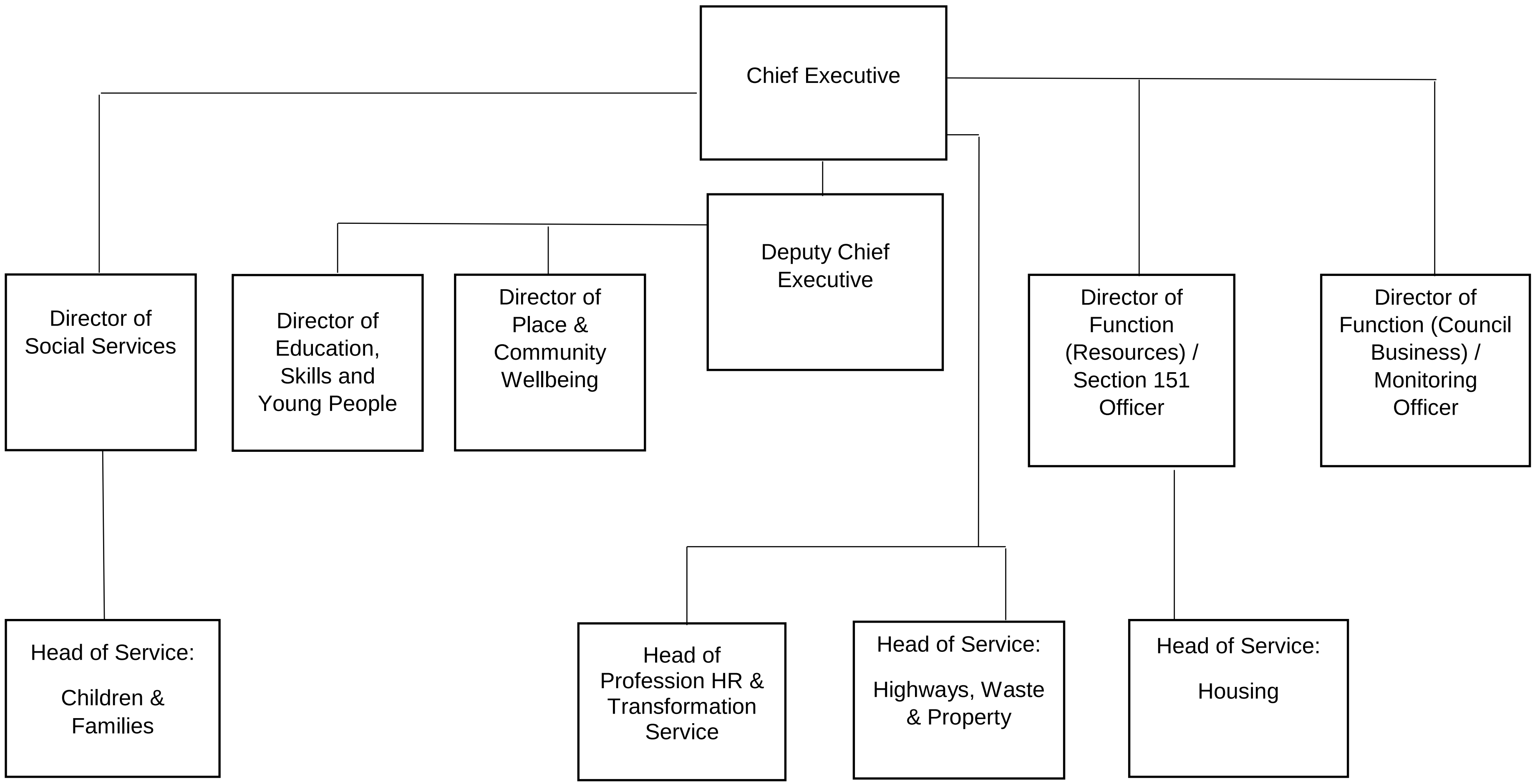
Author: Legal Services, Council Business, Isle of Anglesey County Council
legalpolicy@anglesey.gov.uk
Mae'r ddogfen yma hefyd ar gael yn y Gymraeg / This document is also available in Welsh

