

# Public Document Pack



CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

Mrs Annwen Morgan  
Prif Weithredwr – Chief Executive  
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<b>RHYBUDD O GYFARFOD</b>	<b>NOTICE OF MEETING</b>
<b>PWYLLGOR LLYWODRAETHU AC ARCHWILIO</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>DYDD MAWRTH, 8 CHWEFROR, 2022 am 2:00 y. p.</b>	<b>TUESDAY, 8 FEBRUARY 2022 at 2.00 pm</b>
<b>CYFARFOD RHITHIOL WED'I FFRYDIO'N FYW</b>	<b>VIRTUAL LIVE STREAMED MEETING</b>
<b>Swyddog Pwyllgor</b>	<b>Ann Holmes 01248 752518 Committee Officer</b>

## **AELODAU / MEMBERS**

Cynghorwyr / Councillors:-

## **PLAID CYMRU / THE PARTY OF WALES**

John Griffith, Dylan Rees, Alun Roberts, Margaret M. Roberts

## **Y GRWP ANNIBYNNOL / THE INDEPENDENT GROUP**

Gwilym O. Jones, Richard Griffiths

## **ANNIBYNNWYR MÔN / ANGLESEY INDEPENDENTS**

Jeff Evans, Peter Rogers (*Cadeirydd/Chair*)

## **AELOD LLEYG / LAY MEMBER**

Dilwyn Evans (*Is-Gadeirydd/Vice-Chair*)

Please note that meetings of the Committee are streamed for live and subsequent broadcast on the Council's website. The Authority is a Data Controller under the Data Protection Act and data collected during this live stream will be retained in accordance with the Authority's published policy

## **A G E N D A**

### **1 DECLARATION OF INTEREST**

To receive any declaration of interest by any member or officer in respect of any item of business.

### **2 MINUTES OF THE PREVIOUS MEETING (Pages 1 - 10)**

To present the minutes of the previous meeting of the Governance and Audit Committee held on 9 December, 2021.

### **3 UPDATE ON THE RECRUITMENT OF LAY MEMBERS TO THE GOVERNANCE AND AUDIT COMMITTEE (Pages 11 - 14)**

To present the report of the Head of Audit and Risk.

### **4 TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23 (Pages 15 - 54)**

To present the report of the Director of Function (Resources)/Section 151 Officer.

### **5 EXTERNAL AUDIT: COMMISSIONING OLDER PEOPLE'S CARE HOME PLACEMENTS (Pages 55 - 78)**

To present the report of External Audit.

### **6 EXTERNAL AUDIT: LETTER IN RELATION TO COUNTER FRAUD ARRANGEMENTS (Pages 79 - 86)**

- To present the report of External Audit.
- To present the report of the Head of Audit and Risk with regard to addressing the recommendations of Audit Wales in relation to countering fraud.

### **7 EXTERNAL AUDIT: REGENERATING TOWN CENTRES IN WALES REPORT - RECOMMENDATIONS AND RESPONSE (Pages 87 - 162)**

- To present the report of External Audit.
- To present the response of the Head of Regulation and Economic Development.

### **8 EXTERNAL AUDIT: ISLE OF ANGLESEY COUNTY COUNCIL AUDIT SUMMARY 2021 (Pages 163 - 170)**

To present the report of External Audit.

### **9 EXTERNAL AUDIT: AUDIT WALES PROGRAMME AND TIMETABLE - IOACC QUARTERLY UPDATE DECEMBER, 2021 (Pages 171 - 182)**

To present the report of External Audit.

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**10**     **ANNUAL INSURANCE REPORT 2020/21** (Pages 183 - 194)

To present the report of the Head of Audit and Risk.

**11**     **INTERNAL AUDIT UPDATE** (Pages 195 - 206)

To present the report of the Head of Audit and Risk.

**12**     **FORWARD WORK PROGRAMME** (Pages 207 - 212)

To present the report of the Head of Audit and Risk.

**13**     **EXCLUSION OF THE PRESS AND PUBLIC** (Pages 213 - 214)

To consider adoption of the following:-

“Under Section 100(A)(4) of the Local Government Act 1972, to exclude the press and public from meeting during discussion on the following item on the grounds that it may involve the disclosure of exempt information as defined in Schedule 12A of the said Act and in the attached Public Interest Test”.

**14**     **RISK MANAGEMENT UPDATE** (Pages 215 - 238)

To present the report of the Head of Audit and Risk.

**15**     **EXCLUSION OF THE PRESS AND PUBLIC** (Pages 239 - 240)

To consider adoption of the following:-

“Under Section 100(A)(4) of the Local Government Act 1972, to exclude the press and public from meeting during discussion on the following item on the grounds that it may involve the disclosure of exempt information as defined in Schedule 12A of the said Act and in the attached Public Interest Test”.

**16**     **ANNUAL CYBER SECURITY REPORT 2020/21** (Pages 241 - 250)

To present the report of the Head of Profession (HR) and Transformation.

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## GOVERNANCE AND AUDIT COMMITTEE

### Minutes of the virtual meeting held on 9 December, 2021

- PRESENT:** Mr Dilwyn Evans (Lay Member) (Vice-Chair) (In the Chair)
- Councillors Jeff Evans, John Griffith, Richard Griffiths, Gwilym O. Jones, Dylan Rees, Alun Roberts.
- IN ATTENDANCE:** Chief Executive  
Director of Function (Resources) and Section 151 Officer  
Director of Education, Skills and Young People  
Head of Internal Audit & Risk (MP)  
Principal Auditor (NW)  
Programme, Business Planning and Performance Manager (GM)  
Schools Data Protection Officer (EW)  
Business & Performance Manager (Learning) (AJ)  
Committee Officer (ATH)
- APOLOGIES:** Councillors Mrs Margaret Roberts, Peter Rogers (Chair)
- ALSO PRESENT:** Councillors Robin Williams (Portfolio Member for Finance), R. Meirion Jones (Portfolio Member for Education, Libraries, Culture and Youth), Mr Alan Hughes (Audit Lead – Performance Audit, Audit Wales), Yvonne Thomas (Audit Wales), Bethan Owen (Accountancy Services Manager), Fôn Roberts (Director of Social Services), Nonn Hughes (Service Strategy & Business Manager)
- 

In the absence of the Chair, Councillor Peter Rogers, the meeting was chaired by the Vice-Chair, Mr Dilwyn Evans.

#### 1. DECLARATION OF INTEREST

No declaration of interest was received.

#### 2. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meetings of the Governance and Audit Committee held on the following dates were presented and were confirmed as correct –

- 21 September, 2021
  - 20 October, 2021
  - 15 November, 2021
- Arising on the minutes of the 21 September, 2021 meeting –

The Learning Service's Business and Performance Manager confirmed with regard to the two uncompleted pieces of work in relation to the consent audit and record of processing activities (ROPA) that the former had now been completed and had been forwarded to the Data Protection Officer. In relation to the latter a number of meetings have been held both

internally and with an external company to review the current arrangements; with all managers within the Learning and Culture Directorate having reviewed this work it has been transferred to a new template and it too has been forwarded to the Data Protection Officer. Some further work remains to be done in connection with ROPA to ensure that all procedures and processes are in place including data agreements and privacy notices.

**The information was accepted and was noted.**

- Arising on the minutes of the 15 November, 2021 meeting

The Director of Function (Resources)/Section 151 Officer confirmed that the Statement of the Accounts for 2020/21 was approved by the Full Council on 22 November, 2021 and was subsequently signed off by External Audit without any further amendments to the version presented to this Committee on 15 November, 2021. The approval and sign-off process was concluded within the 30 November statutory deadline and the Statement of the Accounts for 2020/21 and External Audit's report on the financial statements have now been published on the Council's website.

**The information was noted for update purposes.**

**3. ANGLESEY SCHOOLS ANNUAL INFORMATION GOVERNANCE ASSURANCE REPORT**

The report of the Schools Data Protection Officer incorporating an analysis of the key information governance issues in relation to Anglesey's schools for the period July, 2020 to November 2021 was presented for the Committee's consideration. The report provided the Schools Data Protection Officer's statement along with an overview of Anglesey primary, secondary and special schools' compliance with legal requirements in handling information including those pertaining to the UK's General Data Protection Regulation (UK GDPR), Data Protection Act 2018 and relevant codes of practice.

The Schools Data Protection Officer summarised the contents of the report as providing details of actions taken since the last report in July, 2020 to provide schools with policies and documents to support them in complying with data protection legislation as well as details of progress to date against the Schools Data Protection Plan 2021/22. The report also documents what was achieved against the Support Plan for Schools – Schools Data Protection Policies and Procedures 2020/21. She confirmed that the period had been particularly challenging for schools because of the Covid 19 pandemic which has made it difficult for schools to prioritise anything other than keeping open, providing education and dealing with staff shortages and other challenges which are still ongoing hence the yellow or orange status of a number of the actions. The report at 2.2.1 lists those policies, guidance, documents and templates that have been shared with schools for them to adopt and use and at 2.2.2.2 the data protection training delivered to schools is outlined. Training is also provided each time policy documentation is shared with schools to ensure they understand what is expected of them in terms of compliance requirements. The report also makes reference to data mapping work, specifically mapping data processors and data flows between schools and the Council. Taking everything into consideration, it is the Schools Data Protection Officer's view that schools now better understand their data protection obligations and the importance of data protection and are now giving more priority to ensuring that actions are taken to comply with requirements under data protection legislation. Whilst there is still more work to be done as reflected in the next steps, the Schools Data Protection Officer is able to provide reasonable assurance with regard to schools compliance with data protection requirements.

Points of discussion by the Committee were as follows –

- **The arrangements in place to follow up on the implementation of the next steps and to monitor compliance.** The Committee was advised that a Data Protection Plan for 2021/22 has been formulated (details provided at section 3 of the report) along with an action plan and timeline; the latter has been reviewed internally to take into account the range of other priorities which schools have and it now sets out clear expectations of when actions are to be fulfilled. All actions needed to ensure schools meet the expectations with regard to information governance/ data protection and GDPR implementation are contained within the action plan. An internal management system whereby schools confirm their adoption of policies forms part of the monitoring arrangements with the Schools Data Protection Officer also meeting regularly with schools to oversee compliance.
- **The implications and severity of the secondary schools cyber incident in June, 2021 and the remedial steps taken to safeguard data.** The Committee was advised that a team of specialised cyber-technology consultants were immediately brought in by the Council to investigate the incident with the National Cyber Security Centre also providing support to resolve matters. Forensic analysis of the cyber incident found no evidence that ICT systems were infiltrated or compromised. The incident was reported to the Information Commissioner's Officer as a possible data breach and an investigation has begun which could take up to several months to complete. *The Committee requested and it was agreed that it be informed of the findings of the ICO's investigations including any recommendations as regards lessons to be learnt that may arise therefrom.*
- **The relationship and level of understanding between Hwb (the digital platform for learning and teaching in Wales) and its responsible body, and the Council's IT Service.** The Committee was advised that the Hwb programme is a national programme implemented across Wales's schools; the circumstances of the past year and the accelerated move towards digital learning has enhanced the general understanding and appreciation of Hwb and its potential in terms of access to digital services and resources and has also led to a constructive and professional relationship between Hwb officials (Welsh Government) and officers from the ICT and Learning Services. It is envisaged that this relationship and understanding will continue to evolve.
- **Whether an estimated date for the completion of the information governance work with schools can be given acknowledging that there is an action plan with target dates to which the Committee is not party.** The Committee was advised that whilst the majority of the policies and templates which schools need to have in place will be available to them by the end of the school year some of the implementation work may overspill into the following year depending on the position in terms of schools' capacity. *The Committee asked that target dates be included in the 2021/22 annual report to better enable it to assess performance and achievement.*

It was resolved –

- **To accept the Schools Data Protection Officer's Annual Information Governance Assurance Report for 2020/21.**
- **To endorse the Schools Data Protection Officer's proposed next steps – the Schools Data Protection Plan – in order to enable schools to fully operate in accordance with data protection requirements.**

#### 4. COUNTER FRAUD, BRIBERY AND CORRUPTION STRATEGY

The report of the Head of Audit and Risk incorporating the Counter Fraud, Bribery and Corruption Strategy 2021-24 was presented for the Committee's consideration. The report set out the activity that Internal Audit will carry out in the stated timeframe to minimise the risk of fraud, bribery and corruption occurring within and against the Council.

The Head of Audit and Risk summarised the content and objectives of the strategy highlighting that in the absence of a Wales specific strategy the “Fighting Fraud and Corruption Locally Strategy for the 2020s” (FFCL) publication endorsed by CIPFA has been used as a basis for the strategic focus; this is the overarching counter fraud and corruption strategy for local government in England and provides a blueprint for a tougher and more up to date response to fraud and fraud perpetrated against local authorities than that found in CIPFA’s Code of Practice on Managing the Risk of Fraud and Corruption (2014) (the CIPFA Code) which was also considered. Similar to the CIPFA Code, the FFCL strategy focuses on five pillars of activity or strategic objectives; these are outlined within the report and will help set out where the Council needs to concentrate its counter-fraud efforts. The Head of Audit and Risk referred also to the National Fraud Initiative, a two yearly data matching exercise which drives much of the counter fraud work and she confirmed that ongoing work on the first tranche of the NFI 2020/21 matches released in January 2021 has not to date shown up any instances of fraud in respect of the Council’s systems.

Points of discussion by the Committee were as follows –

- **The recognition of the need to strengthen the Council’s approach to procurement as one of the highest perceived fraud risk areas in 2019/20 with there being no consistent system or approach at present; the absence of a procurement policy and/or strategy to provide standardisation was therefore queried.** The Head of Audit and Risk clarified that it is the contract monitoring element of the Council’s procurement arrangements that is not centralised and that the audit which is underway will assess the robustness of the Council’s controls and measures to detect and/or prevent fraud and corruption in this area.
- **Whether the revenue generated by the last review of Council Tax Single Person Discount claims was the result of identifying fraudulent claims and whether in such cases and cases involving disabled parking concession fraud and grant fraud any prosecutions have followed.** The Head of Audit and Risk in confirming that no prosecutions had occurred in the last few years clarified that the review of SPD claims is a Datatank initiative providing a data verification service; the review screened 11,200 accounts, targeted 2,245 accounts and identified 484 errors with an error rate of 4.3%.
- **Whether the increased potential for grant fraud arising from Welsh Government’s Covid-19 grant support schemes had been realised when administering the schemes and whether any lessons had been learnt from the experience thus far.** The Head of Audit and Risk advised that because of the need to quickly implement expansive stimulus packages to support individuals and business, Welsh Government’s guidance was that upfront low-friction controls be implemented where possible with the focus being on prompt payment. However, the Finance Service’s grants team which included a member of the Internal Audit staff on secondment did carry out pre-payment checks on all grants, and whilst the NFI’s data matches have not identified any frauds to date further work needs to be done before a definitive conclusion can be reached. The Director of Function (Resources)/ Section 151 Officer advised that as an authority covering a smaller geographical area where many businesses are known, the Council was in a better position to identify business support grant claimants as genuine or not. The bulk of the work in the first tranche of grant distribution involved confirming whether or not businesses occupied premises liable for business rates since many small business are eligible for rate relief or are exempt altogether and then updating the Council’s business rates records accordingly. Having established the details and eligibility subsequent tranches of grant distribution were easier to complete and he was therefore confident that 99% of the grant payments made were correct.

- **That the Strategy is short on reference to bribery and corruption; recognising that these are potentially more difficult to detect, it was asked whether in the Council's experience any indications of bribery and/or corruption have arisen in day to day activities. Likewise, the strategy does not make reference to prosecuting the perpetrators of fraud only to committing the right support and appropriate resources for tackling fraud. It was suggested that declaring a commitment to prosecuting fraudsters would be an effective preventative measure.** The Head of Audit and Risk advised that the audit of procurement arrangements should uncover any vulnerabilities as regards bribery and corruption; as regards using the threat of prosecution as a deterrent one of the five FFCL pillars on which the strategy is based is that of "Pursue" where it is stated that the Council will always seek the strongest possible sanction against any individual or organisation that defrauds or attempt to defraud the Council. The Director of Function (Resources)/ Section 151 Officer highlighted that the Council's Financial Procedure Rules at paragraph 4.8.5.3.6 provide for reporting any breach of criminal law to the police or appropriate prosecuting authority.

**It was resolved to note Internal Audit's strategy for countering fraud, bribery and corruption for 2021-24.**

## **5. TREASURY MANAGEMENT MID-YEAR REVIEW 2021/22**

The report of the Director of Function (Resources)/Section 151 Officer incorporating the mid-year review of treasury management activities and position was presented for the Committee's consideration.

The Committee was advised that the situation with regard to the economic position as updated in the report had since moved on with inflation continuing on an upward trajectory which in turn creates pressure to increase the Bank Rate. The table at 3.1 of the report provides an interest rate forecast and is accompanied at Appendix 2 by a commentary on the interest rate situation including the significant risks to the forecast from the ongoing pandemic, unresolved Brexit issues and other factors. The Council's strategy on investment remains unchanged and is based on prioritising the security of capital and liquidity ahead of returns. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs but also to seek out value available in periods up to 12 months with high credit rated financial institutions. The Council has made an investment with Flintshire County Council during the first half of the year and has opened accounts with two new approved banks providing better returns. The Council like many other local authorities is holding a large cash balance which is mostly on short term deposit. Committing to longer term investments needs to be weighed against the probability of interest rate rises.

No further borrowing was undertaken during the first half of the year and it is not anticipated that any additional external borrowing will need to be undertaken during the second half of the year. There will be a borrowing requirement to fund part of the 2021/22 capital programme but this will be undertaken internally by drawing down the Council's cash balances thereby delaying capital financing costs while the Council's cash balance can absorb this internal borrowing. It can be confirmed that during the half year ended 20 September, 2021 the Council has operated within the treasury and prudential indicators set out in its Treasury Management Strategy Statement for 2021/22 and no difficulties are envisaged in complying with these indicators for the remainder of the year.

Points of discussion by the Committee were as follows –

- **The pace of expenditure on the capital programme with the capital spend needing to be significantly accelerated in the second half of the year if the**

**capital programme is to be fulfilled and the expenditure profile realised.** The Committee was advised that a number of factors can impact on the delivery of the capital programme in any year with the Covid 19 pandemic and a shortage of labour and materials having affected many of the current year's schemes. A delay in reaching a decision on the reorganisation of the primary education provision in the Llangefni area also affected the progress of the 21<sup>st</sup> Century Schools Programme leading to a significant underspend. The Council may also be overly optimistic about its capital programme delivery. At the suggestion of the Finance Scrutiny Panel and in order to improve capital planning and delivery, it is intended to bring the capital programme approval process forward to January so that contracts can be finalised sooner allowing work on schemes to be phased over the summer months thereby reducing the likelihood of slippage due to poor weather conditions. With regard to benchmarking capital delivery performance with that of other authorities, whilst differences in scale and capacity make a meaningful comparison difficult the Service could seek out similarly sized authorities to draw a comparison with. As regards having schemes at the ready that can be brought forward quickly to maximise expenditure the capital programme and budget need to be approved by the Executive; additional schemes or amendments to existing schemes would only be incorporated in the capital programme at the approval of the Executive.

**It was resolved to accept and to note the TM mid-year review report 2021/22 without further comment.**

#### **6. EXTERNAL AUDIT: ISLE OF ANGLESEY COUNTY COUNCIL: ANNUAL AUDIT SUMMARY**

Mr Alan Hughes, Audit Wales Performance Audit Lead advised that a copy of the 2020 Annual Audit Summary had been sent through for publication in error for which he apologised. As there is one authority in which the accounts completion process remains unfinished Audit Wales is not able to provide fully comparative information hence the unavailability at this time of the 2021 Audit Summary. The outstanding set of accounts has now been received and every effort will be made to issue the 2021 Audit Summary at the earliest opportunity.

#### **7. EXTERNAL AUDIT: AUDIT WALES WORK PROGRAMME AND TIMETABLE: IOACC QUARTERLY UPDATE SEPTEMBER, 2021**

The report of External Audit incorporating the Audit Wales Work Programme and Timetable updated as at 30 September 2021 was presented for the Committee's information. The programme outlined the publication timetable and current status of financial and performance audit work along with Local Government national studies and Audit Wales national reports both planned and in progress. Reference was also made to other regulatory work to be carried out by Estyn and Care Inspectorate Wales.

**It was resolved to note the information and schedule presented.**

#### **8. EXTERNAL AUDIT: STUDENT FINANCES (FOR INFORMATION)**

The report of External Audit with regard to Student Finances was presented for the Committee's information. The report explained how the system of student finances works for Welsh students and considered how the Welsh Government oversees the system making three recommendations for improvement in connection with performance monitoring, sustainable development and succession planning and resilience.

Points of discussion by the Committee were as follows –

- **Given that Welsh Government pays the Student Loan Company over £20m a year to administer student finances and given also that the evaluation of SLC's performance is mixed, did Audit Wales consider that the work should not be outsourced or alternatively whether it should be delivered by another company?** Mr Alan Hughes, Audit Wales Performance Audit Lead advised that one of the recommendations made in the report by Audit Wales is that Welsh Government should periodically review the value for money offered by the arrangement and consequently should consider whether the model of administration remains sustainable in the long-term and is one that it wishes to continue with.

**It was resolved to note the report for information purposes.**

## **9. LOCAL CODE OF GOVERNANCE**

The report of the Head of Profession (HR) and Transformation incorporating the Council's Local Code of Governance draft was presented for the Committee's consideration. The Code sets out the Council's approach to delivering good governance and has been prepared in accordance with the core and supporting principles contained within CIPFA/Solace 2016 Framework for Delivering Good Governance in Local Government.

The Programme, Business Planning and Performance Manager referred to the seven principles of good governance as agreed by CIPFA and Solace and on which the draft Code is based. The Code is underpinned by these principles and consists of a framework of policies and procedures, culture and values by which the Council is directed and controlled and which provide a source of assurance and evidence that those principles are being complied with. It is envisaged that the Code will be presented to the Committee annually for review and to provide assurance that the Council's governance arrangements remain robust and fit for purpose and have been implemented and applied effectively to all aspects of the Council's business.

**It was resolved –**

- **To approve the draft Local Code of Governance.**
- **That the Committee's members if they so wish be invited to offer minor amendments to the Code of Governance draft before it is adopted by the Isle of Anglesey County Council in March, 2022.**

## **10. NATIONAL REVIEWS AND RELATED RECOMMENDATIONS**

The report of the Head of Profession (HR) and Transformation setting out how the Council has responded to national reviews and their related recommendations was presented for the Committee's consideration. The report seeks to provide assurance that the recommendations attached to national reports have been given due consideration by the County Council's services and that those specifically relevant to the Council are being implemented in a meaningful way.

The Programme, Business Planning and Performance Manger reported that in order to demonstrate good governance and in response to the letter to the Chair of the Committee by the Director General of Audit Wales which was presented to the Committee at its September, 2021 meeting, the report above shows the Council's position against the various related areas of work. The report recognises 15 national reports and associated recommendations which will be updated annually for the Committee's attention. These recommendations affect wide range of Council services as listed in the report. It is envisaged that subject to the Committee's agreement the update will be presented annually to the Committee at its Quarter 3 meeting.

Point of discussion by the Committee –

- **With regard to the National Fraud Initiative in Wales 2018-20 given the last exercise did not identify any frauds, whether that still remains the case.** The Head of Audit and Risk advised that although the work undertaken to date on the first tranche of the NFI 2020/21 matches which were released in January 2021 has not identified any frauds as previously confirmed, some weaknesses in process have been highlighted specifically with regard to procurement which is why a review of the Council's vulnerability to procurement fraud is being carried out which will report early in 2022. A full update on the findings of the NFI data matching exercise will be included in the 2021/22 Annual Fraud Report.

It was resolved –

- **To accept the update as a record of the County Council's annual update against the related recommendations.**
- **To agree that in future updates of this kind be scheduled annually for the attention of the Committee in Quarter 3 of the financial year.**

## 11. INTERNAL AUDIT UPDATE

The report of the Head of Audit and Risk which updated the Committee on the work of the Internal Audit section as at 1 December, 2021 was presented for consideration. The report outlined the audits completed since the previous update in September, 2021, the current workload of Internal Audit and its priorities for the short to medium term.

The Head of Audit and Risk highlighted the four audit reports finalised in the period, two of which – Investment in Assets and Gypsies and Travellers Accommodation resulted in a Reasonable Assurance opinion with no issues being raised. The review of Council Sundry Debts recovery and the Impact of Covid-19 produced a Limited Assurance opinion and eight issues/risks requiring management action of high to moderate impact were raised. An action plan to address those issues has been agreed with management and a timeline of 20 June, 2022 has been set. In addition, the Director of Function (Resources)/ Section 151 Officer has commissioned a consultant to address the issues and risks raised in the Action Plan and a project with milestones has been developed and agreed with the consultant. The fourth audit report completed relates to an investigation in relation to procurement activity within Property Services details of which are provided in paragraph 12 to 15 of the report. The three audits noted in the table at paragraph 16 of the report are in progress and work is also ongoing on investigating the matches set out in paragraph 18 of the report in connection with the National Fraud Initiative. As at 1 December, 2021 there were 14 overdue actions (6 major and 8 moderate) which relate to issues/risks raised in the six audits listed at paragraph 22 of the report. Internal Audit is working with the services to provide support with implementing the actions. Internal Audit's short to medium term priorities along with its longer term priorities are set out in paragraphs 25 to 28 of the report.

Points raised in discussion by the Committee were as follows –

- **Clarification of the technical issues noted as having affected monitoring of service performance and collection rates with regard to recovering sundry debts.** The Committee was advised that a lack of alignment between systems and reporting processes was identified which makes monitoring performance more difficult. Additionally, the resources in terms of time and personnel to develop business process systems in a way that meets the needs of the business are not available because staff are fully committed in keeping the business running on a day



to day basis. Hence the engagement of a consultant who will undertake the systems review and work with staff to implement any recommended changes. *It was requested and agreed that the Committee should be updated on the project's progress at its April, 2022 meeting.*

**It was resolved to note Internal Audit's assurance provision and priorities going forward.**

## **12. INTERNAL AUDIT CHARTER**

The report of the Head of Audit and Risk incorporating the Internal Audit Charter was presented for the Committee's consideration.

The Head of Audit and Risk confirmed that she had reviewed the Internal Audit Charter to ensure continued appropriateness and had not identified any significant changes.

**It was resolved to note the review and to approve the continued appropriateness of the Internal Audit Charter.**

## **13. UPDATED FORWARD WORK PROGRAMME**

The report of the Head of Audit and Risk incorporating the Committee's updated Forward Work Programme was presented for consideration and endorsement. The Committee was advised that the FWP had been further amended to reflect management requests due to workload and other factors and the inclusion of the extraordinary meeting held to consider the finalised Statement of Accounts and Annual Governance Statement.

**It was resolved to note the minor amendments to the approved Forward Work Programme for 2021/22.**

**Mr Dilwyn Evans  
(Chair)**

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Adroddiad i: Report to:</b>	Governance and Audit Committee
<b>Dyddiad: Date:</b>	08 February 2022
<b>Pwnc: Subject:</b>	Update on the recruitment of lay members to the Governance and Audit Committee
<b>Pennaeth Gwasanaeth: Head of Service:</b>	Marc Jones Director of Function (Resources) and Section 151 Officer 01248 752601 <a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a>
<b>Awdur yr Adroddiad: Report Author:</b>	Marion Pryor Head of Audit and Risk 01248 752611 <a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a>
<b>Natur a Rheswm dros Adrodd / Nature and Reason for Reporting:</b> In accordance with the Local Government and Elections (Wales) Act 2021, the Governance and Audit Committee requires a third of its members to be lay members. This report updates the Committee on the progress made with recruiting the additional lay members required.	