Official Sensitive

01/07/2019

Isle of Anglesey County Council

Senior Leadership Team / Head of Service structure



Previous Title	**New Title**	**Changes to the Constitution**
Assistant Chief Executive x2 roles	----	• The two roles are removed • The delegated authority in paragraphs 3.5.3.2 and 3.5.3.3 are deleted
----	Deputy Chief Executive	• A new single role of Deputy Chief Executive is created. • The new role amalgamates some of the responsibilities / delegated authority of the two previous Assistant Chief Executives and includes further responsibilities (in accordance with the job spec) and others so as to ensure consistency between members of the SLT. Created under paragraph 3.5.3.2 of the Constitution: *3.5.3.2.1 to exercise the functions of a member of the Senior Leadership Team and collaborate with the Chief Executive to deliver the Council's vision, values and strategies; strategic and business planning, performance and policy; ensure good corporate and democratic governance, and promote continuous improvement* *3.5.3.2.2 to collaborate with the Chief Executive in advising and guiding the Council and its Executive on major strategic and policy options; act as ambassador for the Council and to be responsible for maintaining and preserving relationships with internal and external stakeholders as an when required; ensure the continuous improvement of the Council's governance and key services* *3.5.3.2.3 to exercise the functions of providing strategic leadership, guidance and professional advice on strategic and operational issues and constantly striving for organisational excellence* *3.5.3.2.4 to act as the link Senior Leadership Team member to specific services (which may be varied from time to time) in order to provide challenge, mentorship and ultimately performance management to the Directors and Heads of Service to include use of resources, alignment of service plans and objectives with corporate priorities, constantly striving for organisational excellence* *3.5.3.2.5 through mentoring and role modelling motivate the staff to realise the organisational vision and any cultural change required* *3.5.3.2.6 in consultation where appropriate with the relevant executive portfolio members to lead and deliver the Council's key transformation programme from time to time (non-exhaustive) (e.g. internal business practices, place shaping, school modernisation, transformation of adults and children's social services, leisure etc.)* *3.5.3.2.7 in consultation where appropriate with the relevant executive portfolio members to lead and deliver the Council's broader partnerships (non-exhaustive) such as the Public Services Board, Regional Partnership Board, Safer Communities, GwE and other regional service initiatives, Town and Community Councils, North Wales Police (e.g. domestic abuse, county lines, ACE etc).* *3.5.3.2.8 to exercise leadership for the following (non-exhaustive) whole-Council priorities e.g. Welsh language standards; economic development and sense of place; major infrastructure projects; school modernisation; gypsies and travellers; prevention strategy community safety; health and safety; modern slavery* *3.5.3.2.9 Work with the Chief Executive to engage with regional/national programmes while finding ways to maintain the organisation's ability to shape and influence key developments beyond the boundaries of Anglesey* *3.5.3.2.10 in the absence of the Chief Executive, as the nominated Deputy to the Chief Executive, to exercise the powers delegated to the Chief Executive.* *3.5.3.2.11 in collaboration with the relevant Director, Head of Service and/or Head of Function to lead the development and delivery of the Council's overall legal, finance and human resources strategy; ensuring services are aligned to the standards of the Wales and UK regulatory*