## 1. INTRODUCTION

- 1.1 This report updates the Committee, as at 25 January 2022, on the progress of recruiting the additional lay members to the Governance and Audit Committee, in accordance with the provisions of the Local Government and Elections (Wales) Act 2021.
- 1.2 The Director of Function (Council Business) / Monitoring Officer provided the Council with a briefing on the Act on 9 March 2021, which can be accessed at <http://democracy.anglesey.gov.uk/documents/s16895/Local%20Governmen%20and%20Elections%20Wales%20Act%202021.pdf?LLL=0>
- 1.3 The Act introduces reforms of the performance and governance regime, including changes to the committee membership composition and proceedings (sections 116-118). The Act requires that:
  - one-third of the Committee members are lay persons and two-thirds are members of the Council
  - a member of the Committee is to be appointed by the Committee as its Chair (and must be a lay person); and

- a member of the Committee is to be appointed by the Committee as its Deputy Chair (and must not be a member of the local authority's executive or an assistant to its executive).
- 1.4 A 'lay person' is defined by section 117 of the Act as a person who is:
- not a member or an officer of any local authority
  - has not at any time in the period of 12 months ending with the date of that person's appointment been a member or an officer of any local authority; and
  - not the spouse or civil partner of a member or an officer of any local authority.
- 1.5 For the Isle of Anglesey County Council, this means there will be a requirement for four lay members. Mr Dilwyn Evans, current lay member, has indicated he is willing to serve a second term and therefore, three additional lay members are required.

## **2. PROGRESS**

- 2.1 The Council participated in the Welsh Local Government Association's (WLGA) Task and Finish Group to develop an application form and advert for the recruitment of the lay members, as well as a national programme of promotion. We worked with our IT Team to develop an on-line application form specifically for the Isle of Anglesey County Council.
- 2.2 The vacancies were widely advertised, including media outlets that younger people were likely to access, such as Facebook and LinkedIn, in accordance with the Council's duty to attract under-represented groups.
- 2.3 The advert went live on 10 October 2021 on the WLGA's website, which directed potential applicants to the Council's dedicated web page. The WLGA also placed the advert with Guardian Jobs and circulated it among professional networks (i.e. pan-Wales Equality Officer Network, non-executive director network, WCFG Commissioner Leadership alumni and former participants to the WEN Wales/EYST mentorship programme, as well as promoting on Wales Online.
- 2.4 The Council received 13 application forms. Compared to the rest of Wales, this was a very good response. A shortlisting panel consisting of the Chair and Vice-Chair of the Governance and Audit Committee, and the Director of Function (Resources) and Section 151 Officer, conducted a shortlisting exercise on 19 January 2022. The panel identified four candidates for interview. Due to being incomplete, the shortlisting panel dismissed six applications and three had no local connection, leaving four to be potentially interviewed.
- 2.5 An interview panel will interview candidates in February 2022. The interview panel will consist of the Chair of the Governance and Audit Committee, the

Director of Function (Resources) and Section 151 Officer and the Deputy Chief Executive.

- 2.6 In accordance with the Constitution, paragraph 3.4.8.2.2, the Chair and Vice-Chair recommend the appointment of the lay members to the Governance and Audit Committee, which is timetabled for the meeting on 19 April 2022.

### **3. RECOMMENDATION**

- 3.1 That the Governance and Audit Committee notes the progress made with recruiting the additional three lay members required for the Governance and Audit Committee from May 2022.

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>REPORT TO:</b>	<b>GOVERNANCE &amp; AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>8 FEBRUARY 2022</b>
<b>SUBJECT:</b>	<b>TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23</b>
<b>LEAD OFFICER:</b>	<b>MARC JONES, DIRECTOR OF FUNCTION (RESOURCES) AND SECTION 151 OFFICER</b>
<b>CONTACT OFFICER:</b>	<b>JEMMA ROBINSON, SENIOR ACCOUNTANT</b>
<b>Nature and reason for reporting</b> 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 Governance & Audit 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 Governance & Audit Committee on 11 February 2020.
3. In terms of updates to the Treasury Management Strategy Statement, there are no proposed amendment to the core principals and policies of the 2021/22 Statement.
4. Under 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. Under the revised Code in December 2021, members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.
5. **Recommendations**
  - To consider the Treasury Management Strategy for 2022/23 and to make recommendations or note comments for consideration by the Executive Committee.

## TREASURY MANAGEMENT STRATEGY STATEMENT

### ANNUAL INVESTMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND TREASURY MANAGEMENT POLICY STATEMENT 2022/23

#### 1. INTRODUCTION

- 1.1. CIPFA published the revised codes on 20 December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. The Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy, and also related reports during the financial year, which are taken to full Council for approval.
- 1.2. The revised codes will have a number of implications and members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.
- 1.3. In addition, all investments and investment income must be attributed to one of the following three purposes - Treasury Management, Service Delivery and Commercial return. As this Treasury Management Strategy Statement and Annual Investment Strategy deals with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report.

#### 2. BACKGROUND

- 2.1. 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**).

- 2.2. 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 in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 2.3. 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.
- 2.4. 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.

#### 3. CIPFA CODE OF PRACTICE ON TREASURY MANAGEMENT

- 3.1. 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, as well as the implications for future financial sustainability. The aim of this capital strategy is to ensure that all elected Members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 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. It essentially covers two areas: capital issues and treasury management issues. These elements cover the requirements of the Local Government Act 2003, Welsh Government Investment Guidance and MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

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

#### 4. EXTERNAL CONTEXT

4.1. 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:-

- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022, with significant risks to the forecasts detailed in **Appendix 4**.
- World growth was in recession in 2020 but recovered during 2021, until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022.
- Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations

4.2. 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 2025**

Annual Average	Bank Rate (%)	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
March 2022	0.25	1.50	1.90	1.70
June 2022	0.50	1.50	2.00	1.80
September 2022	0.50	1.60	2.10	1.90
December 2022	0.50	1.60	2.10	1.90
March 2023	0.75	1.70	2.20	2.00
June 2023	0.75	1.80	2.20	2.00
September 2023	0.75	1.80	2.20	2.00
December 2023	0.75	1.80	2.30	2.10
March 2024	1.00	1.90	2.30	2.10
June 2024	1.00	1.90	2.40	2.20
September 2024	1.00	1.90	2.40	2.20
December 2024	1.00	2.00	2.50	2.30
March 2025	1.25	2.00	2.50	2.30

Information provided by Link Group, Treasury Solutions is attached as **Appendix 4**.

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Borrowing interest rates fell to historically very low rates as a result of the Covid crisis and the quantitative easing operations of the Bank of England, and still remain at historically low levels. Despite these low rates, our policy of avoiding new borrowing by running down spare cash balances has served the Authority well over the last few years.

- 4.3. The current forecast, shown above, includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February. Given the forecast for bank base rates, the suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long term forecast is for periods over 10 years in the future):-

2022/23: 0.50%;  
 2023/24: 0.75%;  
 2024/25: 1.00%;  
 2025/26: 1.25%;  
 Long term later years: 2.00%.

## 5. THE COUNCIL'S CURRENT POSITION

### 5.1. Borrowing

5.1.1. 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	£121,684k	£193k	£0k	£0k	£121,877k	
Average life (years)	30.42	4.63	0.00	0.00	30.38	
Average rate (%)	4.58	9.42	0.00	0.00	4.58	
OTHER LOANS						
	Salix Loan 1	Salix Loan 2	Salix Loan 3	Salix Loan 4	Salix Loan 5	Total
Outstanding Balance	£41k	£182k	£445k	£198k	£2,205k	£3,071k
Repayment Date	2024/25	2025/26	2028/29	2029/30	2031/32	
Interest Rate (%)	0.00	0.00	0.00	0.00	0.00	

## 5.2. Investments

5.2.1 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 2021 was £44.7m).

5.2.2 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 0.02% (as at 31 December 2021).

## 6. IMPACT OF FUTURE PLANS ON BORROWING

6.1. 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 2022/23 – 2024/25**

	2022/23 £'000	2023/24 £'000	2024/25 £'000
Non - HRA	17,177	9,408	8,277
HRA	18,784	22,009	18,550
Commercial Activities / Non Financial Investment	0	0	0
<b>TOTAL EXPENDITURE</b>	<b>35,961</b>	<b>31,417</b>	<b>26,827</b>
<b>Financed By</b>			
Capital Grants	7,662	7,040	5,653
Capital Receipts	600	100	100
Reserves	2,876	0	0
Revenue	10,099	9,849	10,290
<b>Balance Funded from Borrowing</b>	<b>14,724</b>	<b>14,428</b>	<b>10,784</b>

- 6.2. 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.
- 6.3. 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.
- 6.4. 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 (MRP). Regulations require that the Council approves a MRP statement in advance of each financial year. The policy for 2022/23 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 2022/23. By making the MRP charge each year, the Council's cash balances are replenished and that, in turn, reduces the level of internal borrowing.
- 6.5. 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. The Council may choose to pay more MRP in any given year. These overpayments of MRP (which in the Council's case, are to ensure enough cash for loan repayments), can, if needed, be reclaimed in later years. Up until 31 March 2021, the total overpayments were £289k, and related specifically to the Salix loans where the MRP charged to the revenue account has been calculated on the basis of the life of the loan rather than on the life of the asset which was funded by the loan. This ensures that the Council has sufficient cash to repay the loans when they become due for repayment.
- 6.6. 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 2021/22 to 2024/25**

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
<b>Capital Financing Requirement (CFR)</b>				
<b>Opening Balance of CFR</b>	<b>136,560</b>	<b>140,949</b>	<b>151,515</b>	<b>161,470</b>
Capital Expenditure	39,068	35,961	31,417	26,827
External Capital Grants	(18,416)	(7,662)	(7,040)	(5,653)
Capital Receipts	(521)	(600)	(100)	(100)
Revenue Contribution & Reserves	(12,206)	(12,975)	(9,849)	(10,290)
Minimum Revenue Provision	(3,536)	(4,158)	(4,473)	(4,696)
<b>CLOSING BALANCE OF CFR</b>	<b>140,949</b>	<b>151,515</b>	<b>161,470</b>	<b>167,558</b>

<b>External Borrowing</b>				
<b>Opening Balance of External Borrowing</b>	<b>124,524</b>	<b>132,283</b>	<b>144,335</b>	<b>156,112</b>
Borrowing to Fund Capital Expenditure	7,925	14,724	14,428	10,784
Borrowing to Fund Loan Repayments	0	0	0	0
Borrowing to Replace Internal Borrowing	0	0	0	0
Loan Repayments	(166)	(2,672)	(2,651)	(382)
<b>Closing Balance of External Borrowing</b>	<b>132,283</b>	<b>144,335</b>	<b>156,112</b>	<b>166,514</b>
<b>Internal Borrowing</b>				
<b>Opening Balance of Internal Borrowing</b>	<b>12,036</b>	<b>8,666</b>	<b>7,180</b>	<b>5,358</b>
Replacement of Internal Borrowing	0	0	0	0
Funding Loan Repayments from External Borrowing	0	0	0	0
External Loan Repayments	166	2,672	2,651	382
Borrowing to Fund Capital Expenditure	0	0	0	0
Minimum Revenue Provision	(3,536)	(4,158)	(4,473)	(4,696)
<b>Closing Balance of Internal Borrowing</b>	<b>8,666</b>	<b>7,180</b>	<b>5,358</b>	<b>1,044</b>
<b>TOTAL BORROWING</b>	<b>140,949</b>	<b>151,515</b>	<b>161,470</b>	<b>167,558</b>

## 7. BORROWING STRATEGY

7.1. 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 £8.666m 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.

7.2. Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 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.

### **7.3. External v Internal Borrowing**

**7.3.1** 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.

**7.3.2** 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.

**7.3.3** 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.

**7.3.4** However, short term savings by avoiding new long term external borrowing in 2022/23 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.

### **7.4. Borrowing in Advance of Need**

**7.4.1** 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.

**7.4.2** 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.

**7.4.3** 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.

## **7.5. Debt Rescheduling**

**7.5.1** Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

**7.5.2** 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).

**7.5.3** 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.

**7.5.4** All rescheduling will be reported to the Governance & Audit Committee at the earliest practicable meeting following its action.

## **7.6. Debt Profile**

**7.6.1.** 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.

## **8. INVESTMENT STRATEGY**

**8.1.** 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 higher rates currently obtainable, for longer periods.

## **8.2. Management of Risk**

**8.2.1** 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).

**8.2.2** 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.

- 8.2.3** The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.
- 8.2.4** 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 or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding 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 2022/23 (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 2022/23 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. The Welsh Government has passed a statutory override to allow Welsh local authorities time to adjust their portfolio of all pooled investments by delaying implementation of IFRS 9 for five years until 31.03.23.

### 8.3. Creditworthiness Policy

**8.3.1** 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.

**8.3.2** 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.

**8.3.3** Credit rating information is supplied the Link Group, our treasury advisors, 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.

**8.3.4** As an additional layer to the minimum credit rating criteria described above, this Council also employs the creditworthiness service provided by Link Group. 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.

**8.3.5** 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

**8.3.6** The Link 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.

**8.3.7** Typically, the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalent) 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.

**8.3.8** 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 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. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

**8.3.9** 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.

**8.3.10** Significant levels of downgrades to Short and Long Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

**8.3.11** Although bank CDS prices (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

## 8.4. Country Limits

**8.4.1** 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.

## 9. GOVERNANCE AND CONTROL

**9.1.** 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.

**9.2.** 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.

### 9.3. Role of the Section 151 Officer and Members

**9.3.1** 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.

**9.3.2** 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.

**9.3.3** 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 Governance & Audit 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.

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

### 9.4. Treasury Management Advice

**9.4.1** The Council uses Link Group, Treasury Solutions as its external treasury management advisors. The Council exercised the option to extend the services provided by Link Group as per the contract conditions for two years, ending 31 March 2021. In accordance with procurement regulations, the Council retendered this service during early 2021 for the period 1 April 2021 to 31 March 2024 with an option to extend for two years, with Link Group, Treasury Solutions being the successful tender.

**9.4.2** 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.

**9.4.3** 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.

## **9.5. Prudential and Treasury Indicators**

**9.5.1.** 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.**

## **9.6. Reporting**

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

**9.6.2** Prudential and Treasury Management Indicators and Treasury Strategy - the first and most important report (this report) is forward looking and 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).

**9.6.3** 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.

**9.6.4** 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 and Treasury 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 (2021 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 portfolio liquidity when investing treasury management 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.”

“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 Governance & 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 Section 151 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 the Governance & Audit Committee to be responsible for ensuring effective scrutiny of treasury management strategy and policies.

## ECONOMIC BACKGROUND

- **COVID-19 vaccines.**

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pandemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

- **A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE**

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.



- **MPC MEETING 16TH DECEMBER 2021**

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.
- On 10th December we learnt of the disappointing 0.1% m/m rise in GDP in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.
- On 14th December, the labour market statistics for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.
- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.
- On 15th December we had the CPI inflation figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).
- Other elements of inflation are also transitory e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.
- Although it is possible that the Government could step in with some fiscal support for the economy, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a surprise increase in Bank Rate from 0.10% to 0.25%. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".
- On the other hand, it did also comment that "the Omicron variant is likely to weigh on near-term activity". But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation from Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)
- On top of that, there were no references this month to inflation being expected to be below the 2% target in two years' time, which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.
- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a "modest tightening" in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.
- In as much as a considerable part of the inflationary pressures at the current time are indeed transitory, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.
- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).
- The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
  - Raising Bank Rate as "the active instrument in most circumstances".
  - Raising Bank Rate to 0.50% before starting on reducing its holdings.
  - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
  - Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, CPI inflation hit a near 40-year record level of 6.8% but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.

- Shortages of labour have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the Fed's meeting of 15th December would take aggressive action against inflation. Accordingly, the rate of tapering of monthly \$120bn QE purchases announced at its November 3rd meeting, was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.
- **EU.** The slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- November's inflation figures breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to persistently higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.
- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of Omicron on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

- The EU has entered into a period of political uncertainty where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.
- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of 2020; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in 2021 after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The People's Bank of China made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.
- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.
- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is 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, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **SUPPLY SHORTAGES.** The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

*Rhan o gyngor dderbyniwyd gan / An extract from advice received from: Link Group, Treasury Solutions*

## Rhagolygon Graddfeydd Llog 2021/2025 Interest Rate Forecasts 2021/2025

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

*The Link forecasts are as at 20.12.21 and will be updated after the MPC meeting on 3.2.22. The Capital Economics forecasts are as at 12.1.22.*

Link Group Interest Ra 20.12.21													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
<b>BANK RATE</b>	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
<b>Bank Rate</b>													
Link	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.50	0.75	0.75	1.00	1.25	1.25	1.25	1.25	-	-	-	-	-
<b>5yr PWLB Rate</b>													
Link	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.80	1.90	2.10	2.20	2.20	2.30	2.40	2.40	-	-	-	-	-
<b>10yr PWLB Rate</b>													
Link	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	2.00	2.10	2.20	2.30	2.30	2.40	2.50	2.50	-	-	-	-	-
<b>25yr PWLB Rate</b>													
Link	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	2.20	2.30	2.50	2.70	2.70	2.70	2.80	2.90	-	-	-	-	-
<b>50yr PWLB Rate</b>													
Link	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.70	2.90	-	-	-	-	-

*Rhan o gyngor dderbyniwyd gan / An extract from advice received from: Link Group, Treasury Solutions*

### Significant risks to the forecasts

- Mutations of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.
- Labour and supply shortages prove more enduring and disruptive and depress economic activity.
- The Monetary Policy Committee acts 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.
- The Monetary Policy Committee tightens monetary policy too late to ward off building inflationary pressure
- The Government acts too quickly to cut expenditure to balance the national budget.
- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- Longer term US treasury yields rise strongly and pull gilt yields up higher than forecast
- Major stock markets e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- Geopolitical risks, for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

### **The balance of risks to the UK economy: -**

- The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid and its variants - both domestically and their potential effects worldwide.

### **Forecasts for Bank Rate**

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.
- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.
- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.
- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.
- We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.
- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

<b>DADANSODDIAD BENTHYCIADAU PWLB YN AEDDFEDU 2022/23 YMLAEN / PWLB LOANS MATURITY ANALYSIS 2022/23 ONWARDS</b>						
	<b>Aeddfedu PWLB Maturity</b>	<b>Blwydd-dal PWLB EIP/ Annuity</b>	<b>Benthyciadau Marchnad/ Market Loans</b>	<b>Amrywiol/ PWLB Variable</b>	<b>Cyfanswm yn Aeddfedu/ Total Maturing</b>	<b>%Yn Aeddfedu o'r Cyfran yn sefyll/ Maturing of Total Outstanding</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
2022/23	2,285	15	0	0	2,300	1.9
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	1,382	22	0	0	1,404	1.2
2027/28	2,165	24	0	0	2,189	1.8
2028/29	262	26	0	0	288	0.2
2029/30	1,538	21	0	0	1,559	1.3
2030/31	451	15	0	0	466	0.4
2031/32	1,941	9	0	0	1,950	1.6
2032/33	315	7	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	4.1
2040/41	3,500	0	0	0	3,500	2.9
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	9.4
2050/51	2,000	0	0	0	2,000	1.6
2052/53	28,238	0	0	0	28,238	23.2
2054/55	3,000	0	0	0	3,000	2.5
2055/56	3,500	0	0	0	3,500	2.9
2056/57	5,000	0	0	0	5,000	4.1
2057/58	8,513	0	0	0	8,513	7.0
2059/60	1,763	0	0	0	1,763	1.4
2064/65	10,000	0	0	0	10,000	8.2
2066/67	6,200	0	0	0	6,200	5.1
2068/69	15,000	0	0	0	15,000	12.3
	<b>121,684</b>	<b>193</b>	<b>0</b>	<b>0</b>	<b>121,877</b>	<b>100.0</b>
Cyfartaledd bywyd (blynyddoedd)/ Average life (years)	30.42	4.63	0.00	0.00	30.38	
Cyfartaledd graddfa (%)/ Average rate (%)	4.58	9.42	0.00	0.00	4.58	



<b>PROFFIL AD-DALU BENTHYCIADAU ERAILL 2022/23 YMLAEN / OTHER LOANS REPAYMENT PROFILE 2022/23 ONWARDS</b>						
	<b>Benthyciad Salix Loan 1</b>	<b>Benthyciad Salix Loan 2</b>	<b>Benthyciad Salix Loan 3</b>	<b>Benthyciad Salix Loan 4</b>	<b>Benthyciad Salix Loan 5</b>	<b>Cyfanswm / Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
2022/23	16	46	64	26	220	372
2023/24	16	46	64	26	220	372
2024/25	9	45	64	26	220	364
2025/26	0	45	64	26	220	355
2026/27	0	0	63	27	220	310
2027/28	0	0	63	27	220	310
2028/29	0	0	63	27	221	311
2029/30	0	0	0	13	221	234
2030/31	0	0	0	0	221	221
2031/32	0	0	0	0	222	222
<b>Cyfanswm / Total</b>	<b>41</b>	<b>182</b>	<b>445</b>	<b>198</b>	<b>2,205</b>	<b>3,071</b>

### Minimum Revenue Provision Policy Statement 2022/23

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 Section 151 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 Section 151 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 Section 151 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 2022/23 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 2022/23 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 8 of this strategy sets out what this Council defines as high credit quality and the associated investment criteria and limits and section 7.3 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
NatWest Bank (Part Nationalised)	n/a	n/a	n/a	n/a	n/a	n/a	£30m	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 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-subsidary 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 Section 151 Officer wishes to continue investing with that counterparty approval will be sought from the Chair of the Governance & 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 21 December 2021]**

*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 Group, Treasury Solutions credit worthiness service.*

***Based on lowest available rating***

## AAA

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

## AA+

- Canada
- Finland
- U.S.A.

## AA

- Abu Dhabi (UAE)
- France

## AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

## 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 Governance & 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 Governance & Audit Committee.

### (iii) Governance & 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;
- 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 the 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 2022/23**

**APPENDIX 11**

No.	Indicator	2020/21 out-turn	2021/22 estimate	2022/23 proposal	2023/24 proposal	2024/25 proposal
<b>Affordability</b>						
<b>1,2</b>	Estimates of [or actual] ratio of financing costs to net revenue stream:					
	Council Fund	4.75%	4.55%	4.40%	4.43%	4.44%
	Housing Revenue Account (inclusive of settlement)	16.52%	9.04%	13.40%	14.12%	13.83%
	Total	6.12%	5.08%	5.42%	5.57%	5.56%
<b>Prudence</b>						
<b>3</b>	Gross debt and the Capital Financing Requirement (CFR)	✓	✓	✓	✓	✓
	<i>Is the gross external debt &lt; the CFR for the preceding year plus the estimates of any additional CFR for the current and the next two financial years?</i>			✓	✓	✓
<b>Capital Expenditure</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>4,5</b>	Estimates of [or actual] capital expenditure					
	Council Fund	20,507	25,427	17,177	9,408	8,277
	Housing Revenue Account	12,622	13,641	18,784	22,009	18,550
	Total	<b>33,129</b>	<b>39,068</b>	<b>35,961</b>	<b>31,417</b>	<b>26,827</b>
<b>6,7</b>	Estimates of [or actual] Capital Financing Requirement					
	Council Fund	97,360	102,531	107,867	109,195	110,728
	Housing Revenue Account	39,200	38,415	43,646	52,273	56,828
	Total	<b>136,560</b>	<b>140,946</b>	<b>151,513</b>	<b>161,468</b>	<b>167,556</b>
<b>External Debt</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>8</b>	Authorised Limit					
	: General Borrowing	175,000	175,000	180,000	190,000	198,000
	: Other long term liabilities	5,000	5,000	5,000	5,000	5,000
	: Total	<b>180,000</b>	<b>180,000</b>	<b>185,000</b>	<b>195,000</b>	<b>203,000</b>



9	Operational Boundary					
	: General Borrowing	170,000	170,000	175,000	185,000	193,000
	: Other long term liabilities	5,000	5,000	5,000	5,000	5,000
	: Total	175,000	175,000	180,000	190,000	198,000
10	Actual External Debt	124,524				
<b>Treasury Management</b>		<b>2020/21 out-turn</b>	<b>2021/22 estimate</b>	<b>2022/23 proposal</b>	<b>2023/24 proposal</b>	<b>2024/25 proposal</b>
11	The Local Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services	✓	✓	✓	✓	✓
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
12	Gross and net debt	100%	100%	100%	100%	100%
	<i>The upper limit on the net debt as a proportion of gross debt</i>					
13	The upper limit on fixed rate exposures: ( net principal outstanding)	155,000	155,000	160,000	170,000	178,000
14	The upper limit on variable rate exposures: ( net principal outstanding)	20,000	20,000	20,000	20,000	20,000
15	The limit for total principal sums invested for periods longer than 364 days (any long term investments carried forward from previous years will be included in each year's limit)	15,000	15,000	15,000	15,000	15,000
				<b>2022/23 upper limit</b>	<b>2022/23 lower limit</b>	
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 2022/23 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

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

#### 4 & 5 Estimates of Capital Expenditure

This is the forecast Capital Expenditure from 2021/22 to 2024/25, and is based on the Capital Programme for 2021/22 and the Capital Strategy for 2022/23.

#### 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 Section 151 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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# Commissioning Older People's Care Home Placements – North Wales Councils and Betsi Cadwaladr University Health Board

Audit year: 2020-21

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



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Partners are working individually and collectively to provide care home placements for vulnerable service users, this is made more difficult by complex national processes, resulting in a significant focus on costs, which causes division amongst partners and has the potential to impact adversely on service users and their families. Strengthening accountability and developing a regional strategy and delivery plan has the potential to drive positive change and better partnership working, especially in relation to complex and more specialist care.

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The Regional Partnership Board's 2018 Market Shaping Statement set out some aspirations for care home commissioning which were added to by the RPB's response to 'A Healthier Wales' in 2019, however, neither of these have driven the development of a clear regional strategy for commissioning care home placements for older people in North Wales or a delivery plan to take forward the aspirations that have been identified 9

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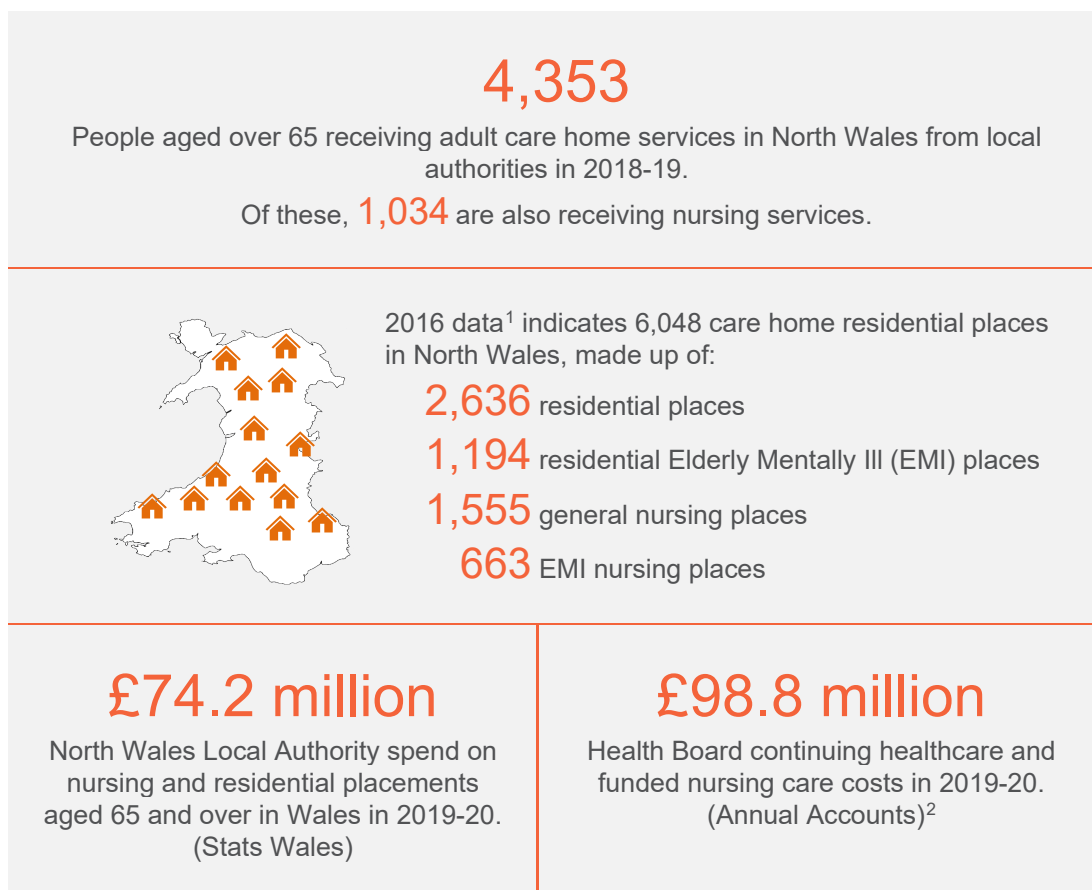
# Summary report

## Background

- 1 The Social Services and Well-being (Wales) Act 2014 (the Act) came into force on 6 April 2016. The Act provides the legal framework for improving the wellbeing of people who need care and support and for transforming social services in Wales.
- 2 Across Wales, the costs of care home commissioning for older people run into several hundreds of millions of pounds each year and many thousands of people are affected.

### Exhibit 1: key facts about care home commissioning

The exhibit sets out some key facts about adult care home services in North Wales.



<sup>1</sup> [Market Shaping Statement: Care homes for older people in North Wales](#)

<sup>2</sup> Data sourced from Health Board Annual Accounts. The majority but not all Continuing Healthcare costs relate to care home placements.

- 3 The Act requires councils and health boards to work together to assess the care and support needs of the population in their area. Partners are to identify what services are needed and to use their resources effectively; for example, by establishing and maintaining pooled fund arrangements in relation to the exercise of their care home accommodation functions.
- 4 The Act established Regional Partnership Boards (RPBs) to prioritise the integration of services including for older people with complex needs and long-term conditions, including dementia. In North Wales, the RPB includes the statutory partners – Isle of Anglesey, Conwy, Denbighshire, Flintshire, Gwynedd and Wrexham Councils and Betsi Cadwaladr University Health Board.
- 5 In early 2020, we identified strategic commissioning of care home placements for older people was a risk to both councils and the Health Board for the following reasons:
  - high level of spending on these services;
  - forecast increases in numbers of older people expected to need support;
  - recruitment and retention competition between health, social care providers and parts of the independent sector as well as retail and hospitality employers; and
  - potential untapped benefits of strategic commissioning across North Wales public sector bodies.
- 6 During 2020-21, the COVID-19 pandemic has highlighted the fragility and issues around capacity of the care market and the need to plan strategically on a regional level.

## About this report

- 7 This report sets out the findings from the Auditor General's review of care home commissioning arrangements across North Wales. The work has been undertaken as a part of our statutory programme of local audit work at each of the local authorities in North Wales and the Betsi Cadwaladr University Health Board. Reflecting the cross-sector focus of this review we have presented our findings as a single report that includes recommendations for strengthening the pan-North-Wales approach to care home commissioning and associated partnership working. We have used the term care homes to reflect all types of residential and nursing care homes in a generic sense although where we specifically refer to one type we have noted that in the text.

## Key messages and overall conclusions

- 8 Care home commissioning requires collaboration between councils, the Health Board, and providers to ensure that service users are accommodated in suitable placements.

- 9 **In overall terms, our review found that partners are working individually and collectively to provide care home placements for vulnerable service users; this is made more difficult by complex national processes, resulting in a significant focus on costs, which causes division amongst partners and has the potential to impact adversely on service users and their families. Strengthening accountability and developing a regional strategy and delivery plan has the potential to drive positive change and better partnership working, especially in relation to complex and more specialist care.**
- 10 Whilst some of the significant issues and challenges for care home commissioning that we identify in this report may be unique to North Wales, many exist because of the frameworks, policy and legislation which are nationally set out. While there is need for regional improvement, there is real opportunity to consider both the extent of these issues in other regions, and how national reform may help provide a platform for sustainable services. We have reported separately to the Welsh Government, recommending action that they should take to improve the framework within which regional partners operate. Private sector care home providers are not audited by the Auditor General per se, but public money paid to such providers is subject to the Auditor General's examination as part of the audit of public bodies. As part of commissioning and procurement activities, the Welsh Government and local authorities should consider how private sector providers can be encouraged further to support public bodies to improve care home provision. The findings that underpin the above conclusions are considered in the following sections.

## **Partners are working together to provide care for vulnerable service users but are carrying significant risks associated with market stability, workforce, and pre-placement agreements, along with a reliance on spot purchasing**

- 11 At an operational level, officers continue to work through and around the complexities of the national funding structure to get the best they can from the care home market. When commissioning care home placements, operational managers work hard to ensure service users receive the best care to meet their needs, but those with budget responsibilities must also balance this against costs.
- 12 Sustainability of the care home market is a key issue for North Wales. There are publicly and privately owned care homes and income is dependent on demand and fee rates. The funding approach is short term in nature and does not address the longer-term financial viability of the market. Nor does it properly anticipate long-term changes in need and how to adapt the market to meet that need.
- 13 In business it is essential that supply and demand are closely aligned, and in North Wales, care home provision does not reflect demand. Managers told us that there is a lack of some specialist provision such as for people with dementia and some

parts of the region have an oversupply of care homes that are not specialist in focus. Where there is an under supply of suitable care homes in an area, a person may be placed some way from their home and local community, or it could result in a delayed discharge from hospital. If a placement was made, this could be in other parts of Wales or sometimes outside Wales altogether. Placement outside of Wales may well be sensible for residents of more easterly counties and at times, a placement away from where the resident lived is the correct decision: for example, to be nearer to relatives or to ensure that the resident can live in a home where the staff are predominantly Welsh speaking. However, this can also lead to relatives having long journeys to visit their relatives.

- 14 The care home market in North Wales also has some vulnerabilities. Some care-home owners are nearing retirement and will want to sell their businesses. Some homes do not currently meet the environmental standards required under the regulations<sup>3</sup>. Once sold, the new owners may need to comply if the homes are unoccupied at the point of sale. This will affect the marketability of their businesses, and the cost of building work to comply with the standards may not be reflected sufficiently in the fee toolkit methodology. Officers continue to contract with these care homes even though they do not fully meet the environmental standards, as without using them capacity would be too limited.
- 15 Partners, through the Care Home Operational Group, have supported care homes to improve quality standards such as practice development nursing support, monitoring officer support in development processes and improvement action plans and business continuity plans, recruitment and advertising vacancies, environmental health support with food hygiene, health and safety officers and Welsh learning courses for care home staff.
- 16 In addition, partners provide support to help people to stay well, be self-caring and to prevent escalation to managed care. This support includes falls prevention services and community wellbeing programmes.
- 17 Commissioners and providers continue to work together despite the obvious challenges posed by the current complexities of the market. Managers meet regularly with providers, and the Chief Executive of Care Forum Wales which represents providers is now the chair of the RPB. Frustrations are mainly around the process and fee structure, but providers and commissioners continue to work through this imperfect arrangement.
- 18 The social care workforce is another vulnerability and one that has been clearly documented in the North Wales Social Care and Community Health Workforce Strategy 2018-2021, developed by the North Wales Workforce Board (NWWB), which sets out its priorities as:
  - stabilising the workforce – recruitment and retention;

<sup>3</sup> The Regulated Services (Service Providers and Responsible Individuals) (Wales) Regulations 2017

- learning and development – develop a workforce across the sector that has the skills, knowledge, and competencies to deliver high quality personalised services; and
- workforce planning and development in the care home sector.

Whilst the NWWB reports to the RPB and has undertaken work to begin delivery of these priorities, these are not part of a comprehensive regional delivery plan.

- 19 In line with other regions in Wales, the challenges that currently exist include a high turnover of staff, vacancies in both the health and social care sectors, variable pay in identical posts within the Health Board and councils, the impact of BREXIT, qualification requirements and the large sums paid out for agency staff by providers. The NWWB is working on the Foundation Economy Challenge Fund project which is developing a business model for a not-for-profit staffing agency to help tackle the workforce challenges across North Wales around recruitment, retention and training of the region’s social care and health workers.
- 20 The Social Care Workforce Development Partnership circulates information on training and recruitment which informs and encourages staff and potential recruits to get involved across North Wales. And Flintshire is working on value-based recruitment to attract people who want to work in the care sector.
- 21 The region is currently in the process of agreeing a new North Wales pre-placement agreement (PPA) and has extended the current version where these are in place, until the new version can be introduced. However, some placements are not covered by a PPA because those providers have decided not to sign the agreement. PPAs cover things like registration requirements, quality monitoring, reference to payment processes and payments after death. Service specifications are also not in place across the region. In working to introduce a new version of the PPA, partners should be aiming to limit and ideally eliminate instances where providers refuse to sign the new PPA. Not having these agreements and specifications in place poses a significant risk to the service users’ placement especially where disputes arise.
- 22 Councils and the Health Board commission on a spot purchase basis, generally within a pricing framework. Whilst this means that they only pay for the services they use, it also means that if there are potential financial benefits from block contracts or cost and volume contracts, they are not realised. As a result, service users and partners could be paying more than they should.

## The Regional Partnership Board's 2018 Market Shaping Statement set out some aspirations for care home commissioning which were added to by the RPB's response to 'A Heathier Wales' in 2019, however, neither of these have driven the development of a clear regional strategy for commissioning care home placements for older people in North Wales or a delivery plan to take forward the aspirations that have been identified

- 23 The Social Services and Well-being (Wales) Act 2014 'codes and guidance' state that local health boards and councils should, in relation to care homes, agree an appropriate integrated regional market position statement and regional commissioning strategy. These should specify the outcomes required of care homes, including the range of services required. There should also be an agreement on the methods of commissioning (for example, some services may require a block contract, step up, step down intermediate care services, respite care, etc).
- 24 Partners in North Wales hold considerable data locally on their service users, the range of services across the region such as service users in care homes, those receiving domiciliary care support, extra care housing provision and other support services. Whilst the Statement projects potential increased care home placements based on current numbers and population forecasts, it does not provide any data or projections of the impact of preventative services on care home placements.
- 25 In North Wales, partners' preferred model of care home provision for older people differs. The demographics across the region vary considerably, which means that demand and commissioning needs vary. Some councils have retained their in-house care homes whilst others rely on the independent sector for care home placements. Those remaining councils have a mix of in-house and independent provision. Some parts of the region have an oversupply of some types of care home places although others lack capacity in specialist areas such as dementia care. Whilst some partners may prefer larger, newer care homes others prefer smaller care homes, but choice is largely down to what is actually available, or what could be supported in the locality. Most see extra care housing replacing some of the current care home capacity.
- 26 Despite these differences, to comply with the Act, North Wales regional partners developed their Market Shaping Statement – **Care homes for older people in North Wales** (the Statement) in 2018 based on its population assessment. The statement commits to tackling a range of issues including workforce skills, the Welsh language, and the fee methodology. The Market Shaping Statement stated



that: 'There may need to be a rationalisation of provision across North Wales; for example, in some areas there is a shortage of residential care provision and in others there is an over-supply – this will require joined-up strategic development to ensure that home owners are aware of projected future demand and that commissioners and owners work together to develop the workforce to meet the anticipated needs (dementia and complex physical health conditions).' Whilst it set out some of the issues, and aspirations for care, it did not provide a clear regional strategy or delivery plan for care for older people in care homes in the future.

- 27 Of course, a regional strategy does not mean that everything must be done on a regional footing. A regional approach may be appropriate where there is an explicit need for services to be commissioned and delivered consistently or where demand is low for very specialised services. A regional approach may also provide the platform for a North Wales solution and prevent costly and sometimes poor service-user experiences from out of area placements. There may also be opportunities to create economies of scale through regional commissioning and delivery. On the other hand, a sub-regional approach could be achieved where partners want to work together to shape and adapt services to meet local circumstances. A local approach could continue where things work well, but could benefit by alignment with regionally agreed standards, processes, and fee structures. Whilst national policy assumes a regional approach, partners will need to agree how a regional approach can benefit North Wales and what remains best managed locally. In North Wales, partners operate with a mix of regional, sub-regional and local arrangements but the merits and limitations of each have not been formally considered by the RPB.
- 28 Partners will need to be bold if they are to shape the care home market. This starts with an agreed vision, an understanding of the shape of the care market in the future and transparency in how they will deliver the transition, engaging meaningfully with providers.
- 29 Although the Market Shaping Statement committed to publishing a delivery plan to underpin it, this work has not been completed. Whilst the COVID-19 pandemic had major capacity implications for social care and health partners during 2020 and to date, it should be noted that the Statement was approved in 2018. Partners could therefore have been developing a delivery plan during 2018 and 2019 to set out how the important issues it raised would be addressed.
- 30 While the RPB through its response to 'A Healthier Wales', in 2019, talks about the potential changes needed in the volume and type of care home placements needed for older people, it did not capture this in an overall care home commissioning strategy or a delivery plan to explain how it will get from where it is now to where it needs to be.
- 31 We observed the North Wales Commissioning Board meeting on 24 February 2021 as part of this review. At this meeting attendees agreed the Board's priorities for 2020-2022 in respect of planning for the next iteration of the Market Shaping Statement. This gives the RPB an opportunity to update the Statement and



develop a clear strategy and delivery plan, to shape the market and pattern of care home provision especially in relation to the more complex and specialist care, which for some users is currently provided out of region.

## As previously reported, the current pooled fund arrangement does not provide value for money or any of the intended benefits associated with the pooled fund model

- 32 As referred to earlier in this report, partners are required under the Act to establish and maintain a pooled fund arrangement to support the delivery of their care home accommodation functions. In 2020, Audit Wales raised concerns about how the six North Wales councils and Health Board had sought to meet these obligations. We concluded that whilst the current pooled fund arrangement meets the minimum technical compliance, as agreed by the Welsh Government, it does not provide value for money. The Auditor General wrote to each North Wales council and the Health Board in September 2020, proposing that they should review the current pooled fund arrangement for residential care for older people, to ensure that transfers of funds between public bodies have a tangible benefit such as better, more integrated commissioning of residential and nursing home care. The Auditor General also wrote to the Welsh Government raising his concerns.
- 33 The RPB was also advised about recommendations made in a separate Welsh Government commissioned report<sup>4</sup> on pooled budget arrangements for older people's residential care across Wales. All RPB chairs have been asked by the Welsh Government for their improvement plans detailing how they will address the nine recommendations set out in that report, including how they will use the Association of Directors of Social Services Cymru toolkit, which has been available since summer 2019, to support the development of pooled funds. These plans were expected to strengthen pooled fund arrangements and identify the steps which can be taken at an all-Wales level to share learning. To support this approach, the Welsh Government asked the National Commissioning Board to work with RPBs to develop regional commissioning and pooling of resources.
- 34 The RPB chair replied to the Welsh Government on 1 March 2021 setting out partners' reasons for delaying any progress with the pooled fund arrangement until the Welsh Government had considered responses to the White Paper – **Rebalancing Care and Support** because of its potential impact on the role and function of the RPB. The RPB has clearly stated its view that pooled budgets should be based locally and not on a larger regional footprint. It is understood that

<sup>4</sup> Welsh Government, [Welsh Government Pooled Budgets Evaluation Framework focusing on the use of pooled budgets relating to care home accommodation for people aged over 65](#), June 2020.

the RPB is in ongoing dialogue with the Welsh Government on the best way to implement the Act more broadly, and not just in relation to the use of pooled budgets.

- 35 Whilst the stance of partners on pooled budgets at the regional level up to this point is noted, there has been a recent Ministerial Statement setting out the next steps following the consultation on the White Paper. The Statement sets out an expectation of effective partnership working at all levels, including regionally. It also highlights the benefits of a regional approach in providing care to service users with complex needs. With that as context, the existing recommendation we made to all North Wales RPB partners in respect of pooled budgets remains in place. This stated that RPB partners should review the current pooled budget arrangement for residential care for older people, to ensure that transfers of funds between public bodies have a tangible benefit such as better, more integrated commissioning of residential and nursing home care.

## Whilst the RPB network brings partners together to ‘think regionally’, its structures, largely set out by the Welsh Government, are extensive and complex, and lines of accountability need to be strengthened

- 36 The Act sets out RPB membership; it can comprise a councillor from one council in the region, Directors of Social Services, a Local Health Board member, a council housing and an education representative, a registered social landlord, a member of the public and a carer. Additional members can be co-opted as necessary such as members from the Wales Ambulance Service, Fire Service and Police. With the North Wales RPB comprising six councils and the Health Board, this routinely results in over 30 people attending each meeting.
- 37 The RPB structure has evolved over time; whilst it is subject to local context, much is as set out by the Welsh Government. The North Wales RPB is supported by a Regional Leadership Group and Regional Collaboration Team. Four Transformation Boards covering Learning Disabilities, Community Services and Children and Young People and the Together for Mental Health Board underpin the work of the RPB. There are three Local Implementation Teams, specific to mental health and three Area Integrated Service Boards operating sub regionally, covering Wrexham and Flintshire, Gwynedd and Anglesey, and Conwy and Denbighshire. The establishment of these boards and Local Implementation Teams shows that partners recognise the benefits of sub-regional working and have developed arrangements that cover local differences whilst supporting the regional approach. The RPB is further supported by groups, boards and networks as follows:
- Carers Operational Group
  - Commissioning Board

- Workforce Board
- Mwy na Geiriau Forum
- Dewis Cymru network
- Pooled Budgets Group
- Welsh Community Care Information System Board
- Social Value Steering Group
- Integrated Care Fund Operational Group
- Research Innovation and Improvement Hub
- Integrated Autism Service Strategic Group

**Appendix 1** sets out these groups in an organisation chart.

- 38 The establishment of these groups shows that partners come together to address some of the detailed aspects of RPB business. Attendance at these meetings can be considerably time consuming but demonstrates commitment to partnership working across the region. Although this shows that the RPB is maturing in the way it conducts its business, the scale of the RPB structure and operation makes it quite unwieldy and presents challenges for the way it operates.
- 39 The Welsh Government has set out its expectations for integrated services clearly in legislation and supplementary guidance, which includes the role of the RPB in delivering this change. We identified barriers to more regional integration in North Wales as follows:
- organisational difference – priorities, approaches, and accountability;
  - perceived reduction in accountability presented by the additional layer of governance;
  - funding source and additional costs;
  - local control versus regional control;
  - scale and diversity of the region;
  - lack of willingness to share resources; and
  - lack of trust amongst some partners.
- 40 When taking part in RPB meetings, officers, and councillors, may not have delegated authority to commit their own organisation's resources or decide on policy and strategic direction. Whilst RPB members are accountable within their own organisational governance arrangements, there is no evidence to demonstrate decisions are taken back for approval, or that the RPB business is subject to formal scrutiny to hold it to account or challenge its proposals.
- 41 The Regional Leadership Board is briefed by members of the RPB on the activities and proposals made. However, this Board does not have the delegated authority to commit individual councils' resources or decide on policy and strategic direction. In addition, the RPB is not held to account for delivering impact or meeting legislative requirements by partners or the Welsh Government.

**Nationally set fee structures are complex and result in a significant focus on cost which causes division amongst partners and has the potential to impact adversely on service users and their families**

**The fees paid for care home placements fluctuate depending on the service user's own resources, which public body makes the placement and contractual arrangements with providers, and fee rates do not necessarily reflect the complexity of residents' care needs**

- 42 The funding arrangements for care homes are complex. At a high level, responsibility for care home fees is straightforward. A person can choose to move to a care home at their own expense if they have the resources to pay. If a person has primary health needs, then the health board is responsible for meeting the full costs. If a person has social care needs, the council is responsible for meeting these costs, but the service user will be assessed to determine how much they should pay towards their care. And if a person has a combination of health and care needs then the council and health board will share the costs. However, the detail that sits behind how this works in practice is complex and confusing.
- 43 For example, if a council contracts for the placement, the maximum amount a service user pays for their care per week varies depending on where they live. For example, a person with over £50,000 capital, living in Anglesey or Gwynedd, receiving the lowest level of care in a care home would pay £586.32 per week if they were placed in Anglesey or Gwynedd. However, if the same person were placed in Conwy, they would pay £611 per week, a difference of £1,283 per year. Alternatively, if placed in Wrexham, they would pay £608.72 per week, a difference of £1,164 per year. Some people may choose to move into a care home outside their area; but if the decision is made because of limited local care home capacity, service users are directly affected financially by market capacity.
- 44 Councils and the Health Board negotiate with providers each year to agree fees for residential care and nursing home placements. Councils pay an enhanced rate in each category for people with mental health problems.
- 45 The fees are calculated using a toolkit originally adapted in 2013 for North Wales. This toolkit is designed to set out the costs that have been considered in the calculation of the care home fees. It provides transparency in the process and should provide a fair fee structure, although some providers do not routinely share their business accounts to support the process. We were told during the review that over a third of providers consider that their costs are not covered by the toolkit

assumptions, so they renegotiate their fees separately with each council. One council told us that a provider in their area had six homes all with different fee rates and around 20% of providers in that area had renegotiated their fees in 2019-20. If a council places one of its residents into the home in a neighbouring council, it will pay the rate set by that council, whether it be higher or lower, not the rate it has agreed with that provider for in-county placements.

- 46 Where councils commission the placement, these should be at the agreed rates or the individually renegotiated weekly rate. Service users will be financially assessed in line with Welsh Government guidance to determine how much they should pay per week towards their care costs, and if they are able to pay the full cost themselves then they will pay the rate agreed by the council. Under the Welsh Government's COVID-19 hardship fund, a £50 per week per resident temporary fee uplift was awarded for council commissioned residential care and in-house residential care provision; this is in addition to the care home fees.
- 47 If a service user chooses a care home where the provider will not accept the prices agreed with the councils, another person, normally a relative or a friend may agree to pay a third-party top up which is the difference between the care home fees and the amount the Council would normally pay. If the third-party ceases to pay the top up amount there are three choices:
- the care home accepts the lower agreed rate;
  - the service user moves to a care home that accepts the agreed fees; or
  - the Council agrees to pay the top up in addition to the fees it has agreed to pay.

We understand that often councils agree to pay the top up to avoid disruption to the service user.

- 48 If the service user is entitled to Funded Nursing Care<sup>5</sup>, the Health Board pays £179.79 per week in addition to the Council's agreed fees. And if the Health Board makes a placement under its Continuing Health Care (CHC) arrangements, it will pay different fees again.
- 49 In 2019, the Health Board had started to review its fees and the method used to set the CHC rate. The review of fees is set to take up to three years. If the service user has higher than average complex care needs, the Health Board will assess the additional costs and agree a rate above the standard CHC rates.
- 50 In some cases, councils and the Health Board will agree to jointly fund a placement. This sometimes increases the complexity of the placement process. In such cases this may require a separate agreement with a different fee.
- 51 In some cases, the Health Board may place a person in a nursing home and their health might improve, resulting in the Health Board no longer being liable for the

<sup>5</sup> NHS-funded Nursing Care (FNC) is funding provided by the NHS to cover the cost of care by a registered nurse in a care home or nursing home. The rate is set nationally.

costs. In these cases, councils may come under pressure to pay the same rates as agreed with the Health Board, which may exceed the agreed standard rate.

- 52 The Health Board has also been allocated additional COVID-19 hardship funding and has been able to use some of this funding to speed up discharge from hospital. Having another funding stream adds further complexity to the care home fee structures. However, it may in turn add further pressures to councils where they take over responsibility for the placement for which providers have been receiving a higher weekly rate but now need to drop to agreed rates.
- 53 When a service user's needs change, this can result in changes in funding packages, at which stage responsibility for funding may change from council to health board. In line with national policy, care funded by a health board is free to the service user. The Health Board is planning work to support care homes to help the homes better identify and evaluate when changes to care packages are needed.

## **Providers consider the fees paid to be unfair and inequitable**

- 54 The public sector in Wales has been dealing with the consequences of financial austerity for many years. The emphasis has therefore been on providing and commissioning services at the lowest possible cost. For care homes this has resulted in scrutiny of their fees to set affordable rates balanced against the need for providers to remain viable as businesses. In North Wales, this is done using the fee setting toolkit.
- 55 Providers we spoke to during this review raised concerns about the toolkit used to calculate the fee levels. The size of the homes differs considerably, therefore economies of scale may vary. Providers accepted that there needs to be a transparent process to agree fees but questioned the extent to which the toolkit satisfies this need, and we noted that many providers do not share their accounts. The need for change is recognised within the Statement where in 2018, partners committed to 'Reviewing the true (full) cost of council homes & cost of care at home in relation to value for money comparisons and to develop an urgent response procedure to react to changes in the cost of running homes or when the providers identify a financial problem.' The Unit Cost and Financial Modelling Subgroup which includes providers' representatives has begun work to assess the true cost of care in line with the Welsh Government's 'Let's Agree to Agree' Framework.
- 56 Some providers have several homes in different parts of North Wales where the agreed fees are different for what they see as the same service level and infrastructure costs. And some providers may have homes in other parts of Wales where fees are higher than in North Wales. While in many cases this will be because of local differences in costs, in some cases these variations could

potentially result in other councils effectively cross subsidising the lower care home fees paid by North Wales councils and the Health Board.

- 57 Providers recognise that they compete when recruiting staff but raised the perceived inequalities in the toolkit calculation. The toolkit includes carer costs based on the minimum wage<sup>6</sup> whereas councils and the Health Board pay their own staff the living wage<sup>7</sup> or above.

## **Commissioners consider they have little control over the fees they pay**

- 58 Care home costs are considerable. For example, basic care in a Denbighshire or Gwynedd care home would cost £30,489 per year, increasing to £48,776 for nursing home care with continuing health care in Conwy or Denbighshire. In some cases, councils are sometimes left with no choice other than to accept responsibility for commitments made by the Health Board or relatives or friends who discontinue third-party top up payments at higher rates than those described here. This is a symptom of two separate national funding models across Health and Social Care as well as an interface between partners that is not truly integrated. It is unsurprising therefore that public sector bodies have such a keen focus on managing cost.

## **Partners need to do more to demonstrate they are meeting their statutory responsibilities around the Welsh language, and the Well-being of Future Generations Act, when commissioning care homes provision and making individual placements**

### **The Well-being of Future Generations (Wales) Act 2015 is not fully embedded in practice**

- 59 The Well-being of Future Generations (Wales) Act 2015 (WFG Act) places a well-being duty on public bodies. To do this, they need to consider the sustainable development principle, acting in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. The WFG Act requires public bodies to implement five ways of

<sup>6</sup> A 23-year-old and over would be entitled to £8.91 per hour living wage.

<sup>7</sup> The UK Living Wage is £9.50 per hour for 2021-22.



working in respect of their future decision making. Our observations on the five ways of working in respect of care home commissioning is as follows:

- **Long-term.** Partners are facing considerable growth in the North Wales older population as referred to in the Shaping the Market Statement, but partners have not yet set out their plans for meeting the consequential increasing care home needs.
- **Prevention.** Under the WFG Act, public bodies are required to deploy resources to prevent problems occurring or getting worse. In the case of older people's need for care home placements, partners face a clear challenge with the forecast increases in the older population in North Wales. The Market Shaping Statement lacks detail about how partners plan to reduce the demand for care home placements by investment in preventative services, although preventative action is evident through the RPB demonstrating that partners are meeting the prevention obligations under the Act.
- **Integration.** Whilst the precise wording of well-being objectives varies across public sector bodies in North Wales, there is commonality around care for vulnerable people, suitability of where people live and addressing inequalities. North Wales partners have developed a Dementia Strategy and a Carers Strategy, which demonstrates integrated planning in these areas, however, the lack of a strategy or delivery plan linked to the Shaping the Market Statement indicates that integrated planning to meet the needs of older people requiring care home accommodation is in its early stages.
- **Collaboration.** The WFG Act states that a public body must take account of how acting in collaboration with others could assist the body to meet its well-being objectives or assist another body to meet its objectives. Partners meet in a range of settings to consider the challenges they face in relation to the increasing older population, however, what is less clear is how partners are 'acting' collaboratively to address the challenges within the commissioning process.
- **Involvement.** In North Wales, the RPB includes a carer, and they can contribute to the business based on their experiences. However, in practice many discussions take place outside the RPB meetings between statutory partners or in sub-groups, forums or boards which will not generally involve the carer representative. North Wales partners have processes in place to seek the views of people living in the care home. Whilst those involved in the commissioning of care home placements are aware of service users' experiences, such as the costs they bear through third-party top ups, partners do not collate, report, or quantify these experiences and have not acted effectively as partners to learn from this feedback.