		bodies *3.5.3.2.12 to oversee the creation and implementation of robust performance management frameworks across the Council so that outcomes for citizens are monitored and improved and employees have regular developmental appraisal* *3.5.3.2.13 to lead on the development of place to build the stakeholder engagement that will deliver this strategic initiative that connects the public, private and community sectors to transform the Island as a premier place to live, work, invest and visit* *3.5.3.2.14 define and build the multi-agency approach to business and community engagement and the professional networks needed. This post will lead on the external implications.* *3.5.3.2.15 carry out any duties set out in relevant job description as amended from time to time and as required by the Chief Executive*
Head of Function (Resources) / s151 Officer	Director of Function (Resources) / s151 Officer	• Change title (From Head to Director) • Two additional clauses to reflect the job description / what already appears under the delegation for other members of the SLT: *3.5.3.5.21 as a member of the Senior Leadership Team to ensure that Corporate leadership is effective and that legal, finance and human resource services are aligned to the standards of the Welsh and UK regulatory bodies* *3.5.3.5.22 to act as line manager to the Head of Service: Housing*
Head of Function (Council Business) / Monitoring Officer	Director of Function (Council Business) / Monitoring Officer	• Change title (From Head to Director) • The same as the above – the same clause inserted – for uniformity: *3.5.3.6.7 as a member of the Senior Leadership Team to ensure that Corporate leadership is effective and that legal, finance and human resource services are aligned to the standards of the Welsh and UK regulatory bodies*
Head of Service (Adult Services)	Director of Social Services	• *Change title (From Head to Director)* • *Ten new clauses inserted to reflect the additional responsibilities as Director (as included in the job spec) and so as to ensure consistency between others at Director level:* *3.5.3.7.29 to exercise the functions as a member of the Senior Leadership Team, providing leadership, vision and strategic direction for the Council to deliver the Council's corporate priorities and objectives.* *3.5.3.7.30 to lead on developing the Council's response to the Social Services and Wellbeing (Wales) Act 2014 by supporting children, young people and adults "at risk" and strategies to allow older adults to be as independent as possible (this includes working in partnership with a range of internal and external partners including (non-exhaustive) Local Health Board, the third sector, independent sector, Town and Community Councils etc.).* *3.5.3.7.31 as a member of the Senior Leadership Team to ensure that corporate leadership is effective and that legal, finance and human resource services are aligned to the standards of the Welsh and UK regulatory bodies* *3.5.3.7.32 accountable for the quality and delivery of services for discharging social service functions (including (non-exhaustive) ensuring effective safeguarding arrangements; fostering effective joint working relationships both within and outside the local authority and drive the delivery of improved outcomes) and lead on developing a clear vision for Social Services designed to provide high quality services* *3.5.3.7.33 to lead on developing a Prevention strategy designed to support people of all ages that improves community and family resilience thus making a significant contributions to the Council's preventative and managing demand agenda;* *3.5.3.7.34 to have overall responsibility for the strategy for supporting Gypsies and Travellers;*

		3.5.3.7.35 as a member of the Senior Leadership Team to contribute to the development of Safer Communities strategies and developments; *3.5.3.7.36 to act as the link Senior Leadership Team member to specific services (which may be varied from time to time) in order to provide challenge, mentorship and ultimately performance management to the Heads of Service to include use of resources, alignment of service plan and objectives with corporate priorities, constantly striving for organisational excellence* *3.5.3.7.37 to represent the Council on the Regional Partnership Board* *3.5.3.7.38 to ensure the Information Advice and Assistance service (IAA) is effective in supporting people achieve their well-being outcomes*
Head of Service (Children's Services)	Head of Service: Children and Families and Deputy Director of Social Services	• Change title (to include Deputy Director role) • New clause inserted to reflect the additional responsibility as Deputy Director of Social Services: *3.5.3.8.11 to undertake the statutory functions of the Director of Social Services in the absence of the Director of Social Services, as included in any Protocol which may be amended from time to time in accordance with legislation and/or local choice.*
Head of Profession, HR and Corporate Transformation Service	Head of Profession HR and Transformation Service	• Change title (slightly) in line with job specification and to ensure consistency in the format of job titles across all in the same job roles
Head of Service (Regulation and Economic Development)	Director of Place and Community Wellbeing	• Change title (From Head to Director) • Seven new clauses inserted to reflect the additional responsibilities as Director (as included in the job spec) and so as to ensure consistency between others at Director level: *3.5.3.10.36 to provide advice and professional leadership to the Council and its Committees, the Senior Leadership Team, ensuring continuous improvement and driving the modernising and change management programme within the Service.* *3.5.3.10.37 to exercise the functions as a member of the Senior Leadership Team, providing leadership, vision and strategic direction for the Council to deliver the Council's corporate priorities and objectives and taking the lead in relation to Place and Community Well-being matters.* *3.5.3.10.38 to lead the place shaping agenda by co-ordinating economic, environmental, tourism and community well-being functions, inspiring community well-being, resilience and engagement to develop local well-being plans aligned with the Well Being of Future Generations principles.* *3.5.3.10.39 to act as the link Senior Leadership Team member to specific services (which may be varied from time to time) in order to provide challenge, mentorship and ultimately performance management to the Heads of Service to include use of resources, alignment of service plan and objectives with corporate priorities, constantly striving for organisational excellence* *3.5.3.10.40 to lead on Health and Safety compliance and as a member of the Senior Leadership Team to contribute to Safer Communities strategies and developments;* *3.5.3.10.41 as a member of the Senior Leadership Team to ensure that corporate leadership is effective and that legal, finance and human resource services are aligned to the standards of the Welsh and UK regulatory bodies* *3.5.3.10.42 to act as lead ambassador for the Council by representing and promoting the area at local, regional and national levels, and raising the profile of the Island, and developing co-operation with external partners including Town and Community Councils*