## **Service user language requirements are sometimes not protected, leading to communication difficulties**

- 60 The Welsh Language Act 1993 put the Welsh language on an equal footing with the English language in Wales, and the Welsh Government has subsequently set legally binding standards<sup>8</sup> to improve the bilingual service that the people of Wales can expect to receive from certain public and statutory bodies. The Language Standards are divided into five different categories that include service delivery and policy making. Partners are working with providers to improve access to care services in the service user's language of choice.
- 61 The North Wales More Than Just Words Regional Forum was awarded a special commendation for their work which promotes collaboration, to fulfil the requirements of the Welsh Government's strategic framework relating to the quality and availability of the Welsh Language in social care and health settings.
- 62 However, as described earlier in this report, the shape of the care home market in North Wales sometimes results in service users being placed in other parts of Wales or in England, because the specialist nature of the care is not available locally or to accommodate family links elsewhere. For relatives and friends this can mean long journeys to visit the service user and for people whose preferred language is Welsh, this makes communication difficult if the home does not employ Welsh-speaking staff, with potential consequences for the quality of care for the individual. This also represents a break in culture and a sense of place.

<sup>8</sup> [www.welshlanguagecommissioner.wales/public-organisations/welsh-language-standards](http://www.welshlanguagecommissioner.wales/public-organisations/welsh-language-standards)

# Recommendations

## Exhibit 2: recommendations

**Exhibit 2** sets out recommendations for North Wales councils and Betsi Cadwaladr University Health Board arising from this review.

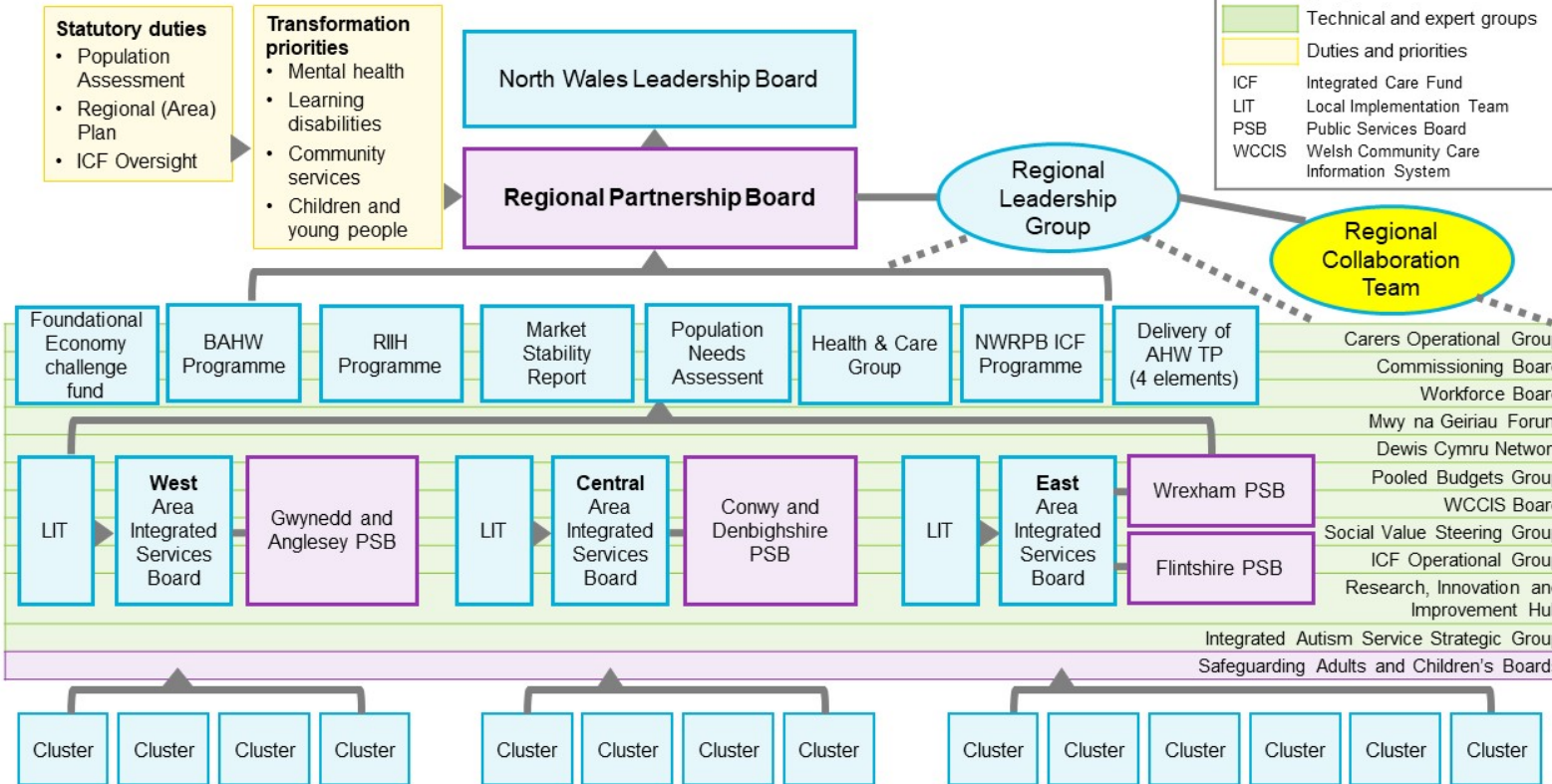
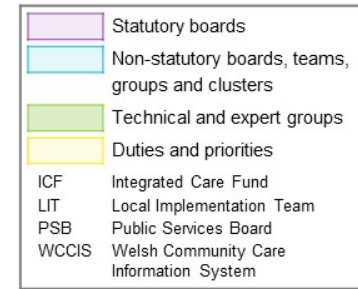
Recommendations	
R1	North Wales councils and Betsi Cadwaladr University Health Board need to ensure the consistent use of pre-placement agreements across the region.
R2	The current approach for commissioning care home places can cause tensions between partners and result in poor value and poor service user experience. North Wales councils and Betsi Cadwaladr University Health Board need to work together to review local arrangements for commissioning care home placements to eliminate avoidable adverse impacts on service users, and each other.
R3	Accountability is a cornerstone of public sector decision making. Governance arrangements need to scrutinise decisions and hold decision makers to account. North Wales councils and Betsi Cadwaladr University Health Board need to strengthen their partnership governance arrangements to ensure proper accountability and effective scrutiny.
R4	North Wales councils and Betsi Cadwaladr University Health Board through the Regional Commissioning Board need to develop a regionally agreed care home commissioning strategy and following this, develop an associated delivery plan.
R5	North Wales councils and Betsi Cadwaladr University Health Board need to review their commissioning arrangements for care home placements to ensure they fulfil their statutory responsibilities around the Welsh language, and the Well-being of Future Generations Act.

# Appendix 1

## Regional Partnership Board structure chart

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### North Wales Regional Partnership Board (NWRPB): Delivering Transformation Regional Structure





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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



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**Reference:** DO-20-02

**Date issued:** 19 March 2020

Dear Annwen

## Counter-fraud arrangements

We have recently carried out a high-level review of counter-fraud arrangements across 40 organisations in Wales, including all 22 local authorities. The purpose of the review was to establish whether the arrangements for preventing and detecting fraud in the Welsh public sector are effective. We intend to publish a national report on our findings. .

The local fieldwork at Isle of Anglesey County Council comprised a high-level evaluation of the Council's counter-fraud arrangements based on a document review, a self-assessment completed by the Council, and some interviews with relevant officers.

As the national report is not due to be published until summer 2020, I feel that there is merit in setting out some of our key findings more formally because we have identified some opportunities to strengthen the Council's counter-fraud arrangements. We appreciate that your resources are limited but feel that the Council would benefit from the following:

- updating the anti-fraud and corruption policy which is many years out of date and was seemingly last reviewed as long ago as 2012. We understand that the Council plans to revise this policy during 2020; this should be prioritised;
- updating the Fraud Response Plan, ensuring it is communicated to all staff, third parties and members of the public. The Council needs to ensure that the plan provides a direction to those who wish to raise concerns about suspected fraud and gives a framework to follow in responding to allegations of fraud;
- Senior Leadership Team (SLT) need to consider ways it can strengthen its approach to promoting the importance of a good anti-fraud culture, giving a zero-tolerance message regarding fraud, and identify ways in which it can educate and raise awareness amongst staff about fraud;

- undertaking a comprehensive fraud risk assessment, sharing and discussing this with SLT and Audit Committee; We understand that the assessment is planned during 2020, and this should also be prioritised;
- considering fraud risk as part of the overall risk management process;
- develop an annual programme of proactive counter-fraud work which covers the risks identified in the risk assessment;
- clearly communicating the structure, roles and responsibility in relation to counter-fraud to ensure that lines of accountability are clearly understood by all;
- considering a corporate case management system to record and monitor the progress of potential fraud cases;
- considering regularly use of data analysis to validate data and detect potentially fraudulent activity; and
- considering ways to provide an appropriate level of fraud related information to Audit Committee, and how Audit Committee can take a proactive role in promoting counter-fraud matters and have more oversight of counter-fraud arrangements.

Given the opportunities to strengthen current arrangements that we have identified, we will maintain a watching brief on this area as part of our Assurance and Risk Assessment work for 2020-21 and will consider whether we need to do any further work in this area in due course.

If you have any queries, please do not hesitate to contact me.

Yours sincerely



Derwyn Owen  
Audit Engagement Director

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Adroddiad i: Report to:</b>	Governance and Audit Committee
<b>Dyddiad: Date:</b>	08 February 2022
<b>Pwnc: Subject:</b>	Addressing the recommendations of Audit Wales in relation to countering fraud
<b>Pennaeth Gwasanaeth: Head of Service:</b>	Marc Jones Director of Function (Resources) and Section 151 Officer 01248 752601 <a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a>
<b>Awdur yr Adroddiad: Report Author:</b>	Marion Pryor Head of Audit and Risk <a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a>
<b>Natur a Rheswm dros Adrodd / Nature and Reason for Reporting:</b> The Governance and Audit Committee has oversight responsibility for the Council's arrangements for preventing, detecting, investigating and prosecuting fraud and corruption. This report provides the Council's response to a letter received from Audit Wales regarding the Council's arrangements for counter fraud.	

## 1. INTRODUCTION

- 1.1 In early 2020, Audit Wales carried out a high-level review of counter-fraud arrangements across 40 organisations in Wales, including all 22 local authorities. The purpose of the review was to establish whether the arrangements for preventing and detecting fraud in the Welsh public sector were effective. Due to the pandemic, Audit Wales delayed publishing the national report<sup>1</sup> on its findings until July 2020.
- 1.2 As part of the high-level review, Audit Wales completed local fieldwork at the Isle of Anglesey County Council. The Audit Engagement Director wrote to the Chief Executive Officer to set out some of their key findings more formally as they had identified some opportunities to strengthen the Council's counter-fraud arrangements, while appreciating that the Council's resources are limited.
- 1.3 The Head of Audit and Risk has developed an action plan to address these recommendations, which is attached at [Appendix 1](#).

## 2. RECOMMENDATION

- 2.1 That the Governance and Audit Committee reviews and notes progress with addressing recommendations made by Audit Wales in relation to countering fraud.

<sup>1</sup> 'Raising Our Game' – Tackling Fraud in Wales, Audit Wales July 2020  
<https://www.audit.wales/publication/raising-our-game-tackling-fraud-wales>

## APPENDIX 1 – ACTION PLAN

AUDIT WALES RECOMMENDATION	RESPONSE	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
<p>Updating the anti-fraud and corruption policy, which is many years out of date and was seemingly last reviewed as long ago as 2012. We understand that the Council plans to revise this policy during 2020; this should be prioritised.</p>	<p>The Policy for the Prevention of Fraud and Corruption forms part of the Constitution (5.6) and is therefore reviewed annually as part of the regular review of the Constitution.</p> <p>The Internal Audit team prioritised core risk-based internal audit assurance work during 2020/21 while staff were redeployed to assist with the Council's response to the pandemic. Following the return of the redeployed staff and the filling of the Senior Auditor vacancy, resources are now available to commence the counter fraud programme of work. The Counter Fraud, Bribery and Corruption Strategy 2021-24 was submitted to the Governance and Audit Committee in December 2021 and provides a road map for delivering counter fraud activities over the next three years, proportionate to the level of fraud risk assessed. Refreshing the counter fraud policy is one of the priority tasks within the Strategy.</p>	<p>Head of Audit &amp; Risk</p>	<p>September 2022</p>
<p>Updating the Fraud Response Plan, ensuring it is communicated to all staff, third parties and members of the public. The Council needs to ensure that the plan provides a direction to those who wish to raise concerns about suspected fraud and gives a</p>	<p>As above. The Head of Audit and Risk will review and update the Fraud Response Plan during 2022.</p>	<p>Head of Audit &amp; Risk</p>	<p>September 2022</p>



AUDIT WALES RECOMMENDATION	RESPONSE	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
framework to follow in responding to allegations of fraud.			
Senior Leadership Team need to consider ways it can strengthen its approach to promoting the importance of a good anti-fraud culture, giving a zero-tolerance message regarding fraud, and identify ways in which it can educate and raise awareness amongst staff about fraud	A number of approaches to promoting an anti-fraud culture have been included in the Counter Fraud, Bribery and Corruption Strategy 2021-24, which SLT reviewed before it was submitted to the Governance and Audit Committee in December 2021. Activities include an eLearning training package, regular briefings, sharing National Anti Fraud Network alerts and a review, refresh and promotion of the counter fraud Policy.	Head of Audit & Risk	December 2022
Undertaking a comprehensive fraud risk assessment, sharing and discussing this with SLT and Audit Committee; we understand that the assessment is planned during 2020, and this should also be prioritised.	As above, a programme of counter fraud activities, including a fraud risk assessment, will be delivered during the first year of the Counter Fraud, Bribery and Corruption Strategy for 2021-24.	Head of Audit & Risk	December 2022
Considering fraud risk as part of the overall risk management process	The SLT recognised fraud as a risk in the corporate risk register in August 2020. However, following a comprehensive review of the corporate risk register in December 2021, the SLT transferred fraud risk to the service risk registers to be managed at service level.	Senior Leadership Team	Implemented
Develop an annual programme of proactive counter-fraud work which covers the risks identified in the risk assessment.	The Counter Fraud, Bribery and Corruption Strategy 2021-24 was submitted to the Governance and Audit Committee in December 2021 and provides a roadmap for proactive counter-fraud work to be undertaken over the next three years.	Head of Audit & Risk	Implemented

AUDIT WALES RECOMMENDATION	RESPONSE	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
Clearly communicating the structure, roles and responsibility in relation to counter-fraud to ensure that lines of accountability are clearly understood by all.	The Counter Fraud, Bribery and Corruption Strategy 2021-24, submitted to the Governance and Audit Committee in December 2021 includes and prioritises an objective to review and update the counter fraud policy. This document will detail the structure, roles and responsibility in relation to counter fraud.	Head of Audit & Risk	September 2022
Considering a corporate case management system to record and monitor the progress of potential fraud cases	The volume of fraud cases does not justify the expense of procuring a corporate case management system to record and monitor the progress of potential fraud cases.	Head of Audit & Risk	Not applicable
Considering regularly use of data analysis to validate data and detect potentially fraudulent activity	The Internal Audit team has regularly undertaken data analysis using bespoke data analytical software (ActiveData For Excel®) during relevant audits. In addition, since the recruitment of the Senior Auditor in December 2021, a comprehensive review of the data match reports provided by the National Fraud Initiative has commenced.	Head of Audit & Risk	Implemented
Considering ways to provide an appropriate level of fraud related information to Audit Committee, and how Audit Committee can take a proactive role in promoting counter-fraud matters and have more oversight of counter-fraud arrangements.	The Head of Audit and Risk submitted the Annual Counter Fraud, Bribery and Corruption Report for 2020-21 to the Governance and Audit Committee in July 2020 and the Counter Fraud, Bribery and Corruption Strategy 2021-24 in December 2021. The Head of Audit and Risk provides an update to each meeting of the Committee to provide members with information on Internal Audit's counter fraud activity.	Head of Audit & Risk	Implemented

# Regenerating Town Centres in Wales

September 2021



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Mae'r ddogfen hon hefyd ar gael yn Gymraeg

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## Wales is a country of small interdependent towns

- 1 Wales is a nation of small towns. Towns are where people live, work and play. Town centres are historic and cultural centres. They have communal spaces, public art, and spaces to congregate. Town centres are where we see our most distinctive buildings and public realm. Just over 2.5 million people in Wales live in towns and cities<sup>1</sup> and towns remain at the heart of Welsh life and are places that people value and love. Using the Wales Institute of Social and Economic Research and Data (WISERD) and the Institute of Welsh Affairs Understanding Welsh Places research, there are 192 places in Wales that have 2,000 or more inhabitants that can be classed as a town or large village; places that people class as their 'local' town – **Exhibit 1**.



<sup>1</sup> [citypopulation.de/en/uk/wales/](http://citypopulation.de/en/uk/wales/) – settlements with a population of over 2,000 are included in this analysis. We have used the Understanding Welsh Places data as it enables the interdependency of towns to be better understood and demonstrated.

**Exhibit 1: the 192 places in Wales with 2,000 or more residents**

Wales is a country of small interdependent towns, villages and communities.

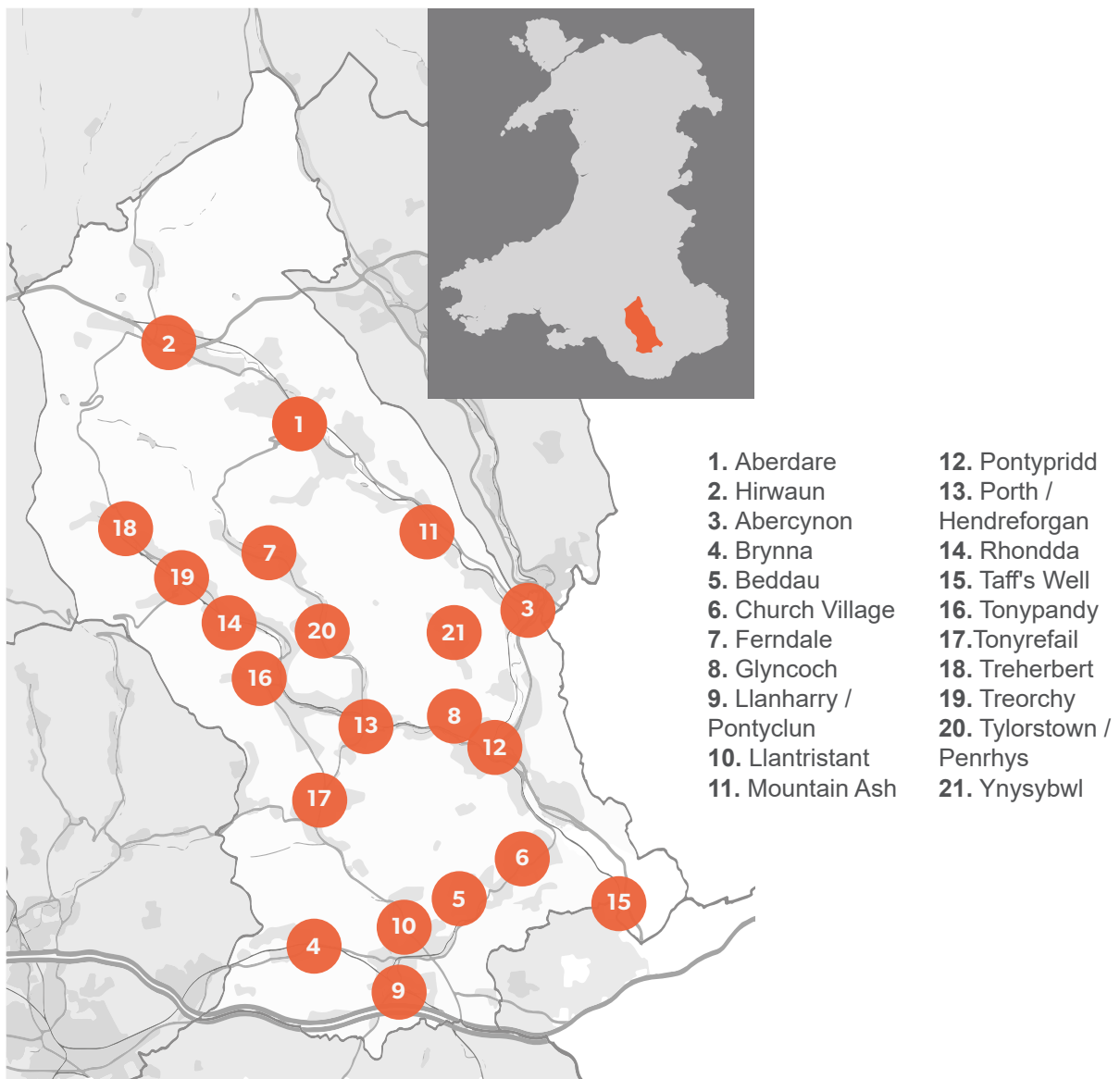


Source: Wales Institute of Social and Economic Research and Data/Institute of Welsh Affairs, Understanding Welsh Places, December 2020 release



- 2 What a town has, and what it provides, reflects many different things; its geography and location, the relative affluence of the population, its infrastructure, amenities and accessibility. Towns will therefore have issues in common. But they will also have very different circumstances. No two places are the same and require different solutions to the challenges they face. The relationship between towns therefore varies. Some are more independent and less reliant on neighbouring towns because they have a good and wide range of services and jobs. Others are more dependent, because anchor institutions have disappeared over time, employment has moved away, and few essential services remain. In these dependent places, people are often reliant on accessing neighbouring towns for work, to buy goods, meet friends and use leisure and recreation services.

**Exhibit 2** provides an illustration of the interdependency of places within a local authority using Rhondda Cynon Taf as an example.





# Key Messages

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- 3 This report sets out the main findings from the Auditor General's review of how local authorities are managing and regenerating their town centres. The evidence base for our review is set out in **Appendix 1**. We have concluded that **town centres are at the heart of Welsh life and can be vibrant and sustainable places, but addressing the many challenges they face requires brave decisions and ambitious leadership.**
- 4 In the last 75 years, nowhere has seen as much change as the high street. Traditionally, the location of all major activities, the high street has undergone rapid revolution and has been significantly impacted by societal and technological change.
- 5 Many of the challenges facing today's high street are rooted in planning policy decisions of the Post World War II period. With the introduction of a new land use regime, local authorities were empowered to address war damaged urban areas. Between 1950 and 1980, local authorities prioritised regeneration of town centres creating new and greater retail space.
- 6 However, since then, the growth in out-of-town retail, the progressive loss of 'essential services' from town centres – banks, post offices and public services – and the growth in online shopping have contributed to a steady decline in many town centres. And the pandemic has added to these problems.
- 7 Overall, Welsh and local government have responded well to support town-centre businesses during COVID-19. The Welsh Government has also directly invested or levered in almost £900 million in the last seven years to help regenerate town centres. Despite this funding, town centres often struggle. Local authorities are the key public bodies to help regenerate town centres, but they often lack capacity and skills to deliver the sustainable regeneration needed. Powers that can help stimulate town-centre regeneration are not utilised effectively nor consistently.

- 8 Town centre regeneration remains a national priority, but the Welsh Government's 'town-centre-first' policy is not yet fully embedded. This raises some questions about the strategies that are needed today to help create sustainable town centres. Often the starting point for discussions has been for government – national and local – to define the policies and instruments they propose to use to address the problems facing town centres. This has been the approach taken in Wales, but it has mostly fallen short of addressing the many problems in our town centres.
- 9 The challenges facing Wales following COVID-19 are unerringly similar to the regeneration of 1945 post-war Britain. National and local government need to deliver integrated solutions and make brave decisions going forward, providing honest, strong and dynamic leadership. Local authorities are well-placed to prioritise and lead on place planning, but need to be clear on the purpose of their town centres and involve public sector partners, the third sector, town and community councils, communities and businesses in decisions. Valuing and using information to fully understand problems and identify the best solutions have to be improved. Local authorities will also have to become increasingly more interventionist to address the challenges facing town centres.

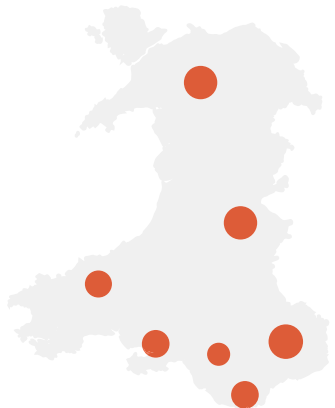
# Key Facts

Between **2012** and **2020**, bank and building society branches reduced by **28.8%** falling from **695** to **495**. ATMs have fallen by **18%** in the last three years, down from **3,189** machines to **2,616**.



There are **192** places in Wales with over **2,000** residents.

Post offices have marginally fallen by **3.9%** in the last decade and there are currently **925** branches across Wales.



Since January 2020, **64** retail companies have failed, resulting in **6,882** stores closing and affecting **133,600** employees in Great Britain.



In the last 12 months, online sales increased by **10%** in the UK, and their value by **30%**, an increase of **£23 billion**.



Since **2014**, the Welsh Government has invested and levered in just under **£900** million to help regenerate town centres.



**One** in every **seven** shops on high streets in Wales is empty.

## Recommendations

- 10 Our recommendations are set out below. We expect each local authority to consider the findings of this review and our recommendations, and that its audit committee receives this report and monitors its response to our recommendations in a timely way.

### Exhibit 3: recommendations

#### Recommendations

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- R1** Non-domestic rates have not been reviewed in recent years, and the levels charged do not reflect the current rents being achieved in many town centres. We recommend that the Welsh Government review Non-domestic Rates to ensure the system better reflects town-centre conditions when the payments holiday ends in March 2022.
- R2** Many town-centre businesses are impacted adversely by charging for car parking, access to public transport and poor transport infrastructure. We recommend that the Welsh Government work with local authorities to review transport challenges facing town centres and agree how best to address these.
- R3** The Welsh Government has directly provided and levered in just under £900 million through 13 funding schemes to help regenerate town centres. However, some aspects of the Welsh Government's management of the funding are considered problematic. To ensure local authorities are able to maximise the impact of funding and tackle the more difficult and longstanding problems that would help transform their town centres, we recommend that the Welsh Government:
- consolidate funding to reduce bureaucracy by streamlining processes and grant conditions and keeping requests for information and supporting materials to a minimum;

## Recommendations

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- move away from annual bidding cycles to multi-year allocations; and
- rebalance investment from capital to revenue to help local authorities address staff capacity and skills shortages.

**R4** The Welsh Government has provided all 22 local authorities with training on how best to use existing enforcement, financial assistance and debt recovery powers, but they are not being consistently nor effectively utilised to support regeneration. We recommend that local authorities take appropriate action, using these existing powers and resources available to achieve the best possible outcome for town centres by:

- using alternative methods of enforcement before using Compulsory Purchase Orders as a last resort;
- integrating enforcement strategies with wider departmental strategies across housing, environmental health, planning and regeneration teams to make more effective use of existing skills and resources; and
- ensuring there is capacity and the right expertise to use the full range of powers, working in collaboration with other councils to achieve good outcomes.