Head of Service (Highways , Waste and Property)	Head of Service: Highways, Waste and Property	• Change title (very slightly) in line with job specification and to ensure consistency in the format of job titles across all in the same job roles
Head of Service (Housing)	Head of Service: Housing	• Change title (very slight) in line with job specification and to ensure consistency in the format of job titles across all in the same job roles
Head of Service (Learning)	Director of Education, Skills and Young People	• Change title (From Head to Director) • Amending the current remit of the role to include: *3.5.3.13.1 To provide leadership across all aspects of the Service's work. This includes <u>leading on championing children's rights; co-ordinating arrangements to improve young people's skills, well-being and resilience; furthering collaboration and integration; working with a range of partners to ensure that skills development is effective at all levels (non-exhaustive) e.g. pre-school, schools, college, university and training providers, Town and Community Councils,</u> to improve standards and outcomes for all learners; specialist and preventative services; ensuring that all capital programmes and grants are aligned with corporate and service delivery plans, and the development of lifelong learning across libraries, museums and archives* • Six new clauses inserted and amendments made to current clauses so as to reflect the additional responsibilities as Director (as included in the job spec) and so as to ensure consistency between others at Director level: *3.5.3.13.60 to exercise the functions as a member of the Senior Leadership Team, providing leadership, vision and strategic direction for the Council to deliver the Council's corporate priorities and objectives and taking the lead in Education, Skills and Young People.* *3.5.3.13.61 to act as the link Senior Leadership Team member to specific services (which may be varied from time to time) in order to provide challenge, mentorship and ultimately performance management to the Heads of Service to include use of resources, alignment of service plan and objectives with corporate priorities, constantly striving for organisational excellence* *3.5.3.13.62 to work with the Safeguarding Children's Board to ensure that all responsibilities and expectations are met in full and contribute to Safer Communities strategies and developments;* *3.5.3.13.63 as a member of the Senior Leadership Team to ensure that corporate leadership is effective and that legal, finance and human resource services are aligned to the standards of the Welsh and UK regulatory bodies* *3.5.3.13.64 to lead on establishing strong working relationships with other educational providers (non-exhaustive) including early years, further and higher education, training providers.* *3.5.3.13.65 to drive the corporate school modernisation strategy and change management programme within the Service* *3.5.3.13.66 to act as lead ambassador for the Council by representing and promoting the Authority at local, regional and national levels, and rising the profile of the Island, and working with a range of partners including Town and Community Councils to improve young people's well-being and personal resilience*

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ISLE OF ANGLESEY COUNTY COUNCIL	
MEETING:	County Council
DATE:	10/03/2020
TITLE OF REPORT:	Pay Policy Statement 2020
REPORT BY:	Councillor Dafydd Rhys Thomas
PURPOSE OF REPORT:	To ensure that the Authority satisfies its statutory obligations under the Localism Act 2011 to have a published Pay Policy by 31.3.20

INTRODUCTION

Under Section 112 of the Local Government Act 1972 the Council has the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit”. The Localism Act of 2011, Section 38, requires English and Welsh local authorities to produce and publish a pay policy statement for each financial year.

SCOPE OF THE POLICY

The Localism Act 2011 requires authorities to develop and make public their pay policy on all aspects of Chief Officer Remuneration. In the interest of transparency and accountability the Council has chosen to take a broader approach and produce a policy statement covering all employee groups, with the exception of school teachers as their remuneration is not within local authority control. Welsh Government guidelines have been incorporated into the statement.

RECOMMENDATION

It is recommended that the Council endorse the Pay Policy Statement attached to this report as its Pay Policy Statement for 2020/21.