**R5** The Welsh Government's 'Town Centres First' approach looks to put the health of town centres at the heart of the decisions taken by the Welsh Government, local authorities, the wider public sector, businesses and communities. This requires a high degree of integration between cross-cutting policy frameworks and decision making to promote town centres above much else. We recommend that the Welsh Government set out how it plans to deliver this in practice, its expectations of partners and the practical steps it will take to make this ambition a reality.

## Recommendations

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- R6** Town centres are changing, and local authorities need to be receptive to these changes and plan to manage these shifts. We recommend that local authorities use our regeneration tool to self-assess their current approaches to identify where they need to improve their work on town-centre regeneration (the tool is [here](#)).



# Past: How town centres have evolved over the years

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## Past policy choices, changing consumer expectations and technological advances are now adversely affecting many Welsh town centres

### Many of the challenges facing today's high street are rooted in planning policy decisions of the Post World War II period

- 1.1 How our town centres look today is rooted in decisions taken in the aftermath of World War II. Prior to the 1940s, town centres had a mix of social and economic functions – residential, commercial and non-commercial usage, social clubs and churches. Town centres were often vibrant places with people mixing and socialising throughout the day, evening and night. By 1945, however, many towns and cities in Great Britain were damaged and in poor condition as a result of the bombing campaigns of World War II.
- 1.2 In response, parliament introduced the Town and Country Planning Act 1947<sup>2</sup>. This Act enabled local authorities to forcibly acquire bomb-damaged areas for redevelopment on payment of compensation to owners. The Act required planning authorities to undertake a survey and devise a land development plan to include industrial sites, residential areas, public services and transport. Over time, this has developed into the comprehensive public planning system we know today.
- 1.3 Importantly, the new powers enabled local authorities to regenerate and repurpose their town centres. From the 1950s onwards, many local authorities embarked on ambitious development programmes using compulsory purchase powers<sup>3</sup> to acquire key sites and deliver them for new development. Town centres were seen as the most valuable area because of footfall, infrastructure, business activity, land and real estate values, services and non-domestic rates. And within town centres, it was shopping that had the greatest value on the high street.
- 1.4 Consequently, retail became a key driver of town-centre regeneration. By expanding central shopping districts, local authorities were able to generate more income through non-domestic rates and create wealth in towns by attracting more shoppers. However, the drive to redevelop and raise property values left town centres heavily dependent upon shopping. It changed high streets from vibrant 24-hour places into areas that increasingly had a limited purpose outside trading hours.

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2 [Town and Country Planning Act 1947 \(legislation.gov.uk\)](#)

3 Compulsory purchase powers are an important tool to assemble the land needed to help deliver urban and rural regeneration, essential infrastructure, the revitalisation of communities, and the promotion of business, and lead to improvements in quality of life.



- 1.5 Ultimately, retail-led regeneration also created an oversupply of shops, because local authorities, not prevailing market conditions, determined whether or not major new shopping developments took place. The growth in town-centre shopping also resulted in competition between local authorities and towns to have the best shops and the leading retail chains. These were often seen as an important mark of 'status' and 'prosperity'. In some areas, such as South East Wales and the North Wales coastal strip more and more towns in a geographically small area redeveloped their town centres creating unsustainable levels of retail.
- 1.6 Whilst the growth in retail generated higher property values and non-domestic rates, retailing as a business is a poor option for economic regeneration. Jobs in the sector are generally low-skilled, low-paid, and often insecure. Innovations and new technologies are mostly used to minimise the numbers employed and drive down cost. And ultimately, retailing is about 'absorbing' disposable incomes in an area rather than 'creating' new wealth.

### **The growth in out-of-town retail has contributed greatly to the decline of town centres**

- 1.7 By the 1980s, retailing land and property in town centres were becoming increasingly more expensive, especially compared to cheap land on the outskirts of towns and cities. Non-domestic rates on the high street were also considered prohibitive for developers. Some town centres which had seen significant retail growth in the 1950s and 1960s were now in poor condition and in need of modernisation. These changes, coupled with a relaxation of planning laws in the 1980s<sup>4</sup>, encouraged out-of-town retailing.
- 1.8 Out-of-town retail had a number of distinct advantages. The improvements in the road network, the development of motorways and growth in car ownership<sup>5</sup>, made out-of-town shopping more attractive. They were much easier to access for shoppers, allowing people to drive quickly, and often with less congestion, to the retail park rather than travel to a town centre. Shoppers were able to visit several shops quickly and efficiently, often under one roof and protected from the elements. And with free parking and larger national chain stores, they offered more diversity and cheaper options than the traditional high street.

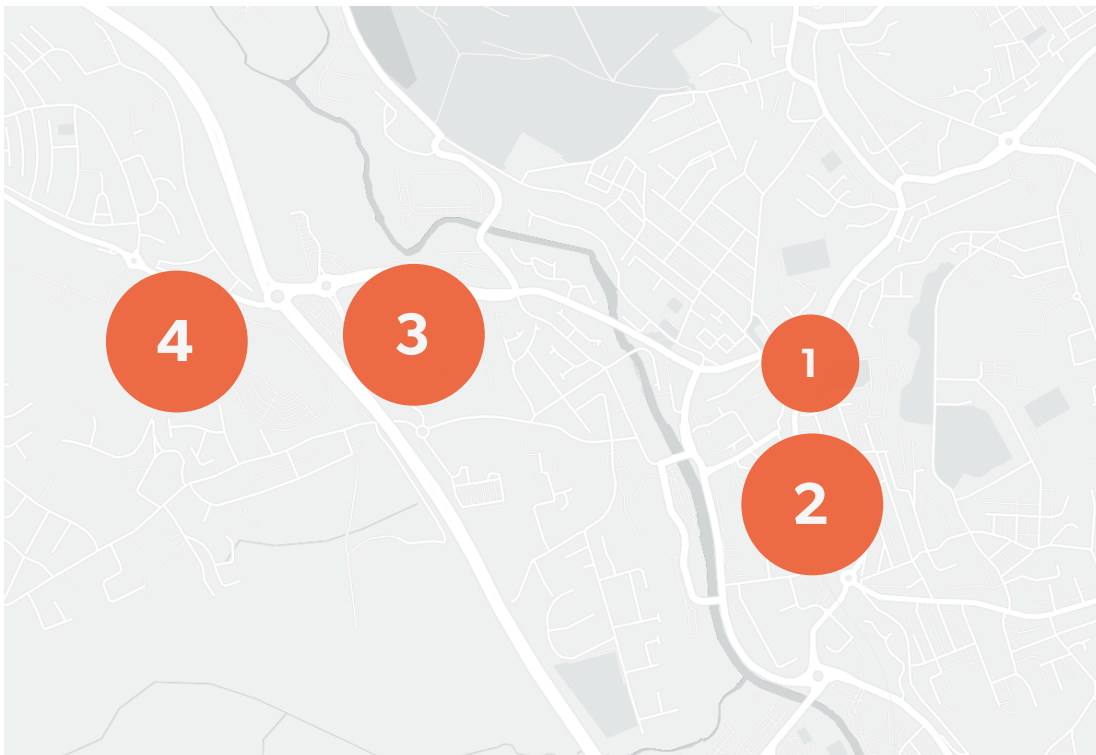
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4 M Ball, Birkbeck College University of London, [The 1980s Property Boom](#), 1993

5 The RAC estimates that in 1952 there were 2.5 million vehicles on Britain's roads. By December 2020, this had increased to 38.6 million licensed vehicles. Source: [Spaced Out](#) and [Motoring FAQs](#)

1.9 Unsurprisingly, the growth in out-of-town shopping adversely impacted town centres resulting in the ‘Doughnut Effect’ – the hollowing out of town centres as institutions, shops and businesses moved from the town centre to the edge of towns or ceased to operate. Previously thriving high streets now experienced increasing numbers of shop closures. Empty premises often became derelict and an eyesore, attracting anti-social behaviour. The businesses that remained often struggled and before long town centres were both unappealing places to trade from and visit. **Exhibit 4** provides an illustration of these changes using Merthyr Tydfil as an example.

#### Exhibit 4: Example of a changing town centre landscape - Merthyr Tydfil



1. Town Centre 1900's
2. Tydfil Square Shopping Centre 1980 and Beacon Place 2000
3. Cyfartha Retail 2005
4. Trago Mill 2016

#### Fewer and fewer ‘essential services’ remain in town centres

1.10 Many customers value face-to-face services and they are often seen as playing a vital role in community cohesion, particularly in town centres with few other amenities. Town centre decline is often mostly acutely felt with the loss or closure of anchor institutions on the high street, especially banks, building societies and post offices.

- 1.11 In recent years there has been a dramatic reduction in these essential services in town centres across Wales. Between 2012 and 2020, bank and building society branches in Wales reduced by 28.8%, falling from 695 to 495. The number of ATMs has also fallen by 18% in the last three years down from 3,189 machines in July 2018 to 2,616 in February 2021<sup>6</sup>. Post offices have marginally fallen by 3.9% in the last decade and there are currently 925 branches across Wales.
- 1.12 Both businesses (79%) and citizens (68%) we surveyed overwhelmingly noted that their local town centre lacked these essential services. The loss of physical banking services directly affects businesses. Less people visit town centres with no banks, building societies or post offices. Research shows that town-centre businesses have 20% greater profit when there is a bank and post office in their town centre. Small businesses are significant users of branches and a lack of access to branches can create problems for some micro businesses. Around 20% of small businesses with a turnover below £2 million use branches as their primary means of banking<sup>7</sup>.

### The continued growth in online shopping and changing shopper demands have adversely impacted town-centre retail

- 1.13 The internet has changed the way we shop. Even those of us who do not regularly buy online search online for prices, product specifications and availability before heading to the high street. Many of us find it easier to order goods and services through a website, unrestricted by store opening times and from the comfort of our home, rather than trawl through shelves in a shop. Retailers recognise that the internet is transforming the way that customers shop, re-shaping the high street as a result. **Exhibit 3** shows that in the last 12 months online sales increased by 10% in the UK, and their value by 30%, a growth of £23 billion.

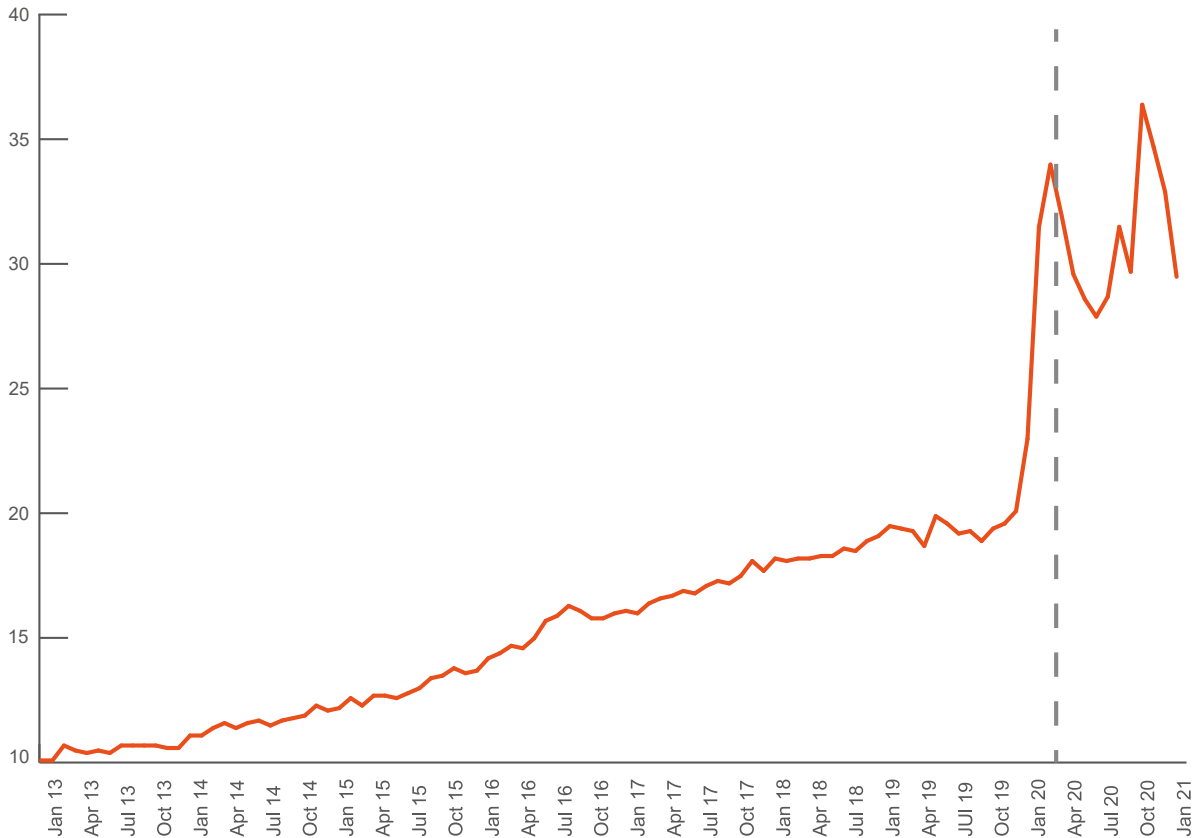
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6 House of Commons Library, [Bank branch and ATM statistics](#), 19 April 2021

7 Financial Conduct Authority, [When bank closures bite: the picture across the UK](#), 13 March 2019.

**Exhibit 5: internet sales as a percentage of total retail sales in the UK 2013-2021**

Online and mobile sales doubled between 2013 and 2021.



Source: Office for National Statistics, [Retail Sales Index time series](#)

1.14 Research estimates that the value of online sales in 2021 is £141.3 billion<sup>8</sup>. Our surveys show that since the start of the pandemic, 89% of citizens have used online services more than previously and 74% of town-centre retail businesses introduced online services for the first time. The UK shops online more and uses mobile devices to shop more than any other European country<sup>9</sup>. Online shopping is well embedded in UK consumer behaviour and is anticipated to continue to grow, although in some areas of Wales quite large numbers of adults remain ‘offline’ rather than ‘online’<sup>10</sup>.

8 [UK Retail Ecommerce Sales, 2019-2024 \(www.emarketer.com\)](http://www.emarketer.com)

9 Centre for Retail Research, [Online: UK, Europe & N. America 2020 estimates](#)

10 The [Office for National Statistics](#) reports that whilst 8.7% of the UK population never or rarely uses the internet, Wales has some of the poorest levels of usage. In Powys, 20% of the population aged 16 and over have never used the internet or rarely do so (not accessed online services within three months) and 15% of people in the South Wales and Gwent valleys.

- 1.15 All of this has had and will continue to have a major impact on high street retail. Since January 2020, 64 retail companies have failed in Great Britain resulting in 6,882 stores closing and affecting 133,600 employees by May 2021<sup>11</sup>. Shopping centres have been particularly exposed to the effects of the pandemic, principally having a lower proportion of ‘essential’ retailing, more department stores and being exposed to greater levels of online competition. Research suggests a net loss of 402 national chain stores ceasing to trade in Wales during 2020<sup>12</sup>.
- 1.16 Between December 2017 and December 2020, empty retail units rose from 4.9% to 8.8% on retail parks; 11.2% to 12.5% on high streets; and 13.2% to 15.6% in shopping centres<sup>13</sup>. In April 2021, the British Retail Consortium reported that one in seven shops is now empty. This masks huge disparities. Attractive larger shopping destinations, whether in thriving urban centres, or affluent seaside towns are doing well. At the other end of the spectrum, smaller towns have even higher vacancy numbers and struggle to provide the quality of experience and convenience that shoppers want.
- 1.17 Growing vacancies also impact landlords, which can add further problems for town centres. The growth in vacancies can deter investors from creating new retail space or improving existing sites due to the drop in the likely rate of return. There is also a risk that sites will not be redeveloped because of fragmented ownership and other difficulties associated with their locations, particularly if inappropriate use change constraints are imposed by local authorities.
- 1.18 With the growth in online shopping, there has also been a more subtle change in other aspects of shopper behaviours. In the past retail, was mostly about buying essential goods – food and clothing – and convenience, being local, was key. In more recent years, retail has grown to focus on luxury and experience. More costly ‘luxury’ items such as SMART phones and personal computers, often have the best deals in bigger retail centres and are often not available in local towns. For some, shopping is also less ‘functional’ and has become a favourite hobby. A day-out activity centred on ‘experience’ and built around dining out, socialising, entertainment, meeting up with family and friends and attending events.
- 1.19 In a digitally dominated world, investing in digital infrastructure and basic skills can play a vital role in revitalising high streets. However, at this time, the offer in most of Wales’ town centres is not strong. Our citizen survey found that towns mostly lack an effective digital offer with poor connectivity, limited free and effective Wi-Fi. This puts people, especially younger people, off from visiting.

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11 Centre for Retail Research, [Who's Gone Bust in UK Retailing in 2019-2021?](#)

12 pwc, [Store Openings and Closures - 2021](#)

13 Research by Statista, available on their [website](#).

## **Non-domestic rates continue to make most town centres unattractive places to invest in, although the current payment ‘holiday’ is welcomed**

- 1.20 Non-domestic rates are an annual property tax paid on the rateable value of the property each business occupies. The rateable value is a notional figure calculated in terms of the likely rental of the property. Non-domestic rates revaluation normally takes place every five years and is conducted by the Valuation Office Agency. The most recent revaluation in Wales took effect in April 2017, and the next one is currently scheduled for 2023<sup>14</sup>. Some 113,100 properties are liable for non-domestic rates in Wales and contribute over a £1 billion annually to the Welsh Government’s budget<sup>15</sup>.
- 1.21 Businesses and council officers we surveyed and interviewed note the challenges created by the non-domestic rates regime. In recent years, some retailers have achieved big rent reductions as leases come up for renewal, or by renegotiating rents or using corporate voluntary arrangements. Indeed, research suggests that in towns with high retail vacancy rates, market conditions are so difficult that some have managed to get zero-rent deals. However, despite rents falling, rateable values remain at 2017 levels, and many noted that they do not reflect the reality and cost of trading on the high street today. To put it simply, high street retailers have historically paid more for something that is worth less, and the cost model no longer works for many retailers.
- 1.22 Non-domestic rates account for a disproportionately high percentage of total occupancy costs and are seen as a deterrent to new businesses and start-ups. Non-domestic rates are also disproportionately high for most retail businesses, which places them at a disadvantage compared to the e-commerce retail sector. The Centre for Retail Research estimates that store and shop-based retailers paid £7.168 billion in non-domestic rates in 2018-19, equivalent to 2.3% of their retail sales, whilst online retailers paid £0.457 billion, around 0.6% of online traders’ sales<sup>16</sup>.

1.23 There is a range of initiatives by the Welsh Government and local

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14 Senedd Research, [Business Rates: Frequently asked questions](#), 2018.

15 Senedd Research, [Business Rates: Frequently asked questions](#), 2018.

16 Centre for Retail Research, [Business Rates and the Future of the High Street](#)

authorities that provide non-domestic rate relief<sup>17</sup>. And, through 2020-21 and 2021-22, the Welsh Government has provided further support in response to coronavirus restricting trading, to the extent that over 70,000 businesses currently pay no rates at all<sup>18</sup>. This has been welcomed by businesses we surveyed. However, a number noted that when the pandemic concludes, and the business rate holiday is over, there is a need to create a level playing field with out-of-town retailers and online providers, both for non-domestic rates, but also charges like car parking. For instance, exploring innovative and flexible charging with lower pricing and 'connected value' such as varying charges based on visitor numbers to create more revenue.

## High Streets are more than just retail, but this is often overlooked

1.24 Whilst much of the debate has focussed on the decline of retail on high streets being the major issue of concern, town centres offer far more than just shops – **Exhibit 6**.

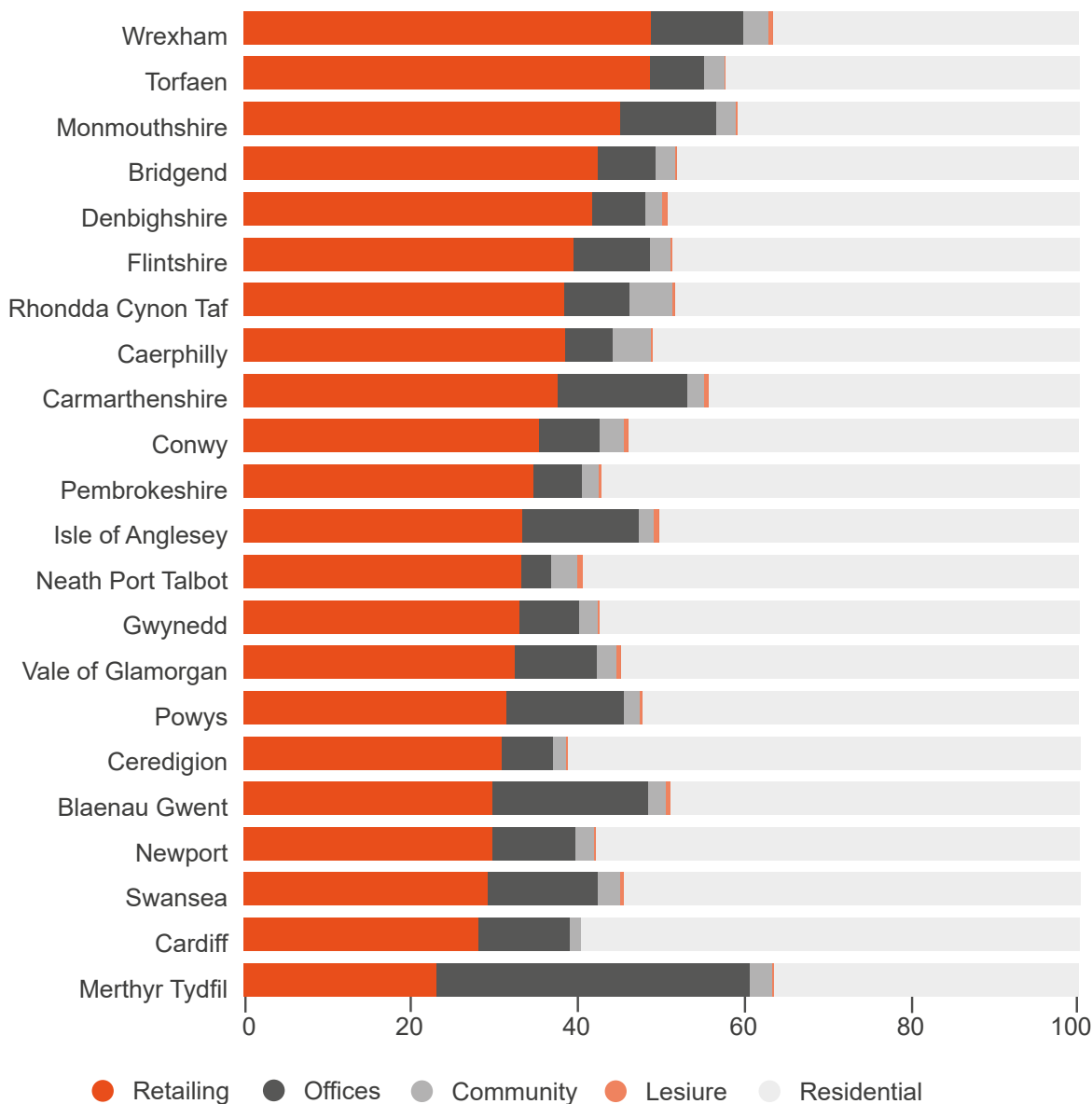
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17 Welsh Government: Business Wales, [Business Rates Relief in Wales](#)

18 Welsh Government, [Business rates holiday extended for 12 months](#), March 2021

**Exhibit 6: addresses on the high street, by land use category and local authority in March 2020**

Town centres are mostly residential but are often presented solely in terms of retail.



Source: Office for National Statistics, [High streets in Great Britain, March 2020](#)



- 1.25 This data, published by the Office for National Statistics drawing on land use categorisation<sup>19</sup>, shows that the amount of retail on high streets varies widely – ranging from roughly 50% of high streets in Wrexham to less than a third of premises on the high streets of the three main cities in South Wales. Merthyr Tydfil has less high street retail than any local authority area, where under a quarter of high street premises are shops. There are few local authorities with over 10% of their high streets accommodating offices, although in Merthyr Tydfil offices account for over a third of all properties on the high street.
- 1.26 Overwhelmingly, town centres and high streets are residential areas. At least a third of all addresses are homes, rising to over 50% of all high street addresses in 12 of the 22 local authorities. Town centres also account for a significant proportion of a local authority's total population, roughly a fifth in Cardiff and Newport, for example. The population of our high streets is overwhelmingly 'young' with the vast majority aged between 16 and 64. Importantly, students are also mainstays of town centres in university towns and cities, accounting for 41.3% of the population in Ceredigion, 23.1% in Cardiff and 17% in Gwynedd and Swansea.

### **Town centres are mostly geared for the daytime retail economy and mostly have a limited leisure, social and night-time offer**

- 1.27 Town centres are primarily configured for daytime services and the night-time offer is mostly underutilised. Our research found that roughly half of people live within a mile of their town centre (44%) and 86% within five miles. Before the pandemic, 82% of people visited their local town centre at least once a week and over half of these (60%) several times a week. Just over 40% of citizens visit their local town centre in both the working week and weekends and a similar number only in the working week. Less than 20% only visit their town centre at weekends.
- 1.28 Two-thirds of businesses operate both in the working week and at weekends. Just over a third during the working week only (34%) and 2% at weekends only. Most businesses (90%) work standard core hours – 9 am to 5 pm. Two-thirds of people regularly visited their town centres in the morning, just over half at lunchtimes, and just over half in the afternoons. Roughly a third of businesses work into the early evening (35%) and a smaller proportion later than 8 pm (15%). Less than a third of people visit town centres in the early evening and just over 10% after 8 pm (12%).

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19 The high street features data are provided by Ordnance Survey, including the proportion of addresses that are for residential, retail, leisure and recreation, offices or community usage. Retail usage for the Ordnance Survey high streets data is classified by land use type as defined by the Ministry of Housing, Communities and Local Government. Definitions are [here](#).

1.29 Overwhelmingly, survey feedback notes that local town centres do not have a good night-time offer. And these findings correlate strongly with the data set out in **Exhibit 6** above. Town centres across Wales offer little in the way of community use (defined as educational, institutional or religious buildings) and leisure (defined as indoor or outdoor recreation) services and facilities. No local authority has more than 5% of its high street with community buildings, and less than 1% of all Welsh town centres is turned over to leisure and recreation usage. With less demand for retail, community, leisure and recreation are obvious areas for growth.

### Many town centres are not easy to access

- 1.30 Much of Wales lacks efficient, affordable, accessible and comprehensive transport. Despite Welsh Government policy emphasising the importance of public transport being accessible and available, and a number of national initiatives to improve current provision, the reality for many people we surveyed is that networks and modes are not adequately linked in many towns across the country. This has led to a continued reliance on cars. Our surveys found that 73% of people regularly access their town centres by car, with less than 20% using public transport.
- 1.31 Survey respondents noted issues of concern with the availability of car parking, its cost and poor public transport alternatives as key barriers to visiting their town centres more frequently. Transport infrastructure – cycle ways, pavements and roads – were all identified as being in generally poor condition and in need of investment and upgrade. Overall, both businesses and people responding to our surveys flagged the continuing deterioration of roads and inadequate integrated public transport as major problems.