Appendix 1 Pay Policy Statement

ISLE OF ANGLESEY COUNTY COUNCIL

PAY POLICY STATEMENT

FEBRUARY 2020

1. Introduction and Purpose

Under section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit". This Pay Policy Statement (the 'statement') sets out the Council's approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011, requiring English and Welsh local authorities to produce and publish a pay policy statement for each financial year. The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its employees (excluding those teaching in local authority schools) by identifying;

- the methods by which salaries of employees are determined;
- the level and elements of remuneration of its chief officers as defined by the relevant legislation;
- the level of remuneration of its lowest paid employees;

Local authorities are large complex organisations with multi-million pound budgets. They have a very wide range of functions and provide and/or commission a wide range of essential services. The general approach to remuneration levels may therefore differ from one group of employees to another to reflect specific circumstances at a local, Welsh or UK national level. It also needs to be flexible when required to address a variety of changing circumstances and aligned to business objectives.

2. Legislative Framework

In determining the pay and remuneration of its employees, the Council will comply with all relevant employment legislation. This includes (but not exhaustively) the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations 2006.

3. Scope of the Pay Policy Statement

The Localism Act 2011 requires authorities to develop and make public their pay policy on all aspects of Chief Officer Remuneration (including on ceasing to hold office), and that pertaining to the 'lowest paid' in the authority, explaining their policy on the relationship between remuneration for Chief Officers and other groups. However, in the interests of transparency and accountability the Council has chosen to take a broader approach and produce a policy statement covering all employee groups, with the exception of school teachers as their remuneration is not within local authority control.

Nothing within the provisions of the Localism Act 2011 detracts from councils' autonomy in making decisions on pay that are appropriate to local circumstances and which deliver value for money for local tax payers. However, this policy statement will be complied with in setting remuneration levels for all groups within its scope.

4. Development of Pay and Reward Strategy

The primary aim of a reward strategy is to attract, retain and motivate suitably skilled staff so that the organisation can perform at its best. One of the biggest challenges for the Council is to maximise productivity and efficiency within current resources. Pay policy is a matter of striking a sometimes difficult balance between setting remuneration at appropriate levels to facilitate a sufficient supply of appropriately skilled individuals to fill the authority's very wide range of posts, and ensuring that the burden on the taxpayer does not become greater than can be fully and objectively justified.

In this context it does need to be recognised that at the more senior levels in particular, remuneration levels need to enable the attraction of a suitably wide pool of talent and the retention of suitably skilled and qualified individuals once in post. It should be recognised that the Council will often be seeking to recruit in competition with other good public and private sector employers.

The Council is a major employer in the area and, as such, must have regard to its role in improving the economic well-being of the people of Anglesey. The availability of good quality employment on reasonable terms and conditions and fair rates of pay has a beneficial impact on the quality of life in the community as well as on the local economy. The Council also has a role in setting a benchmark example on pay and conditions to other employers in the area for the same reasons.

In designing, developing and reviewing pay and reward strategy the Council will seek to balance these factors appropriately to maximise outcomes for the organisation and the community it serves, whilst managing costs appropriately and maintaining sufficient flexibility to meet future needs. This Pay Policy Statement will be reviewed and approved on an annual basis by the Full Council.

5. Pay Structure

The Council uses the nationally negotiated NJC pay spine as the basis for its local grading structure. This determines the salaries of the large majority of the non-teaching workforce, together with the use of other nationally defined rates where relevant. In April 2018 a pay award for NJC employees covering the period from 1 April 2018 to 31 March 2020 was agreed. National agreement on the 2020 and onwards pay award is currently awaited. The Council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine. The Council is committed to fairly determining pay in accordance with equal pay legislation and the local government 'single status' agreement 1997 and has, from 1 December 2015, implemented a Single Status pay and grading structure. The Council's NJC grading structure runs from Grade 1 (scp 10) to Grade 10 (max scp 50) with current minimum and maximum hourly rates of pay being £9.36 and £28.17 respectively.

Once a post has been evaluated, the score will determine into which pay grade or band the post will be assimilated. New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate, with the agreement of the Head of Service – HR & Transformation.

All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy.

The Council does not generally utilise the practice of applying market supplements to take account of the external pay market in the attraction and retention of employees with particular experience, skills and capacity. However, a Market Supplement Policy exists and, in implementing this, the Council will ensure that any application for market supplements will be objectively justified by reference to clear and transparent evidence of successive failure to recruit to a particular post and evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector. The Council, through its Secondments and Honoraria Policy, can also apply temporary honoraria to individuals who, for various reasons, are acting up to a higher level of responsibility for a period of time.

The Council expects high levels of performance from all employees and has an Annual Appraisal Scheme in place to monitor, evaluate and manage performance on an ongoing basis.

6. Other Benefits

Subject to qualifying conditions, employees have a right to join the Local Government Pension Scheme. The employee contribution rates, which are defined by statute, currently vary between 5.8% - 11.4% of salary, dependent upon defined pay bands relating to whole-time equivalent salary. The Employer contribution rates are set by Actuaries advising the Gwynedd Pension Fund and reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The rate from 1.4.2020 will be 21.4% and is applicable until 31.3.2023.

The Council has a range of other terms and conditions applicable to its employees, based largely upon National Joint Council terms and conditions, supplemented by locally negotiated conditions and policies. Certain of these terms and conditions result in monetary payments, including car loans, payment of professional fees and honoraria payments for undertaking additional responsibilities. For relevant ‘additions to salary of Chief Officers’, see paragraph 10 below. Staff terms and conditions are reviewed on a regular basis in consultation and negotiation with our recognised trade unions.

7. Senior Management Remuneration

For the purposes of this statement, senior management means ‘chief officers’ as defined within S43 of the Localism Act. The following posts are identified as falling within the statutory definition of ‘senior management’ in the context of this statement:-.

a) Chief Executive/Head of Paid Service
b) Senior Leadership Team - Deputy Chief Executive, Director of Function (Resources)/Section 151 Officer, Director of Function (Council Business)/Monitoring

Officer, Directors of Social Services, Education, Skills & Young People and Place & Community Wellbeing

c) Heads of Service – Children & Families, HR & Transformation, Housing and Highways, Waste & Property

In 2019 all job descriptions within the Senior Management structure were evaluated in accordance with the Local Government Association (LGA) Job Evaluation Scheme for senior officers and externally validated by the LGA. The scores were then translated into a salary structure (again reviewed by the LGA and shown below) prior to submission to the Independent Remuneration Panel for Wales (IRP) who confirmed their full support for the proposed grading and salary structure.

LGA Salary structure Senior Management Team –

LGA Grade	Post	Salary 01/07/2019
LGA 1		
LGA 2	Heads of Service	76,990
LGA 2A	Head of Function	78,380
LGA 3	Directors / Head of Function S151 Officer	86,700
LGA 4	Deputy Chief Executive	96,900
LGA 5	Chief Executive	117,300

Senior management basic remuneration as at **1st April 2020** (subject to any pending Chief Executives' and Chief Officers' pay awards) is therefore as follows:

Senior Officer	Remuneration
Chief Executive – LGA5	£117,300 per annum (non-incremental) This officer is required to act as Head of Paid Service and will also receive additional fees for Returning Officer duties
Senior Leadership – LGA2A-LGA4 -	£78,380 - £96,900 per annum
Heads of Service – LGA2 -	£76,990 per annum

No other additional special allowances or increments are included in the remuneration arrangements.

The Council's Appointments Panel convenes to consider and provide recommendations to the Council on levels of pay and reward for the above three tiers of senior officers. The scope of the Panel is to:-

- Make recommendations on senior pay and reward issues to Council, ensuring consistency, transparency and accessibility.
- Make recommendations on the management of and structure of senior pay and reward, and grounds for pay progression

The Local Government (Democracy) (Wales) Act 2013 gives the Independent Remuneration Panel for Wales ("the IRP") powers to make recommendations in relation to the salary of the Head of Paid Service, or any proposed changes to the salary of the Head of Paid Service. The Authority will consider any recommendations received from the IRP in relation to remuneration for its Head of Paid Service.

8. Recruitment of Chief Officers

The Council's policy and procedures with regard to recruitment of Chief Officers is set out within the Officer Employment Procedure Rules as set out in Part 4.10 of the Constitution. When recruiting to all posts the Council will take full and proper account of its own Equal Opportunities, Recruitment and Selection, and Redeployment Policies. The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment.

Where the Council is unable to recruit Chief Officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive Chief Officer post, the Council will, where necessary, consider engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process, ensuring the council is able to demonstrate the maximum value for money benefits from competition, in securing the relevant service.