## **Present: Town centres today**

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**02**

## Businesses have been well supported during the pandemic, but local authorities often lack the skills, capacity and resources to help create sustainable town centres despite significant Welsh Government funding

### National and Local Government responded well supporting town-centre businesses during COVID-19, but it has created uncertainty for the future

- 2.1 The pandemic saw an overnight change in how people used town centres. Shoppers' spending and travel habits changed, and whilst demand for public services increased, many people took advantage of online platforms to access these. Most town centres were already having to adapt to a significant period of change before the pandemic, as they have done in the past, reflecting societal changes over decades. But rarely has such drastic change happened in a short period of time, as restrictions were imposed on movement and business operations nationwide.
- 2.2 Early on, restrictions led to a short-term change of habits, but we heard differing views over how long lasting this change will be, and this continues to be the subject of intense debate by economic analysts. COVID-19 dramatically reduced people visiting their town centres, with 91% we surveyed stating they visit less frequently than in the past. But our surveys also suggest a desire to return to previous habits, with the majority of businesses (61%) and citizens (57%) intending to operate/visit and use their town centre as they did before COVID-19. Only 8% of businesses and 13% of citizens see the pandemic as fundamentally changing how town centres will be used in the future.
- 2.3 Businesses have had to adapt quickly, and local and national government support had to be rolled out quickly and tailored accordingly. Besides the many challenges faced, the restrictions also created opportunities for businesses to adapt their operating model to reflect these changing habits. As lockdown restrictions began to ease, businesses that adapted benefitted from increased footfall, as people stayed local rather than travelling into cities for shopping, work and leisure.

- 2.4 We found that three-quarters of businesses diversified their offer to provide an online service, 35% offering home delivery and take away services; 21% introduced mobile services including pop ups; and 12% converted premises for alternative use or trade. It is uncertain if these shifts will reverse, and businesses will have to reflect on how they intend to operate post-pandemic.
- 2.5 Businesses also see government support as essential to help them recover, with 76% seeing the loss of Welsh Government support as a major risk. Positively, 90% of businesses have applied for and received emergency funding from the Welsh Government to help them survive the full impact of COVID-19<sup>20</sup>.

### **Local authorities introduced a range of measures to safely re-open town centres during the pandemic, but these choices adversely impacted some disabled people**

- 2.6 Stakeholders also recognise the good work of local authorities to make town centres safe. 92% of businesses and 82% of visitors feel safe visiting their local town centre and the majority that their town centre is clean and well maintained. However, 'red tape', unnecessary bureaucracy, over regulation and poor leadership at a national and local level are seen as major blocks by several businesses. This includes decisions on pedestrianisation, car parking charges and business rates. Roughly a third of businesses (36%) believe that local authorities need to become more agile in their decision making to help businesses recover, and a smaller proportion (15%) better at co-ordinating action on the high street.
- 2.7 Just over 10% of citizens responding to our survey considered themselves to have a disability. Roughly half of these stated that they been disadvantaged in the decisions taken by their local authority when reopening town centres. Two-thirds noted the closure of key facilities, such as toilets, as a deterrent to visiting their local town centre. Similarly, the creation of pedestrianised zones (46%) and social distancing in shops and cafes (43%) to help manage the flow of people were noted as discouraging disabled people to visit their high street.

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<sup>20</sup> This funding was made up of two separate grant schemes, the Non-Domestic Rates (NDR) Grant and the Economic Resilience Fund, to support businesses during the lockdown period. Other economic measures such as the Self-Employed Income Support Scheme and Coronavirus Job Retention Scheme were also introduced.

## The growth in home working in response to the pandemic has the potential to both benefit local town centres, but also reduce demand for businesses

- 2.8 There is evidence that retail spending has moved to local high street shops during the pandemic, mainly due to people shopping locally as they work from home<sup>21</sup>. This has had clear benefits for some town centres with more spending in the local economy. But with more people working from home, there is less need for office space which could impact town and city centre businesses.
- 2.9 This will be particularly challenging for struggling places, because office jobs – unlike retail jobs – are more likely to be higher-salaried jobs that contribute to places thriving and growing because of their ‘multiplier effects’: that they create additional jobs because employees use the shops and services in a high street or town centre. Research shows that skilled jobs or jobs in high-tech industries generate larger multipliers: an additional high skilled job creates an average of 2.5 jobs in the non-tradable sector; an additional tech sector job creates, on average, 1.9 jobs in the non-tradable sector<sup>22</sup>.
- 2.10 This could have one of two impacts on towns across Wales. Whilst people working from home could have a positive multiplier impact in some communities, they will also result in falling demand in the place from which they have relocated, because these jobs are not new, but employment displaced from elsewhere as a result of the pandemic.

## Large sums of money are being invested in regeneration, but it is questionable if this funding is helping to create sustainable town centres

- 2.11 The Welsh Government has prioritised investment in regeneration and continues to make available large sums of money; just under £900 million since 2014 – **Exhibit 7**. All local authorities have received funding, but the levels of investment vary widely. For example, the most recent allocation in 2020-21 saw funding to authorities range from £1 million to £13.6 million (See **Appendix 3**).

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21 Centre for Cities, [How has spending recovered in our town and city centres?](#) September 2020

22 What works centre for local economic growth, [What does the evidence tell us about the employment multiplier effect?](#) March 2019

### Exhibit 7: Welsh Government regeneration funding since 2014

The Welsh Government continues to invest significant sums of money on regenerating Welsh town centres.

Period	Programme	Direct Welsh Government Funding	Enabled/ Levered-in Funding	Total Funding
2014-2017	Viable and Vibrant Places	£124 million	£320 million	£444 million
2014-2020	Town Centre Loans	£31.6 million <sup>23</sup>	–	£31.6 million
2017-2023	Building for the Future	£54 million <sup>24</sup>	£54 million	£108 million
2018-2021	Targeted Regeneration Investment	£100 million	£60 million	£160 million
2020-2021	Valleys Taskforce Towns funding	£3.7 million	–	£3.7 million
2020-2021	Transforming Towns (COVID-19 adaptation fund)	£5.3 million	–	£5.3 million
2014-2020	Transforming Towns Revenue Fund for LAs	£0.5 million	–	£0.5 million
2017-2023	Coastal Town Fund	£3 million	£8 million	£11 million
2018-2021	Green Infrastructure and Biodiversity Fund	£5 million	£4 million	£9 million
2020-2021	Loan funding for use by local authorities	£18.4 million	–	£18.4 million

<sup>23</sup> Loan funding which is recycled. We have only included the actual amount allocated not the total recycled or it is assumed will be recycled.

<sup>24</sup> This includes European Regional Development Fund: Connectivity and Urban Development for the period 2017-2023.

Period	Programme		Direct Welsh Government Funding	Enabled/ Levered-in Funding	Total Funding
2020-2022	Additional funding for Town Centre Loans		£15 million	–	£15 million
2020-2021	Enforcement ‘fighting fund’		£15.2 million	–	£15.2 million
2017-2023	Extension of capital grant for a further year (2021-22)		£41.8 million	£25.1 million	£66.9 million
<b>2014-2022</b>	<b>ALL</b>		<b>£383.6 million</b>	<b>£509 million</b>	<b>£892.6 million</b>

● Revenue   ● Capital   ● Both Revenue and capital   ● Loans

Source: Welsh Government

- 2.12 Most of the senior officers we surveyed (91%) believe that the Welsh Government makes funding available to local authorities to support regeneration work. And all senior officers and just under two-thirds of councillors (63%) believe that their local authority is good at working with the Welsh Government to secure grant funding to support regeneration.
- 2.13 However, some aspects of the Welsh Government’s approach to regeneration are considered problematic. Only 77% of senior officers believe that the Welsh Government provides them with the freedom to decide where they should spend money on regeneration and around two-thirds (59%) that the Welsh Government keeps its request for information and supporting materials to a minimum. The funding has been made available under 13 different streams, often with different priorities and grant conditions, although since 2020 funding has been reorganised into a single fund ‘Transforming Towns’. The Welsh Government recognises there is more to do to streamline funding.



- 2.14 Many we interviewed and surveyed noted that the annual cycle of bidding does not support local authorities to tackle the more difficult and longstanding problems that would help transform their town centres. Funding is heavily focussed on capital and physical regeneration but often the challenge for local authorities is insufficient revenue to fund posts, especially town-centre management, marketing, data analysis, land assembly, and legal services to address problem buildings and land.
- 2.15 Despite significant levels of investment in recent years, its impact has been varied. Undeniably, improvements have taken place, but it has not helped to create more sustainable places. Those we interviewed acknowledged that too often the funding has focussed on a one-off major project or being allocated to street scene and public realm improvements. Undoubtedly these are important. But if they are not matched with comprehensive regeneration of other eyesore and derelict buildings and help tackle all empty land and premises then their overall benefit and impact are diminished.

### **Local authorities are the key agency in managing and regenerating town centres, but often struggle to create sustainable places**

- 2.16 The way that people shop has changed forever and large-scale re-modelling of many of our town centres is required if they are to survive and thrive in the 21st century. High streets and town centres need to be nurtured, and their regeneration planned and driven by a strategic approach. Whilst there are many stakeholders who have a role in regenerating town centres, local authorities are the key body.
- 2.17 They have a wide range of statutory powers that can determine the shape and environment of town centres: planning, transport, enforcement, town-centre management, trading standards, environmental health, licensing, housing, economic development and tourism, for example. Local authorities are accountable and have legitimacy to make decisions because members are elected to represent their local community and its people.

## **Most local authorities have prioritised town-centre regeneration, but plans often fall short of delivering the change needed to help create more sustainable places**

- 2.18 We found that the approach taken by local authorities to town-centre regeneration varies. Some have a single local-authority-wide strategy. Others specific town or town-centre plan(s). A number use their Wellbeing Plan to set their regeneration priorities working with the wider public sector partnership, whilst others draw on Place Plans<sup>25</sup> and the work of Business Improvement Districts (BIDs)<sup>26</sup>. The majority of council officers we surveyed noted that they have a strategy (86%) for town-centre regeneration with associated actions to deliver against (82%). Every local authority has a local development plan<sup>27</sup> in place, or being adopted, and these are critical to the successful regeneration of town centres.
- 2.19 Many plans quite rightly highlight the important contribution regeneration can make to sustainable development and the wellbeing of future generations, in particular physical regeneration where local authorities generally have a strong track record. Most senior officers we surveyed believe that their past regeneration work has improved buildings in town centres (96%); safeguarded the heritage of buildings and towns (91%); and created new homes and improved existing ones (85%).
- 2.20 However, senior officers and councillors acknowledge that local authorities have not created more wealth, increased employment, apprenticeships or benefitted residents economically. Neither has physical regeneration work contributed to improving health nor reducing poverty. Actions have consequently fallen short of creating both sustainable and multi-functional town centres that contribute to improving wellbeing. Priorities still focus heavily on the benefits of physical improvements and are less clear on the wider wellbeing gains that regeneration can deliver.

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25 Place Plans are a mechanism introduced by the Welsh Government for communities to engage creatively with the planning process and for planners to support in place-making initiatives with local people.

26 BIDs are where local businesses lead and work together with partners to form a group to invest money and make improvements to specific areas such as town centres, by providing additional services above what is already available. (See **Appendix 4.**)

27 The Local Development Plan sets out local planning policies and identifies how land is used, determining what will be built where. Adopted local plans provide the framework for development across Wales and are developed and managed by the local planning authority.

2.21 As noted above, rapid change is taking place in our town centres and the full impact of COVID-19 is yet to be felt. Priorities for action that appeared reasonable 18 months ago no longer reflect the changes that are taking place and the challenges now needing to be addressed. Plans are not always reflective of the changed environment facing town centres and are often geared to the problems besetting our high streets of three to five years ago, not as they are now. This is important and poses a significant problem. Some have taken the opportunity to refresh their regeneration plans. For example, Carmarthenshire County Council's Restart, Revive, Renew recovery strategy, developed in response to the economic impact of COVID-19, provides a good summary of the 'live' challenges facing towns in the county.

### **Local authorities often lack the skills and capacity to deliver the town-centre regeneration Wales needs**

2.22 The pandemic has laid bare the need for comprehensive regeneration to make Welsh towns sustainable places. But the impact of ten years of austerity and reductions in local government funding has seen a depletion in regeneration capacity and skills. Local authorities accept the loss of knowledge, experience and skills as staff leave is a major risk. Just over half of councillors (56%) recognise that they do not have enough skilled officers to deliver regeneration. Whilst there has been some new recruitment – the employment of a Town Centre Officer in Blaenau Gwent, for example – the overwhelming story from our research is one of a large reduction in capacity.

2.23 Staff dealing with regeneration are rarely dedicated to only undertaking this work, and usually manage a range of different and competing priorities. Local authorities rarely have a standalone regeneration function, and staff with a role in regeneration are often spread across different services and teams: planning, housing, land and property, legal, valuation, economic development, and leisure for example. This can reduce the opportunity for cohesive action and weakens accountability. Regeneration is also now more challenging and requires creativity and the application of a more diverse skill set. **Exhibit 8** summarises the key skills required to deliver town-centre regeneration that we have identified in the course of this review.

### Exhibit 8 – the key skills required to deliver town-centre regeneration

Local authorities need to have the right skills in place before, during and after town-centre regeneration.

<b>Before</b>		
Visioning skills	Land assembly	
Ambition	Project design	
Urban and Place Planning	Funding and financing	
Analysis and decision-making	Local employability development	
Legal expertise	Involvement and consensus building	
Use of enforcement powers and CPOs		
<b>During</b>		
Brokerage skills	Low carbon design and decarbonisation retro fit	
Developer negotiation	Communication and information	
Conflict resolution	Leadership	
Project management	Data collection	
Procurement		
Supply chain development		
Monitoring		
<b>After</b>		
Evaluation	Town Centre Management	
Reporting	Marketing	
Events management	Partnership working	
Dissemination of good practice	Data analysis	

2.24 Given this reduction in capacity, local authorities need to work more closely with a broad range of partners; the wider public sector, housing associations, the third sector, and Town and Community Councils, especially where their intervention might be of a smaller scale or plays to a specific set of skills and/or responsibilities. Regeneration also needs to be better integrated across policy agendas, public sector priorities and by more efficient cross-professional practice. City deals could help with some of this, but the City Deal staff we spoke to stressed that they are often focussed on 'macro' level regional economic development and regeneration issues, not 'micro' level town-centre regeneration, although the Cardiff Capital Region City Deal has identified town-centre regeneration on its forward work programme for 2022.




### **Local authorities are mostly not using their powers to enable town-centre regeneration**




- 2.25 Successful regeneration relies on local authorities involving the community, providing incentives for private developers to invest in the area, combined with effective use of enforcement powers. This balance of responsibilities promotes sustainable development whilst helping to ensure land and property owners keep their land or property in a suitable condition. Overall, local authorities are not providing these incentives or using the powers they have available to drive town-centre regeneration effectively and consistently.
- 2.26 Several powers already exist which enable councils to bring empty buildings or land back into use, clean up an area which causes an environmental health hazard, or force transfer of ownership of land or property through the use of a Compulsory Purchase Order (CPO). We found most of these powers are underutilised, and senior officers we interviewed acknowledged that there is a lot more for local authorities to do in using their wide-ranging powers to stimulate town-centre regeneration. Prohibitive factors include the cost and time involved in using these powers and, overall, officers we interviewed noted that the enforcement regime is neither agile nor effective at tackling problems. In March 2021, the Welsh Government published new guidance to help make the compulsory purchase process more understandable and transparent<sup>28</sup>.
- 2.27 Councillors are especially critical of how well local authorities are performing in this regard. Just over two-thirds note that their council has not created town-centre development and/or investment zones, and 77% say they have not introduced incentives for town-centre development. 72% of councillors believe that their council is not proactively using enforcement powers to bring empty buildings or land back into use, whilst the vast majority (83%) say they are not proactively using CPOs to stimulate re-use of vacant and underused sites and buildings in town centres.

- 2.28 The Welsh Government has organised training for local authority councillors and officers to help ‘demystify’ enforcement powers to stimulate their use and application. Many of these do not require expensive and protracted action and can achieve the desired impact through a staged approach. **Exhibit 9** below sets out the options available to local authorities. These range from softer low-key and inexpensive actions to more intrusive and potentially costly last resort decisions. All options need to be pursued and setting out your stall early can change and influence landlord behaviour. In addition, the Welsh Government has set aside £15.2 million under its Empty Properties Enforcement Fund which is available to local authorities to support them to take enforcement action. Local authorities are required to submit an action plan to the Welsh Government detailing the properties they wish to take action against and the estimated funds they need.
- 2.29 From our review, it is clear that councils need to be joined up internally with policy aligned to deliver the right impact. If services – planning, environmental health, housing, property, land and legal – are not integrated, then local authorities will struggle to address these problems. Leadership and intent are essential.

### Exhibit 9 – powers available to tackle empty properties

Local authorities have a wide range of powers available to help them tackle empty and derelict eyesore buildings to regenerate town centres.

Approach	Timescale	Potential actions
 Advice and guidance	0 months to 2 years	<ul style="list-style-type: none"> <li>• Advice to landlords on options for sale, rent and ownership</li> <li>• List of agents to help sell/rent</li> <li>• Discounted fees through Auctioneer Scheme</li> <li>• Identify and list potential Investors/ Developers</li> <li>• Use LA website to promote/advertise land/ buildings for owners</li> </ul>
 Softer Options	6 months to 2 years	<ul style="list-style-type: none"> <li>• List of approved Builders/Architects</li> <li>• Develop and provide for free composite Schedule of Works</li> <li>• Home Improvement Agency</li> <li>• Council-run Private Sector Leasing scheme</li> <li>• Social lettings scheme to match applicants to private rented homes</li> <li>• Public Request Ordering Proposals</li> <li>• Direct purchase by LA or RSL</li> <li>• LOTS and HARPS to create homes above shops</li> </ul>
 Financial Assistance	6 months to 2 years	<ul style="list-style-type: none"> <li>• Improvement grants linked to nominations to properties</li> <li>• Loans for improvement work (interest free or interest bearing)</li> <li>• Commercial lending advice</li> <li>• Discount VAT and/or Capital Allowance schemes</li> </ul>

Approach	Timescale	Potential actions
 <p>Threat of enforcement</p>	<p>2 years or more</p>	<ul style="list-style-type: none"> <li>• S.215 of the Town and Country Planning Act 1990</li> <li>• S.77-79 of the Building Act 1984 – dangerous structures, ruinous and dilapidated</li> <li>• Housing Acts 1985 and 2004 – improvement notices, EDMOs, demolition and clearance</li> <li>• S.79-80 of the Environmental Protection Act 1990 – statutory nuisance</li> <li>• S.4 of the Prevention of Damage by Pests Act 1949 – treat pests</li> <li>• S.29 Local Government (Miscellaneous Provisions) Act 1982 – boarding up</li> <li>• Listed Buildings/Urgent Works notice</li> <li>• Public Health Acts 1936 and 1961 – filthy and verminous</li> <li>• Naming and shaming landlords (publicity)</li> </ul>
 <p>Debt Recovery</p>	<p>2 years or more</p>	<ul style="list-style-type: none"> <li>• Council Tax, Statutory Debts or Business Rates debt recovery (Bankruptcy, charging orders or Bailiffs)</li> <li>• County Court or Enforced Sales Procedure</li> <li>• Council Tax Premiums on Long-term Empty and Second Homes</li> </ul>
 <p>Last Resort</p>	<p>2 years or more</p>	<ul style="list-style-type: none"> <li>• Prosecution</li> <li>• Compulsory Purchase Order</li> <li>• Empty Management Dwellings Order</li> <li>• Enforced Sales Procedure</li> <li>• Direct Purchase</li> </ul>

Source: Welsh Government enforcement training given to local authorities





# Future: The challenge of regenerating town centres in the future

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03

## Town centres can continue to play an important role at the heart of Welsh life, but local and national government need to drive an ambitious regeneration agenda to help create sustainable places

3.1 The pandemic has increased pressure on high street businesses already struggling, and store vacancy rates are expected to continue rise. However, opinions vary about the extent to which the pandemic will lead to long-term change in town centres. Some point to evidence of new trends towards localised shopping and resilient independent stores as a cause for optimism. Others that the decline of recent years will accelerate as we tackle the fallout of the pandemic. Clearly, there are challenges that need to be addressed. But there are also opportunities to exploit.

## The Welsh Government has prioritised regeneration of town centres in the recovery from the pandemic, but needs to ensure the town-centre-first approach is central to its wider policy agenda

3.2 The Welsh Government published COVID-19 Reconstruction: Challenges and Priorities in October 2020<sup>29</sup>. The plan has eight short-term priorities one of which (**Priority 4**) is town-centre regeneration. The Welsh Government has set out a series of actions to help address the steady decline of town centres and the impact of the pandemic. These include:

- a new 'Strategic Sites Acquisition Fund' to enable local authorities to acquire land and/or high street premises to revitalise town centres;
- delivering a 'Town Centre First' agenda, prioritising integrated health and social care hubs in town centres;
- launching a dedicated fund to create additional facilities on high streets, to help revitalise town centres;
- providing better access to open spaces;
- creating remote working hubs; and
- making sure public services are more accessible.

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29 Welsh Government, [COVID-19 Reconstruction: Challenges and Priorities](#), October 2020

- 3.3 Town-centre regeneration remains a longstanding Welsh Government objective and has been reconfirmed as such in the recently published Programme for Government<sup>30</sup>. As noted earlier, much money has been set aside to support regeneration work under various initiatives in recent years. The Welsh Government's policy team for overseeing regeneration activity has, however, changed over this period, and local authorities are positive about their work and support. Many commented favourably on the support provided by the Welsh Government to local authorities to upskill and make better use of enforcement and legal powers to tackle longstanding blighted properties in town centres. Similarly, the more consultative and pragmatic approach to project development and sign-off was cited as evidence of improving responsiveness.
- 3.4 Key to the Welsh Government's regeneration work is its 'Town Centres First' approach, which looks to put the health of town centres at the heart of the decisions taken by the Welsh Government, local authorities, the wider public sector, businesses and communities. For example, encouraging the public sector to support towns by locating offices, facilities and services within them in order to drive footfall and create or sustain vibrancy. The approach therefore seeks to deliver the best local outcomes by aligning and integrating policies and resources to prioritise town centres.
- 3.5 Recent Welsh Government planning policy supports this direction of travel. For instance, **Planning Policy Wales – Edition 11**<sup>31</sup> has extensive content on the Welsh Government's vision for town centres, the assessments and tests that must be used to determine where retail and commercial development should go, and the town-centre focussed policies local authorities must work to implement. Similarly, **Update to Future Wales – The National Plan 2040**<sup>32</sup> includes a very strong town-centre-first policy approach.
- 3.6 This is a very ambitious agenda as it requires a high degree of integration between cross-cutting policy frameworks and decision making to promote town centres above much else. The challenge for Welsh Government is to ensure that all parts of their policy, funding and decision-making system are in sync and helping to deliver this ambition.
- 3.7 The Welsh Government is, however, only one of many players in this process and cannot create sustainable town centres without others playing their role, in particular local authorities and other public bodies. However, local authorities often lack capacity and skills to do everything and depend on others to get involved. But public sector partners are not joined up and integrated with local authorities and actively contributing to the town-centres-first agenda.

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30 Welsh Government, [Programme for Government 2021-2026](#), June 2021

31 Welsh Government, [Planning Policy Wales: Edition 11](#), February 2021

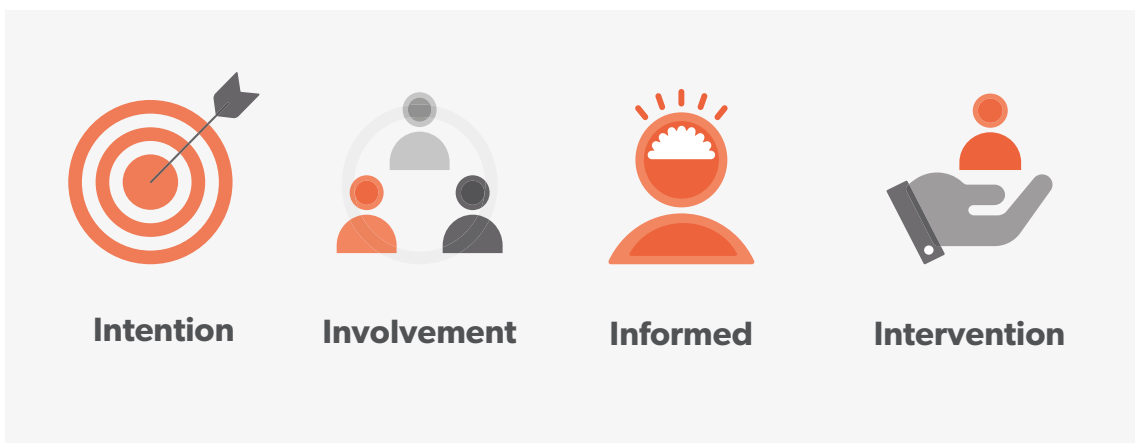
32 Welsh Government, [Future Wales: The National Plan 2040](#), February 2021

3.8 We have seen many examples of public bodies reducing their town-centre presence, moving more services online and to the periphery of towns. For instance, North Wales Police’s relocation of its Wrexham town-centre police station at Bodhyfryd to a new facility in Llay on the outskirts of the town in 2019. These are often done for valid reasons – better cost, better quality and better environmental impact. But they can also work against the town-centre-first agenda. The Welsh Government needs to get this policy framework right with buy-in from all key partners to enable ‘town centres first’ to work in practice.

**Many of the problems facing town centres can be addressed, but it requires national and local government to deliver integrated solutions and make brave decisions**

3.9 Retail remains important, but it is not the main purpose of town centres in the 21st century and needs to be replaced with other activities. This oversupply of retail is mostly being managed haphazardly in town centres and primarily as a result of company failures, shop closures, loss of anchor institutions, public sector relocation and changing shopper habits. Many of these decisions are commercial ones driven by profit and risk. Local authorities need to be receptive to these market trends and accept that town centres are changing and plan to help manage this shift. From our research, to help create sustainable town places requires local authorities to apply the four ‘I’s – **Exhibit 10**.

#### **Exhibit 10: the four ‘I’s of town-centre regeneration**



Source: Audit Wales

# Intention

**Local authorities need to be clear on the purpose of their town centres and provide honest, strong and dynamic leadership to address the challenges they face**

- 3.10 Local authorities know their towns and are crucial in leading, planning and implementing change to address the problems they face. As we have seen in earlier sections of this report, local authorities control key levers that can help create sustainable places. They have the legal powers to facilitate change, they have access to resources and have policy 'infrastructure' to draw on to deliver improvement. Importantly, they are also community leaders.
- 3.11 Local authorities need to therefore have a clear vision for the future of their town centres backed up by a plan for change. Importantly, they need to clearly set out their ambitions for their towns and show drive and direction. If local authorities are not committed to improving town centres, pledging resources and leading regeneration then it is hard to justify why others – businesses, social enterprises and public sector partners – should invest time, effort and money in doing so. Ambition encourages involvement, which leads to ideas which can attract funding. With so much uncertainty, now is the time to be bold and ambitious and to do different things and things differently.
- 3.12 The needs of towns are different and will therefore require different solutions. Local authorities need to ensure they have the right information to be able to identify the responses needed. It is clear that there is no 'one-size-fits-all' solution. Every town has to play to its local strengths and develop specific plans that reflect its unique situation. For those towns facing the greatest challenges, it is difficult to see successful regeneration happening without strong local authority involvement to steer activity, but also in use of powers from assembly of sites to assistance in funding.
- 3.13 However, local authorities need to also look at their area as a whole when prioritising regeneration and consider the interdependency of towns. As we have seen above, towns in Wales are co-dependent and serve different purposes. Regenerating independent places is more likely to make a greater economic and social impact than investing in dependent places. Towns with greater levels of independence provide core services for others and for scalability are a more attractive prospect for investment. And, with the advent of greater joint working through the creation of Corporate Joint Committees<sup>33</sup> there will be opportunities to strengthen regional strategic development planning, transport planning and promoting the economic wellbeing of areas.

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33 Welsh Government, [Corporate joint committees: draft statutory guidance](#), July 2021

- 3.14 High streets are getting smaller, shrinking into a central core, and local authorities need to be honest and open about this. Whilst retail should still be a focus, property must provide retailers with stores they need today, not 30 years ago. Smaller, more flexible units at ground floor level, with shorter leases – or even pop-up shops. Peripheral areas, where there is an excess of empty shops, must be restructured to enable their redevelopment for alternative uses – housing, community, recreation and leisure – to help deliver a more compact and sustainable high street.
- 3.15 Local authorities need to consider not only how town centres generate economic benefits, but also how they can help improve the health and wellbeing of people and enhance the local environment. With less demand for physical retail, local authorities need to consider alternative uses such as more housing, focussing on the heritage of their towns by encouraging new arts, cultural and leisure services and widening out the community and public realm benefits. Focussing on green and blue infrastructure – creating parks, open spaces, playing fields, woodlands, street trees, allotments, green roofs and walls and sustainable drainage systems – is an obvious area for growth.
- 3.16 Local authority senior officers and councillors we surveyed noted that the traditional decision-making model for overseeing regeneration is neither agile nor streamlined enough to keep pace with this rapidly changing world. Plans need to therefore be dynamic ‘living’ entities; developed and managed flexibly; subject to rigorous and regular evaluation; and adjusted to address problems in the moment not of the past. Based on our review, these are all areas where the success and impact of past approaches to regeneration often fall short.

## Involvement

**Local authorities are well-placed to prioritise and lead on place planning, but communities and businesses need to be fully involved**

- 3.17 High streets and town centres are at the heart of the community, but without communities being involved, regeneration will go nowhere. Ultimately, people make the high street. Local authorities need to tap into local communities to find out what they want from their town centres and involve them in determining how empty retail space is used.

- 3.18 Historically, this has been a challenge. Our survey of senior officers, councillors and businesses found that councillors and the Welsh Government have more influence on local regeneration than any other stakeholder. Housing associations and public sector partners play an important role and also have greater influence than town and community councils and the third sector. However, residents – the people who live in our towns – were uniformly seen as having little or no influence over regeneration. Where it happens, it usually takes the form of consulting on established priorities and falls well short of people helping to identify, shape and agree solutions. This is a major failing.
- 3.19 Many citizens responding to our survey show a high degree of realism, acknowledging that towns change and do not stay the same. Regeneration is seen positively as something leading to improvement and not to be shied away from. They are stakeholders – the key stakeholders – but are often on the periphery of discussions and decisions. Without people owning regeneration plans then they are not going to succeed.
- 3.20 Community involvement in regeneration can come in many forms. Two of the more successful involvement initiatives have been the use of Place Plans, introduced under the Planning (Wales) Act 2015, and Business Improvement Districts (BIDs):
- **Place Plans:** Traditionally, planning authorities will consult with the local community as part of the approval process for an individual application. Place planning is a much more inclusive and longer-term process, capitalising on existing community resources to generate ideas and turn these into local priorities. With a good place plan, local authorities have an ongoing forum to test regeneration proposals, long before decisions are made, and ensure any proposals reflect the needs and wants of the local community.
  - **Business Improvement Districts:** A BID is where local businesses lead and work together with partners to form a group to invest money and make improvements to a specific area such as town centres, by providing additional services above what is already available. BIDs can also be thematic, such as supporting the digital sector. A BID is set up through a legal ballot process – all businesses that pay business rates within the area, vote for or against a proposal document that sets out project activities and its aim to drive local economic regeneration of the specific area. If a vote is successful, all businesses will pay an extra amount referred to as a ‘levy’ on top of their business rates. The levy is then used to fund the projects in the proposal document. BIDs can be set up to run for up to five years and must then re-ballot.

3.21 Both of these approaches enable local communities to be more involved in the local planning decision-making process and we found some good approaches. For instance, the positive work of the Love Treorchy BID<sup>34</sup>, the Place Plan developed by Newtown and Llanllwchairan Town Council<sup>35</sup> and the work of the Altrincham Landlords Forum<sup>36</sup>. These are all good examples of how an involved community can shape regeneration, building on the goodwill of local citizens and businesses to enhance their local area.

## Informed

### **Local authorities need to value and use data to better understand their town centres and the impact of past regeneration projects to determine future priorities**

3.22 Officers we interviewed acknowledge that they lack key information and data to help them understand the dynamics of the ‘market’ in their town centres. Footfall and empty properties are the most frequently cited and used metrics, but these tell you nothing of the impact of visitors to town centres – how much they spend, how often they return and why – nor retail profit margins and rental values. Data where it exists is focused on individual towns. Understanding the catchment demographics and shopping patterns for towns, and their regional interconnectedness, is weak. Local authorities have a key part to play in strengthening the quality and scope of data and would benefit from forging stronger partnerships with data specialists.

3.23 Digital data offers insight on travel movements, parking, mobile phone activity, social media interaction and Wi-Fi usage, and can provide cost-effective insights about the changing use of town centres. However, the collection and use of digital data as a way of increasing understanding, targeting, marketing and monitoring change do not figure strongly in many town-centre action plans we reviewed. Overall, we found that national and regional research that can help shape public sector and business strategies on town centres are widely available, but often not used<sup>37</sup>.

34 [lovetreorchy.co.uk](http://lovetreorchy.co.uk)

35 Newtown Town Council, [Newtown and Llanllwchaiarn Place Plan](#)

36 [Altrincham Forward Newsletter February 2013](#)

37 There is a wide range of useful data that can be drawn on including [Understanding Welsh Places](#), [CoStar](#), [Centre for Retail Research](#), [Centre for Cities](#) and [Centre for Towns](#) to name a few.



- 3.24 Evaluating past regeneration schemes is a powerful improvement mechanism. Specifically in the context of regenerating town centres, evaluating what works and what does not is essential learning for the future. It provides good evidence for impending funding bids, informs policy development and enables an authority to understand the impact of regeneration on key targets and outcomes. Evaluation is at the heart of accountability and enables an assessment of whether the targeting of resources and interventions are value for money.
- 3.25 Overwhelmingly, our interviews and surveys found that local authorities do not fully evaluate their management and delivery of past regeneration programmes to help shape new plans. This is partly a reflection of inadequate information to judge regeneration in the round, and partly a result of reduced capacity. Irrespective, it also highlights poor use of resources. Since 2014, nearly £900 million has been invested or levered in to regenerating town centres, but it has fallen short in helping to create sustainable places. There is an imperative to therefore use what investment there is to best effect. More thought (and resource) needs to be given to learning and evaluation within local authorities to maximise the benefits of this investment.

## Intervention

### **The changing face of town centres requires local authorities to become more interventionist**

- 3.26 A lot of the actions needed to help create sustainable town centres cannot happen without some form of local authority intervention. However, local authorities have to involve citizens, local businesses and landlords to create a vision for their town, building trust and only then use their powers as leverage to intervene. In many cases, the combined threat of enforcement, along with the chance to be part of a strong vision can result in landlords and landowners voluntarily making changes required without the need for any formal action. From our research we have seen good examples of how local authorities are leading and intervening to create positive change – **Exhibit 11**.

## Exhibit 11: local authorities need to become more interventionist to help create sustainable town centres

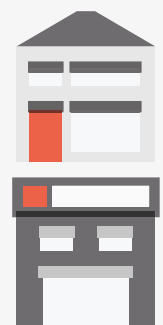
### Working more closely with partners to address problems of fragmented ownership and confronting this issue head on.

If landlords believe in your vision, the choice for them is obvious. The impact of Trafford Council's public realm transformation project and strategy for Altrincham enabled the council to tackle the complex problem of ownership and bring about positive change on the ground creating a more vibrant and diverse town centre. The council recognised that they had to lead and to take a whole town-centre approach facing the difficult issues head on if they were going to succeed.



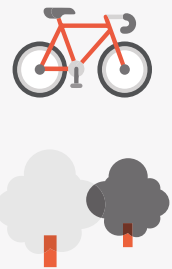
### Becoming adept at land acquisition and assembly through better and more consistent use of enforcement powers, both compulsory and voluntary purchase powers.

Enforcement can be very effective as a threat without necessarily having to see it through, when used alongside a clear vision and strong ambitions for the future. Stockton-on-Tees has suffered a similar fate to countless high streets up and down Wales. Stockton Council has met this challenge head on acquiring the rundown Castlegate shopping centre, hotel and multistorey carpark and plans to replace it with a riverside park, part of its longer-term vision of creating a stronger leisure and recreation focus in the town centre. Refocussing the town centre around the river to reconnect with the town's heritage is key and supports the council's green infrastructure agenda.



**Creating the correct regulatory context by integrating land use planning and urban regeneration policy with more flexibility in planning to allow a broader range of uses to tackle empty retail and rundown buildings.**

Mixed space hubs have been successful. The more successful spaces have a mixture of redevelopment, new development, start-ups, independent businesses and arts/heritage projects, all managed by the local community. For instance, the Midsteeples Quarter, Dumfries, a community benefit society redeveloping empty High Street properties to create a new neighbourhood with a mix of uses built on principles of local prosperity and wellbeing. Key to its success has been flexibility from the local authority in how it applies its land use planning and development control responsibilities to encourage urban renewal.



Source: Audit Wales



# Appendices

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- 1 Audit Methodology**
- 2 The number of towns, villages and communities in Wales with more than 2,000 residents in each local authority**
- 3 Welsh Government funding to local authorities in 2020-21 for town-centre regeneration**
- 4 Business Improvement Districts**

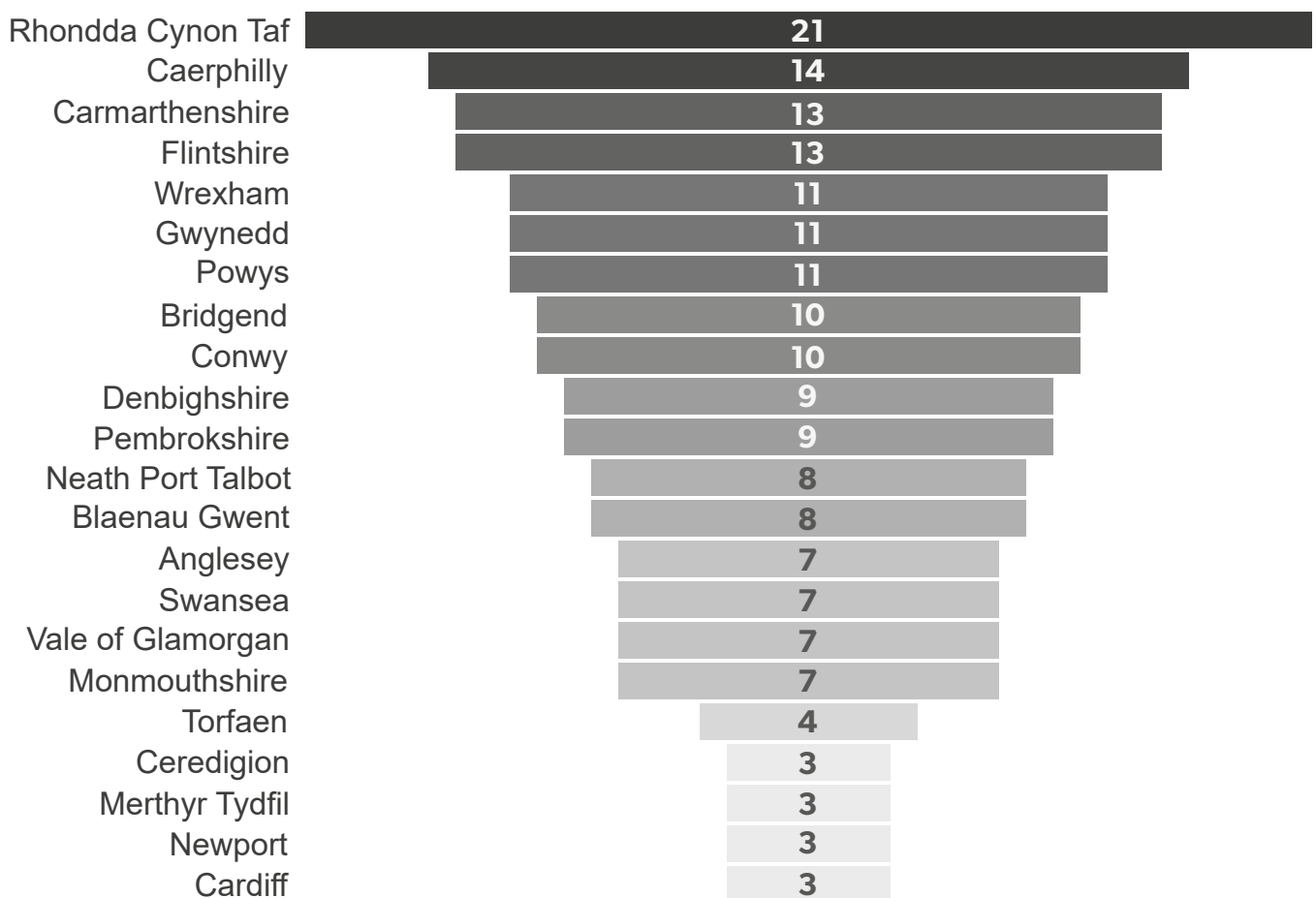
# 1 Audit Methodology

We completed our review between October 2020 and May 2021. We used a range of methods:

- **document review:** we reviewed national strategy, guidance, Welsh Government announcements and update reports, local authority plans, local and national performance reporting.
- **interviews:** we interviewed every local authority regeneration lead officer, members of staff of the Welsh Government's regeneration team, a range of representative local, regional and national organisations including the Institute of Welsh Affairs, staff of several universities, One Voice Wales, Community Housing Cymru and the Bevan Foundation for example.
- **focus groups:** we held three focus groups with elected members from across Wales to discuss their town centres.
- **data analysis:** we reviewed available data on town centres in Wales and drew on the work of Understanding Welsh Places, the Office for National Statistics and others.
- **surveys:** we ran four surveys with citizens, town-centre businesses, councillors (both principal and town and community) and local authority regeneration leads. The citizen and business surveys were provided online and supported by a series of social media campaigns to generate interest. A total of 1,984 citizens completed our survey and 442 businesses. We received 228 responses from councillors and 20 of the 22 councils completed the senior officer survey.
- **webinar:** we held a webinar to discuss our emerging conclusions in May 2021 and had attendance from over 160 people.

## 2 The number of towns, villages and communities in Wales with more than 2,000 residents in each local authority

See our [data tool](#) for the full information.



Source: Wales Institute of Social and Economic Research and Data/  
Institute of Welsh Affairs, [Understanding Welsh Places](#), December 2020.  
release. Analysis by Audit Wales

### 3 Welsh Government funding to local authorities in 2020-21 for town-centre regeneration

Council	Allocation
Swansea	£13,685,106
Newport	£9,519,515
Neath Port Talbot	£7,651,128
Wrexham	£7,320,131
Powys	£6,756,572
Blaenau Gwent	£6,226,708
Caerphilly	£6,167,264
Gwynedd	£5,906,725
Pembrokeshire	£5,471,983
Denbighshire	£4,805,649
Merthyr Tydfil	£4,665,766
Cardiff	£4,210,229
Isle of Anglesey	£4,067,000
Rhondda Cynon Taf	£3,623,725
Conwy	£3,147,125
Carmarthenshire	£3,116,103

<b>Council</b>	<b>Allocation</b>
Ceredigion	£2,807,136
Vale of Glamorgan	£2,067,500
Bridgend	£1,981,305
Flintshire	£1,965,309
Monmouthshire	£1,422,000
Torfaen	£1,000,025
<b>TOTAL</b>	<b>£107,584,004</b>

Source: Welsh Government



## 4 Business Improvement Districts

There are 18 BIDs in Wales.

Operating	Feasibility Stage	Terminated 2021
Aberdare	Newtown	Neath
Aberystwyth	Wrexham	
Bangor		
Caernarfon		
Cardiff		
Carmarthen		
Ebbw Vale (industrial BID)		
Llanelli		
Merthyr Tydfil		
Newport		
Pontypridd		
Port Talbot		
Rhyl		
Swansea		
Treorchy		



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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	8 <sup>th</sup> February 2022
<b>Subject:</b>	Review of Town Centre Regeneration in Wales
<b>Head of Service:</b>	Christian Branch Head of Regulation & Economic Development 01248 752491 <a href="mailto:ChristianBranch@ynysmon.gov.uk">ChristianBranch@ynysmon.gov.uk</a>
<b>Report Author:</b>	Dewi G Lloyd Regeneration Manager 01248 752483 <a href="mailto:DewiLloyd@ynysmon.gov.uk">DewiLloyd@ynysmon.gov.uk</a>
<b>Nature and Reason for Reporting:</b>	
<p>To report on the Audit Wales review of Town Centre Regeneration in Wales and its recommendations to local authorities in Wales</p> <p>To report on the County Council's response to these recommendations, including its self-assessment based on Audit Wales guidance</p>	
<b>Recommendation :</b>	
That the Governance and Audit Committee accepts the report and notes the content	

## **Audit Wales - Regenerating Town Centres in Wales**

Audit Wales (AW) undertook a review of town centre regeneration in Wales during 2021, and published related reports in September 2021. Officers from Anglesey County Council and local stakeholders were involved in providing evidence and comments to WAO as part of their review.

The report is published online here <https://wao.gov.uk/publication/regenerating-town-centres-wales>

The key messages in the report are as follows :-

- a) Town centres are at the heart of Welsh life and can be vibrant and sustainable places, but addressing the many challenges they face requires brave decisions and ambitious leadership*
- b) The growth of out-of-town retail, the progressive loss of services such as banks, and the growth of online shopping has led to a steady decline in many, added to by the pandemic.*
- c) The Welsh Government had invested significantly in town centre regeneration, but its 'town centre first' policy is not yet fully embedded, and town centres often struggle.*

*d) Local authorities are the key public bodies to help regenerate town centres, but they often lack the capacity to deliver the sustainable regeneration needed, and powers available are often not fully utilised.*

*e) Local authorities are well placed to prioritise and lead on place planning but need to be clear on the purpose of their town centres, involve key stakeholders in decisions, better understand problems, identify the best solutions, and become more interventionist.*

## AW's Recommendations

The report makes six Wales-wide recommendations :-

**R1 - WG should review non-domestic rates**

**R2 – WG should help local authorities to address transport needs for town centres**

**R3 – WG should improve local authority access to funding for town centres, including multi-year funding and giving revenue/staff capacity support as well as capital funds.**

**R4 – Local authorities should effectively use their existing enforcement, financial assistance, and debt recovery powers to support regeneration, working cross-departmentally**

**R5 – WG should set out how it plans to deliver the ‘Town Centre First’ approach in practice**

**R6 – Local authorities need to plan carefully how they manage town centres, and should use our review tool to self-assess their current approaches to identify where they need to improve their work on town centre regeneration** <https://audit.wales/system/files/2021-08/Regenerating%20Town%20Centres%20in%20Wales%20Self%20Evaluation%20Tool%20-%20English.pdf>

## Anglesey County Council's Response to the Report

Two of AW's recommendations apply to all local authorities in Wales.

In response to Recommendation No6, relevant officers from different IoACC Services have completed a self-assessment exercise to identify any areas for improvement / further work by the authority. The outcome of this exercise is attached and is summarised below, indicating that the authority is undertaking all of the 38 identified work areas, with none identified that is not currently being undertaken.

### IoACC SELF-ASSESSMENT SUMMARY

SCORE	1	2	3	4	5
POSITION	No, we do not do this at all, and have no plans to do so	We do this to a limited extent and have further work to do	Yes, we do this quite well, but have some limited further work to do	Yes, we are good at this, with these largely being addressed	Yes, we are good at this and no further work is required
FREQUENCY	0 / 38 0%	4 / 38 11%	21 / 38 55%	13 / 38 34%	0 / 38 0%

Only 4 areas need significant work to do, 21 are being addressed quite well but need some further work, and the other 13 are considered to be already met very well . As there is always scope for some future improvement, none were scored as 5. The areas needing significant work relate to the 'Intention' section of the assessment, and most of these gaps had already been identified prior to the report issue. With WG revenue funding support, work is underway to prepare a new regeneration strategy covering all five of Anglesey's town centres, and this process should address most of the significant gaps identified.

In response to Recommendation No4, relevant officers from different IoACC Services have jointly prepared a Town Centre Empty Property Enforcement Action Plan, and 25 staff / 15 members/senior officers have attended related training sessions.

Significant external capital funding is potentially available from WG and other sources- this often needs some match-funding. WG and regional prioritisation policies impact on which towns can receive funding, and this changes over time. Our lobbying on behalf of smaller towns has been successful, and means that it is possible to bid for some types of regeneration funds for eligible schemes in any of Anglesey's town centres.

The Council's ability to deliver tangible outcomes related to both recommendations also depends to a great extent on the staffing resources, capacity, experience and skills being in place to do so effectively. Staff capacity and budget limits are likely to mean that not all the items listed by WAO can be undertaken, and some may not be viable or suitable for a small mainly rural authority to undertake. Despite these constraints, the work that has happened with long-term problematic sites such as the Market Hall, Plas Alltran, and Beaumaris Social Club shows evidence of effective cross-service working to deal with key town centre challenges.

**Report prepared by Dewi G. Lloyd, Regeneration Manager**

**1 February 2022**

## APPENDIX



### ***Isle of Anglesey's Town Centre Regeneration Work***

### ***A Self- Assessment Using the Wales Audit Office 'Regenerating Town Centres' Assessment Tool***

***Updated: 1 February 2022***

Paratowyd ar y cyd gan Swyddogaeth Adfywio & Tim Tai Gwag yn unol a canllawiau SAC  
Jointly prepared by Regeneration Function & Empty Homes Team based on WAO guidance

<b>Fersiwn / Version</b>	<b>Diweddarwyd gan/ Updated by</b>	<b>Dyddiad / Date</b>	<b>Nodyn / Note</b>
V1	DL	02.12.21	Drafft cyntaf ar gyfer sylwadau swyddogion First draft for comments by officers
V2	DL & GO	18.01.22	Drafft diwygiedig yn adlewyrchu sylwadau a diweddariadau Revised draft reflecting comments & updates
V3	DL	01.02.22	Diweddariadau pellach Minor updates included

**TOWN CENTRE REGENERATION BY IoACC – SELF-ASSESSMENT USING WAO TEMPLATE**

No.	ACTIONS NEEDED BY LOCAL AUTHORITY AS IDENTIFIED BY WAO	IACC SELF-SCORE / 5	IACC OFFICER COMMENTS
	<b>INTENTION</b>		
1	We have a long-term vision for all our town centres.	2	Currently only for Holyhead, but a county-wide strategy covering all 5 towns has been commissioned for completion in mid 2022, sitting within a wider North Wales regeneration strategy, and an all-Wales Transforming Towns programme
2	We have committed, highly visible political leaders for town centre regeneration.	2	Scope for more visible activity linked to above – PR campaign arranged
3	Our approach to town centre regeneration is integrated with our key strategies and plan – eg Wellbeing Plan, corporate priorities and other community, council and regional strategies.	3	Integration does take place and the new strategy will help to make this clearer / more effective.
4	We have set SMART objectives for town centre regeneration.	2	Currently only for some individual projects linked to specific funding awards - new Anglesey wide town centres strategy will need to include
5	We have a clear accountability framework to govern and scrutinise our decisions in regenerating town centres.	3	Yes but there is scope to make this clearer. IoACC has scrutiny structures in place including a Regeneration Scrutiny Committee, and local members regeneration briefings with portfolio holders and officers periodically take place for Holyhead.
6	We act in a transparent way and everyone is clear on how decisions on town centre regeneration activities are made and by whom.	3	See above – there is room for improvement & the new strategy should address this
7	Those who make decisions on town centre regeneration are accountable for their choices and are held to account through clear governance arrangements.	3	See reply to No5
8	We have enough staff in the right services and with the required seniority to undertake town centre regeneration work.	2	Very small number of core staff in R&ED & Housing Services undertake this work where possible as a part of or in addition to their main duties, supported by a few temporary grant-funded staff, most geographically limited to Holyhead Finance grants staff also play a key role in town centre work Redeployment of several IoACC officers to manage/deliver Covid work such as business grants in the period since March 2020 has adversely impacted on progress with town centre projects/ plans

9	We have a can-do culture and entrepreneurial mindset within the council for town centre regeneration.	3	Some examples of significant initiatives being driven forward despite major challenges eg Market Hall, Beaumaris Social Club, Plas Alltran, Holyhead Empty Shops Initiative (via MonCF)
10	We can recruit the right people with the right skills to deliver our town centre regeneration work.	3	Numbers applying for IACC project posts generally is very limited and we sometimes struggle to recruit, and some experienced staff have left for better paid roles elsewhere
11	We have embedded regeneration with programmes of long-term transformation and/or recovery from COVID-19.	4	TCR is named / included in IoACC's recovery plan TCR funds were used to support Covid adjustments eg signage for businesses
12	We are able to secure the resources we need to undertake town centre regeneration	3	Capital grants and loan funds are available from WG, and some revenue funds are also now available. Good well-developed projects are generally fundable The scope of WG urban regeneration funding has recently been widened beyond Holyhead Late annual-only funding allocations at a governmental level and a lack of ready-to-deliver projects limits what is possible to actually deliver in time
	<b>INVOLVEMENT</b>		
13	We effectively communicate internally and externally about what the council and its partners are trying to achieve through our town centre regeneration work	3	Yes to a degree but there is clearly scope to improve, especially outside Holyhead – the new Strategy will address and assist improvement – Website page is in place <a href="https://www.anglesey.gov.uk/en/Business/Regeneration/Town-centre-regeneration.aspx">https://www.anglesey.gov.uk/en/Business/Regeneration/Town-centre-regeneration.aspx</a> Holyhead/Holy Island regeneration Twitter account has 1,000+ followers & Anglesey-wide version is under consideration PR campaign arranged
14	We draw on the expertise and knowledge of partners, businesses, citizens and stakeholders when identifying and agreeing our priorities for town centre regeneration.	3	Yes but scope to improve – this will form part of the new Strategy work New Holyhead Market Hall base for regeneration staff will assist engagement in our main town centre North Anglesey Economic Regeneration Plan online engagement drew 600+ replies and these influenced the final plan
15	Our priorities for town centre regeneration reflect the feedback we receive from partners, businesses, citizens and stakeholders.	3	Yes to a degree, but largely limited to projects / areas that have staffing resources to do so eg in Holyhead - there is scope to improve – stakeholder engagement and feedback will form part of the new Strategy work in 2022
16	We enable all our stakeholders to be fully involved in identifying and agreeing town centre regeneration priorities: <ul style="list-style-type: none"> <li>• Elected Members</li> <li>• Welsh Government</li> <li>• Local Health Board</li> <li>• Fire and Rescue Authority</li> <li>• National Park Authority</li> <li>• Police</li> <li>• Police and Crime Commissioner</li> </ul>	3	Yes – to a degree, and largely limited to projects / areas that have staffing resources to do so Track record of local stakeholder engagement in Holyhead There is scope to improve – stakeholder engagement and feedback forms part of the new Strategy work in 2022