In line with Welsh Government regulations, it is the Council's policy that the full Council is offered the opportunity to vote on remuneration and any restructures at senior management level, regardless of salary levels. Welsh Government regulations also specify that all posts attracting a salary of £100,000 or higher must be advertised externally if the duration of the post is expected to be for 12 months or more.

9. Pay Awards

The Council employs Chief Officers under JNC terms and conditions which are incorporated in their contracts. The JNC for Chief Officers negotiates on national (UK) annual cost of living pay increases for this group, and any award of same is determined on this basis. Chief Officers employed under JNC terms and conditions are contractually entitled to any national JNC determined pay rises and this council will therefore pay these as and when determined in accordance with current contractual requirements.

10. Additions to Salary of Chief Officers

Chief Officers are subject to the same qualifying criteria and arrangements as other employees with regard to receipt of additional monetary-based terms and conditions, including mileage payments and reimbursement of professional fees.

11. Payments on Termination

The Council's approach to statutory and discretionary payments on termination of employment of Chief Officers and all employees falling within the scope of this statement, prior to reaching normal retirement age, is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007. Any enhancements provided within the Council's policy are applied to all staff, irrespective of grade or status.

The Council awaits Welsh Government regulations in respect of a possible future cap on public sector exit payments. In the meantime, full Council will have an opportunity to vote on all severance packages over £100,000, the total amount to include severance pay, salary paid in lieu of notice and the cost to the authority of the strain on the pension fund arising from providing early access to pension. Any other payments falling outside the provisions of contractual terms shall be subject to a formal decision made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.

The Council does not currently have any instances of re-engagement of retired Chief Officers. If circumstances arose where this needed to be considered for business-critical reasons, any such decision would be made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such arrangements, and be in line with the Council's Restructuring & Redundancy Policy as noted below.

The Council's Restructuring & Redundancy Policy states that any employee who leaves the employment of the Council on voluntary redundancy terms will not be re-employed by the Council for the duration of the redundancy compensation payment period received, e.g. if a member of staff receives 45 weeks' redundancy payment, they cannot be re-employed by the Council for 45 weeks after the termination date. This period will be extended to 12 months if the employee is also in receipt of a pension for which the Council has incurred additional costs. Any re-employment sooner than that noted above would have to be with the express authorisation of the Senior Leadership Team and the Head of Service – HR & Transformation who would consider each case on its merits.

12. Lowest Paid Employees

The lowest paid persons employed under a contract of employment with the Council are employed on full time 37 hours equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1 April 2020, and pending national agreement of any proposed pay award, this point is the nationally agreed scale point 3 of £18,065 per annum, or £9.36 per hour compared with the National Living Wage of £8.72 per hour at 1 April 2020 and the current Real Living Wage of £9.30 per hour. The Council's salary values may change in 2020 if the proposed national pay award currently under negotiation is agreed.

The relationship between the rate of pay for the lowest paid and chief officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce.

As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate. When expressed as a multiplier of pay, the Chief Executive's salary is 6.5:1 greater than that of the Council's lowest earner.

13. External Contractors

The Council will utilise its procurement processes to ensure that fair and ethical pay practices are adopted by external contractors commissioned to deliver services.

14. Publication

Upon approval by the full Council, this statement will published on the Council's Website. In addition, for posts where the full time equivalent salary is at least £60,000, the Council's Annual Statement of Accounts (http://www.anglesey.gov.uk/council-and-democracy/council-finance-and-budgets/statement-of-accounts/statement-of-accounts-2018-2019/) will include a note setting out the total amount of

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above.

15. Accountability and Decision Making

Paragraph 10 of the statutory guidance states “The provisions in the Act ……require Councillors to take a greater role in determining pay, ensuring that these decisions (no definition) are taken by those who are directly accountable to local people”.

In accordance with the Constitution of the Council, the Pay and Grading Panel is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.

This Pay Policy Statement will be reviewed annually and presented annually to a meeting of the full Council either in February or March, following which it will be published on the Authority’s website.

The Council has considered all current guidance in the development of this pay policy but should further amended guidance be received the Authority may decide to amend its policy with full Council approval. The revised version will be published on the website.

February 2020