	<ul style="list-style-type: none"> <li>• Town and Community Councils</li> <li>• Business Improvement Districts</li> <li>• Chamber of Commerce</li> <li>• Social Enterprises</li> <li>• Local community groups</li> <li>• Individual citizen</li> </ul>		
17	We encourage partners, businesses, citizens and stakeholders to develop solutions that help regenerate our town centres.	3	Yes – IACC has assisted/supported a number of solutions developed by others eg several projects by MonCF and Menter Mon, but there is clearly scope to do more, but this relies on having suitably experienced capacity to do so
18	We support community-led regeneration and actively encourage our partners, businesses, citizens and stakeholders to lead on town centre regeneration by encouraging and working through: <ul style="list-style-type: none"> <li>• Business Improvement Districts</li> <li>• Town and Community Councils</li> <li>• Place Plans</li> </ul>	3	Yes – several examples of joint working with MonCF, Menter Mon, & Town Councils eg Covid adjustments scheme, Maker Spaces, Digital Towns There is scope to do more and considering this will form part of the new Strategy / Place Plans work in early 2022
	<b>INFORMED</b>		
19	We use a wide range of data to understand our town centres and identify the priorities for action.	4	Yes – range of data is used including WIMD, empty premises, Census, Welsh places website WIMD profile for 5 towns appears on website Town profiles recently produced as part of N.Wales Regeneration Strategy & being produced as part of Ynys Mon Town Centres Baseline work in 2022
20	Our data covers: <ul style="list-style-type: none"> <li>• Footfall</li> <li>• Digital – Wi-Fi usage, social media interactions, travel movements, etc</li> <li>• Property – rent, profit margins and empty units</li> <li>• Catchment demographics</li> <li>• Interdependency of towns</li> </ul>	3	Lazer-beam footfall counters in Holyhead Digital Towns public Wifi system installed or planned in all 5 town centres Occasional occupancy surveys undertaken Various published data considered as appropriate Additional data sources to be scoped as part of planned baseline work
21	We make transparent decisions based on good quality information when deciding on town centre regeneration	3	Yes - but decisions often reflect capital spend deliverability and eligibility considerations – there is scope to improve matters and this will form part of the new Strategy work in 2022
22	We receive good quality information to: <ul style="list-style-type: none"> <li>• judge whether we should approve a town centre regeneration project; and</li> <li>• monitor and fully evaluate performance of our delivery of town centre regeneration</li> </ul>	3	Yes – the funding criteria and forms for most schemes make it clear what information is needed with applications and this is generally received but it is not always of good quality – information from monitoring tends to be quite basic. There is scope to improve, but achieving this largely relies on capacity
23	We have a confident decision-making culture and elected	3	Yes but scope to improve – this will form part of the new Strategy work in 2022

	members are not afraid of challenging officers and holding people to account.		Local members briefing / Q&A meetings periodically take place for Holyhead
24	We regularly review our town centre regeneration work to ensure our actions and decisions are the right ones.	3	Yes but this tends to be linked to external funding – there is scope to improve and this will form part of the new Strategy work in 2022
25	We amend our town centre regeneration programmes to reflect changing needs and demands.	3	Yes but this tends to be linked to external funding – there is scope to improve and this will form part of the new Strategy work in 2022
26	We set targets and measures of success for town centre regeneration to judge improvement over time, and monitor these when they have been agreed	4	Yes – WG and other regeneration funding for town centres is subject to quantitative targets that are monitored on a quarterly basis
27	We jointly take corrective action as a result of our ongoing evaluation of town centre regeneration programmes	4	Yes – for example the RROG has identified the lack of support for smaller/ rural towns, and has lobbied for and successfully changed the focus of the regional programme to allow part of the regeneration funds to support such towns
28	We share learning and draw on evidence from other councils in Wales and elsewhere to learn what does/ does not work, the challenges we face and the potential rewards	4	Yes – IACC attends a number of regular and one-off networking meetings and events that achieve this eg monthly regional regeneration group (RROG), Town Centre Action Group, WLGA Regeneration & Property Loans meetings
29	We review the effectiveness of our past decisions on town centre regeneration to understand what worked and what did not	4	Yes, such as the independent evaluation of Holyhead ESI and the Holyhead VVP Programme 2014-17, but only tends to happen where this is specifically required by funders/ provided for in an externally funded budget
30	We undertake post-implementation evaluation of individual town centre regeneration schemes to check that the objectives we set were delivered	4	Yes – see above
31	We can draw on robust information that shows how our regeneration work is: <ul style="list-style-type: none"> <li>• improving local people’s social and health wellbeing;</li> <li>• improving the quality of buildings and homes in our town centres; and</li> <li>• delivering carbon reduction targets and improving green infrastructure</li> </ul>	3	Yes to a degree – outputs are monitored eg with TRI schemes but there is scope to do more to monitor and measure longer-term outcomes, especially those that are more qualitative / intangible
	<b>INTERVENTION</b>		

32	We have defined and clarified roles, responsibilities and our legal powers to support our town centre regeneration work	3	Yes but scope to improve / clarify roles and responsibilities – the recently prepared Ynys Mon Town Centre Enforcement Action Plan does this to an extent & the recent Ynys Mon Town Centre Enforcement Training has helped to clarify the powers available to LA's
33	We can draw on and utilise the skills and knowledge of our partners, the Welsh Government and stakeholders to help us take legal action to regenerate town centres	4	Yes – good joint working taking place across IoACC Services & with WG Several examples of action taken eg CPO's for Market Hall & Beaumaris Social Club, work on Plas Alltran WG has provided consultant to advise & assist LA's with problematic properties matters
34	We provide landlords, businesses, partners and stakeholders with good quality advice and guidance including: Advice to landlords on options for sale, rent and ownership <ul style="list-style-type: none"> <li>• List of agents to help sell/rent</li> <li>• Discounted fees through Auctioneer Scheme</li> <li>• Identify and list potential Investors/Developers</li> <li>• List of approved Builders/Architects</li> <li>• Free composite Schedule of Work</li> </ul>	4	Yes – enquiries are regularly dealt with by relevant IACC staff Examples of actions by Empty Homes Team include :- Annual mailshot to owners of empty properties throughout the Island. These provide a detailed outline of all financial incentive schemes available to owners of empty properties and the VAT reduction scheme for renovations of properties empty over two years. All leads are then followed up and bespoke advice and guidance offered to owners. Progress is then monitored  The following are not currently offered by IACC :- List of approved Builders/Architects - Free composite Schedule of Work
35	We support landlords to tackle empty premises by offering a wide range of services including: <ul style="list-style-type: none"> <li>• Use LA website to promote/advertise land/buildings for owners</li> <li>• Home Improvement Agency</li> <li>• Council run Private Sector Leasing scheme</li> <li>• Social lettings scheme to match applicants to private rented homes</li> <li>• Public Request Ordering Proposals</li> <li>• Direct purchase by LA or RSL</li> <li>• LOTS and HARPS to create homes above shop</li> </ul>	4	Yes – examples of actions undertaken include :- <ul style="list-style-type: none"> <li>- Direct purchase of problematic premises for refurbishment &amp; resale</li> <li>- Direct purchase of problematic premises for refurbishment &amp; letting by LA</li> <li>- Assisting RSL to purchase &amp; take forward scheme for problematic property/site</li> </ul> The following are not currently offered by IACC :- Home Improvement Agency Council run Private Sector Leasing scheme Public Request Ordering Proposals  There is no specific LOTS /HARPS scheme for homes above the shop
36	We provide landlords, businesses, partners and stakeholders with financial support to help regenerate town centres including: <ul style="list-style-type: none"> <li>• Improvement grants linked to nominations to properties</li> <li>• Loans for improvement work</li> </ul>	4	Yes – advice, loans & some grants provided, for example : <ul style="list-style-type: none"> <li>- Holyhead THI Grants for property improvements</li> <li>- TRI &amp; PMG Grants for property improvements</li> <li>-Town Centre Loans / Houses into Homes Loans eg</li> <li>-conversion of Bull Hotel Amlwch into flats.</li> <li>-conversion of former HSBC Bank Amlwch into flats</li> <li>-conversion of former Chapel in Amlwch Port into flats.</li> </ul>

	(interest free or interest bearing) <ul style="list-style-type: none"> <li>• Commercial lending advice</li> <li>• Discount VAT and/or Capital Allowance schemes</li> </ul>		Improvements grants linked to nominations rights to properties (70% grant/30% own funding) – 12 landlord grants allocated in Holyhead Town Centre Options for a new TIG grant are under consideration at a regional basis
37	We proactively take enforcement action to regenerate town centres fully using: <ul style="list-style-type: none"> <li>• S.215 of the Town and Country planning Act 1990 – CPO</li> <li>• S.77-79 of the Building Act 1984 – dangerous structures, ruinous and dilapidated</li> <li>• Housing Acts 1985 and 2004 – improvement notices, EDMOs, demolition, clearance and CPO</li> <li>• S.79-80 of the Environmental Protection Act 1990 – statutory nuisance</li> <li>• S.4 of the Prevention of Damage by Pests Act 1949 – treat pests</li> <li>• S.29 Local Government (Miscellaneous Provisions) Act 1982 – boarding up</li> <li>• Listed Buildings/Urgent Works notice</li> <li>• Public Health Acts 1936 and 1961 – filthy and verminous</li> <li>• Naming and shaming landlords publicity</li> </ul>	4	Yes but capacity & resources limits what can be achieved Examples of action undertaken includes :- Holyhead Market Hall – compulsory purchase Crown Restaurant building – compulsory demolition Beaumaris Social Club building – compulsory purchase following the submission of a successful planning application by Housing Services to demolish and re-develop the site into 6 apartments. Plas Alltran (one of the top Victorian Buildings most at risk in UK) successful negotiation with the owner and voluntary sale agreed. Housing Services have secured planning permission to convert into four social housing flats.  40 IoACC staff /members attended town centre enforcement training sessions in 2021
38	We use our powers to encourage empty buildings to be brought back into use in town centres: <ul style="list-style-type: none"> <li>• Council Tax, Statutory Debts or Business Rates debt recovery (Bankruptcy, charging orders or Bailiffs)</li> <li>• County Court or Enforced Sales Procedure</li> <li>• Empty Homes and Holiday Homes Premium</li> <li>• Prosecution</li> <li>• Compulsory Purchase Order</li> <li>• Empty Management Dwellings Order</li> <li>• Enforced Sales Procedure</li> <li>• Direct Purchase</li> </ul>	4	Yes – examples of powers used by IoACC include :- <ul style="list-style-type: none"> <li>- Council Tax premium on empty homes &amp; holiday homes</li> <li>- Several CPO's undertaken – see above</li> </ul> 40 IoACC staff /members attended Anglesey town centre enforcement training sessions held in 2021



## Isle of Anglesey County Council Annual Audit Summary 2021

This is our audit summary for Isle of Anglesey County Council. It shows the work completed since the last Annual Audit Summary, which was issued in February 2021. Our audit summary forms part of the Auditor General for Wales' duties.



More information about these duties can be found on our [website](#).

## About the Council

### Some of the services the Council provides



#### Key facts

The Council is made up of 30 councillors who represent the following political parties:

- Plaid Cymru 14
- Anglesey Independents 7
- The Independent Group 7
- Welsh Labour 2

The Council spent £137.9 million on providing services<sup>1</sup> during 2020-21, the third-lowest spending of the 22 unitary councils in Wales.

<sup>1</sup> We define spending on services as the cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest.

## Key facts

As at 31 March 2021, the Council had £29.5 million of useable financial reserves<sup>2</sup>. This is equivalent to 21.4% of the Council's annual spending on services, the 14th highest percentage of the 22 unitary councils in Wales<sup>3</sup>.

The Isle of Anglesey County has one out of the 191 most-deprived areas in Wales, which is the 3<sup>rd</sup> lowest of the 22 unitary councils in Wales<sup>4</sup>.

The Isle of Anglesey's population is projected to decrease by 0.6% between 2020 and 2040 from 69,896 to 69,499, including a predicted 10.5% decrease in the number of children, a 8.3% decrease in the number of the working-age population and a 22.5% increase in the number of people aged 65 and over<sup>5</sup>.

## The Auditor General's duties

### We completed work during 2020-21 to meet the following duties

- **Continuous improvement**

The Council had to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General had to assess whether the Council met these requirements during 2020-21.
- **Audit of Accounts**

Each year the Auditor General audits the Council's financial statements to make sure that public money is being properly accounted for.
- **Value for money**

The Auditor General examines whether the Council has put in place arrangements to get value for money for the resources it uses, and he has to be satisfied that it has done this.
- **Sustainable development principle**

Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

<sup>2</sup> We define useable financial reserves as reserves usable for revenue costs, where the purpose is not protected by law. This is the total of the general fund, earmarked reserves and schools balances. It excludes Housing Revenue Account reserves, capital receipts and capital grants unapplied.

<sup>3</sup> Source: 2020-21 Statement of Accounts

<sup>4</sup> An area in this context is defined as a 'Lower Super Output Area'. Source: Stats Wales

<sup>5</sup> Source: Stats Wales



We continue to recognise the huge strain on public services and to work in a way that seeks to reduce the impact on public bodies' response to COVID-19, while still meeting our statutory duties.



**To meet the Auditor General's duties we complete specific projects, but we also rely on other audit work, and the work of regulators such as Care Inspectorate Wales and Estyn (the education inspectorate). We take the findings of our audit work into account when assessing whether the Council has put in place arrangements to secure value for money. Our findings and conclusions are summarised below.**

## What we found

### Audit of the Isle of Anglesey County Council's 2020-21 Accounts

Each year we audit the Council's financial statements.

#### For 2020-21:

- the Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 25 November 2021.
- the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- the quality of the draft statements presented for audit on 15 June 2021 was identified as an area for improvement in the Audit of Accounts report (ISA 260).
- a number of changes were made to the Council's financial statements arising from our audit work, which were reported to the Audit Committee in our Audit of Financial Statements Report in November 2021.
- in addition to the Auditor General's responsibilities for auditing the Council's financial statements, he also has responsibility for the certification of a number of grant claims and returns. The audit of the Teachers' Pension and Non-Domestic Rates returns has been completed. However, our work on auditing Housing Benefits Subsidy claims for financial years 2018-19, 2019-20 and 2020-21 returns is ongoing. Our work to date has identified a number of issues with the claims and issues around staff capacity to deal with auditor queries. This is an area where the council needs to prioritise effort in the coming months so the audit cycle can become more timely. As noted below we will also undertake further audit work in this area during 2022.
- the Auditor General issued the certificate confirming that the audit of accounts for 2020-21 has been completed on 25 November 2021.



## Our work in response to the COVID-19 pandemic

In response to the COVID-19 pandemic, we changed the approach and focus of our performance audit work in local government and other bodies. Below is a summary of some of the work we have undertaken in response to the pandemic across a number of sectors, much of which is of relevance to local government.

We undertook a project to support public sector efforts by sharing learning through the pandemic. The project aims to help prompt some thinking, and practise exchange. [Further information is available on our website.](#)

In March 2021, we published a [national report](#) setting out an overview of progress to date on Test, Trace, Protect in Wales. In December 2020, we also published some [observations](#) of the Auditor General on procurement and supply of PPE during the COVID-19 pandemic, followed by a [report](#) in April 2021. In June 2021, we also published our [report](#) on the rollout of the COVID-19 vaccination programme in Wales.

## Continuous improvement

The Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year 2020-21, as saved by an order made under the Local Government and Elections (Wales) Act 2021.

As part our examination of councils' performance assessments covering the 2020-21 financial year, we noted a reduced reference to comparative performance information. We recognise that the pandemic led to the suspension of some national data collection. The ability to compare data and performance with other organisations will continue to be an important element of arrangements to secure value for money, and will be a challenge for councils to consider, particularly as they continue to implement the requirements relating to self-assessment set out in the Local Government and Elections (Wales) Act 2021.

## Financial sustainability

During 2020-21, we examined the financial sustainability of each council in Wales. We undertook this assessment as financial sustainability continues to be a risk to councils putting in place proper arrangements to secure value for money in the use of resources.

Our [report](#) concluded that the Council has a good understanding of its financial position and currently delivers services within overall budget, but several financial challenges remain.

We also published two national summary reports: the [first report](#) in October 2020 and the [second report](#) in September 2021.

## Recovery planning

During 2020-21, we reviewed the arrangements that each council in Wales was putting in place to support recovery planning. We undertook this work on an ongoing basis, providing real-time and ongoing feedback where appropriate. Our key findings presented to the December 2020 Governance and Audit Committee reported that recovery from the impact of the pandemic has benefited from proactive engagement at both regional and local levels and that the Council's planning and decision-making processes have shown strong and consistent collective leadership. The Council's commitment to reintroducing democratic decision making,



valuing communication, forward looking financial planning and a commitment to working with partners have all been notable elements of the recovery journey.

## **Workforce Planning**

We reviewed the effectiveness of the revised approach to workforce planning in Children's Social Services and considered if benefits can be transferred to other Council services. Our [report](#) concluded that having experienced workforce challenges in the Children and Families Service, the Council is now more focused on workforce planning and has further opportunities to realise benefits across all services

## **Commissioning Older People's Care Home Placements**

During 2020-21, we examined whether North Wales councils and Betsi Cadwaladr University Health Board (the Health Board) as partners in the Regional Partnership Board were collaborating effectively in the strategic commissioning of older people's care home placements. We concluded that partners are working individually and collectively to provide care home placements for vulnerable service users; this is made more difficult by complex national processes, resulting in a significant focus on costs, which causes division amongst partners and has the potential to impact adversely on service users and their families. Strengthening accountability and developing a regional strategy and delivery plan have the potential to drive positive change and better partnership working, especially in relation to complex and more specialist care.

In concluding this work, we recognised that responsibility for the current challenges in the commissioning arrangements was widespread. The Welsh Government sets the national framework which is complex, and local partners have responsibility for the way that national policy and guidance are implemented. We have therefore reported locally to councils and the Health Board, and nationally to the Welsh Government recommending actions that these bodies should take.

## **North Wales Economic Ambition Board – Progress Review of the North Wales Growth Deal**

During 2020-21, we sought to answer the question: 'In delivering its overall goals, is the North Wales Economic Ambition Board (NWEAB) ready and able to adjust to meet the changing economic circumstances?' We concluded in our [report](#) that the NWEAB has clear and established governance arrangements and is supported by a developing Portfolio Management Office; external factors may impact on the planned ambitions and NWEAB is adapting to accommodate these.

## **Other inspectorates**

We also took into account the reports of Care Inspectorate Wales (CIW) and Estyn as well as any subsequent actions taken by the Council in response.

CIW published their local authority Assurance Check 2021 [letter](#) in November 2021.

Estyn have suspended the inspection of schools during the 2020/21 academic year and kept in touch with education providers remotely.

## Local government studies

As well as local work at each council, each year we also carry out studies across the local government sector to make recommendations for improving value for money. Since the last annual improvement report, we have published the following reports:

### Discretionary services (April 2021)

Financial pressures have led to councils reducing spending and cutting services, but the pandemic has shown local government services are essential to keeping people safe and healthy. We focussed on how councils define services, the systems and processes they have used to review services and how robust these are. Demand for some essential services is continuing to increase and councils are not confident that they can continue to deliver these services in the face of this rising and complex demand. Councils need to take the opportunity to refresh, reevaluate and reset what they do and to learn from the pandemic to build a better future. Our [report](#) was published in April 2021.

### Regenerating town centres in Wales (September 2021)

Between 1950 and 1980, local authorities prioritised regeneration of town centres creating new and greater retail space. However, past policy choices, changing consumer expectations and technological advances are now adversely affecting many Welsh town centres. And the pandemic has created challenges for local government and central government, with one in seven shops on Welsh high streets now empty, despite the Welsh Government investing and leveraging in £892.6 million in the last seven years. Local authorities do not have the capacity to respond to this situation and are not always using the powers they have to help regenerate towns. To deliver the best local outcomes, policies and joint working need to be aligned and integrated, and resources prioritised on town centres. Our [report](#) was published in September 2021.

### Planned work for 2021-22

We also looked at the key challenges and opportunities facing the Council. These could have an effect on the Council's ability to meet its legal obligations in relation to the sustainable development principle and the use of its resources.

The most significant risk and issue facing councils and the wider public sector during 2021-22 continues to be the COVID-19 pandemic. We have shaped our work to provide assurance and challenge in a way which helps to support the Council through this period. Our planned work for 2021-22 includes:

- Assurance and risk assessment including a focus on:
  - The Local Government and Elections Act (Wales) 2021
  - Recovery planning
  - Carbon reduction plans
  - Self-assessment arrangements
  - Financial position

- Springing Forward – as the world moves forward, learning from the pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.
- Improvement reporting audit.
- Review of Improving through Learning: Housing Benefit.

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the Senedd.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, fire and rescue authorities, national parks, and community councils. He also conducts local government value for money studies, assesses compliance with the remaining requirements of the Local Government (Wales) Measure 2009 and may undertake special inspections under the Local Government and Elections (Wales) Act 2021.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Senedd Commission, and National Health Service bodies in Wales.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions, as described above. Audit Wales is not a legal entity.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

## Audit Wales Work Programme and Timetable – Isle of Anglesey County Council

Quarterly Update: 31 December 2021

### Annual Audit Summary

Description	Timetable	Status
<b>A report summarising completed audit work since the last Annual Audit Summary, which was issued in February 2021.</b>	January 2022	Draft report issued to the Council in December 2021.

### Financial Audit work

Description	Scope	Timetable	Status
<b>Audit of the Council's 2020-21 Statement of Accounts</b>	To provide an opinion on the 'truth and fairness' of the Council's financial statements for the financial year ended 31 March 2021.	June 2021 through to October 2021	The Auditor General for Wales issued an unqualified opinion on the Statement of Accounts on 25 November 2021.
<b>Certification of Grants and Returns</b>	To certify the 2018-19, 2019-20 and 2020-21 Housing Benefit Subsidy claims.	The Department for Work and Pensions' certification deadlines	The 2018-19 Subsidy Claim was certified in November 2021. However, DWP

Description	Scope	Timetable	Status
		were 30.11.19 for the 2018-19 claim, 31.1.21 for the 2019-20 claim and 31.1.22 for the 2020-21 claim.	requested additional work be undertaken which has been completed and communicated to DWP.  The audits of the 2019-20 and 2020-21 subsidy claims are still ongoing.
	To certify the 2020-21 Teachers' Pension Return	30.11.21	The audit has been completed and the certificate issued on 1 December 2021.
	To certify the 2020-21 Non-Domestic Rates Return	19.11.21	The audit has been completed and the certificate issued on 3 December 2021.

## Performance Audit work

2020-21 Performance Audit Work	Scope	Timetable	Status
<b>Commissioning Older People's Care Home Placements</b>	A project common to North Wales councils and Betsi Cadwaladr University Health Board that reviewed how partners collaborate in the strategic commissioning of residential and nursing home care.	Completed	Final regional and national report issued in December 2021.

2021-22 Performance audit work	Scope	Timetable	Status
<b>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</b>	We will seek to integrate the delivery of our WFG examinations of steps to deliver wellbeing objectives with our other audit work. We will discuss this with the council as we scope and deliver the audit projects listed in this plan.	N/A	N/A
<b>Improvement reporting audit</b>	Audit of discharge of duty to publish an assessment of performance.	Completed	Certificate issued November 2021
<b>Assurance and Risk Assessment</b>	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</p> <p>At Isle of Anglesey Council, the project is likely to focus on:</p> <ul style="list-style-type: none"> <li>• financial position</li> <li>• self-assessment arrangements</li> <li>• recovery planning</li> <li>• implications of the Local Government and Elections (Wales) Act</li> <li>• carbon reduction plans</li> </ul>	April 2021 to March 2022	Presentation to Senior Leadership Team and representatives of The Executive in February 2022.
<b>Springing Forward – Examining the building blocks for a sustainable future</b>	As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.	October 2021– March 2022.	Fieldwork being undertaken.

<b>Review of Improving through Learning: Housing Benefit</b>	Identify and improve the learning identified as part of the Housing Benefit Claim Certification process.	January to March 2022	Arranging fieldwork.
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## Local government national studies planned / in progress

Study	Scope	Timetable	Status	Fieldwork planned at Isle of Anglesey County Council
<b>Direct Payments</b>	Review of how local authorities manage and promote the use of Direct payments	Publication Winter 2021-22	Drawing conclusions mid October, drafting and publication early 2022	No – work being delivered via Direct Payment Forum and a selection of follow up interviews
<b>Emergency Services</b>	Review of how well emergency services (blue light) collaborate	Publication winter 2021-22	Clearance with publication end of January 2022	N / A
<b>Follow up on People Sleeping Rough</b>	Review of how local authorities responded to the needs of people sleeping rough during the pandemic following up on the AGWs report of July 2020	N/A	N/A	This work is not progressing in 2021-22
<b>Poverty</b>	Understanding how local authorities ensure they	Autumn 2021 - Autumn 2022	Fieldwork	Yes - interview with nominated officer at the council



Study	Scope	Timetable	Status	Fieldwork planned at Isle of Anglesey County Council
	deliver their services to minimise or reduce poverty.			
<b>Social Enterprises</b>	Review of how local authorities are supporting and utilising social enterprises to deliver services	Autumn 2021 - Autumn 2022	Fieldwork	Yes - interview with nominated officer at the council
<b>Community Resilience</b>	Review of how local authorities can build greater resilience in communities	Autumn 2021 - Autumn 2022	Fieldwork	Yes - interview with nominated officer at the council

## Estyn

Estyn planned work 2021-22	Scope	Timetable	Status
<b>Local Government Education Services Inspections</b>	Estyn have worked closely with Directors of Education to review their inspection guidance for local government education services to reflect the experiences of the pandemic. The updated guidance (published on 1 July) will be piloted on the first inspection and feedback will be sought on whether any further refinements need to be made.	LGES inspections to resume from late Autumn term	N/A

<b>Estyn planned work 2021-22</b>	<b>Scope</b>	<b>Timetable</b>	<b>Status</b>
<b>Curriculum Reform thematic review</b>	Regional consortia and local authority support for curriculum reform.	Evidence collecting in Sept/Oct - publish in early February	N/A

## Care Inspectorate Wales (CIW)

<b>CIW planned work 2021-22</b>	<b>Scope</b>	<b>Timetable</b>	<b>Status</b>
<b>National Assurance Check 2020-21</b>	CIW has now published all assurance check letters CIW has published its national assurance check report highlighting key findings and recommendations	Published	Complete
<b>Programme 2022-23</b>	CIW will run an annual programme of assurance checks, performance evaluation inspections and risk based inspections	April 2022- March 2023	Planning
<b>National review</b>	Support for disabled children and their families.	Published	Complete
<b>Follow-up</b>	CIW will be following up on areas for improvement identified in the Assurance Checks or through risk based inspection activity with individual local authorities where necessary.	ongoing	One follow up risk based inspection has occurred and due to be published.  Two further follow up assurance checks have occurred and

CIW planned work 2021-22	Scope	Timetable	Status
			due to be published in due course
<b>Inspection</b>	Risk based inspection activity will continue where required.	As required	No inspections are scheduled at this time (up until April 2022)
<b>Development</b>	CIW will continue to develop its approach to inspection and review of local authorities	April 2022	In progress
<b>Deprivation of Liberty Safeguards Annual Monitoring Report for Health and Social Care 2020-21</b>	Annual monitoring report in draft format currently – this is a joint report with Health Inspectorate Wales	December 2021	In progress
<b>Annual meeting with Statutory Directors of Social Services</b>	CIW will meet with all Directors of Social Services	Dec 2021 and Jan 2022	In progress

## Audit Wales national reports and other outputs published since 1 April 2021

Report title	Publication date and link to report
<b>Care Home Commissioning for Older People</b>	<a href="#">December 2021</a>
<b>The Welsh Government's Warm Homes Programme</b>	<a href="#">November 2021</a>

<b>Taking Care of the Carers? How NHS bodies supported staff wellbeing during the COVID-19 pandemic</b>	<a href="#"><u>October 2021</u></a>
<b>Financial Sustainability of Local Government</b>	<a href="#"><u>September 2021</u></a>
<b>NHS summarised accounts infographic</b>	<a href="#"><u>September 2021</u></a>
<b>Picture of Public Services<sup>1</sup></b>	<a href="#"><u>September 2021</u></a>
<b>Town Centre Regeneration</b>	<a href="#"><u>September 2021</u></a>
<b>Student finances</b>	<a href="#"><u>August 2021</u></a>
<b>NHS finances data-tool 2020-21</b>	<a href="#"><u>June 2021</u></a>
<b>Rollout of the COVID-19 vaccination programme in Wales</b>	<a href="#"><u>June 2021</u></a>
<b>Quality governance arrangements at Cwm Taf UHB – follow up</b>	<a href="#"><u>May 2021</u></a>
<b>Welsh Health Specialised Services Committee governance arrangements</b>	<a href="#"><u>May 2021</u></a>
<b>At your Discretion - Local Government Discretionary Services</b>	<a href="#"><u>April 2021</u></a>
<b>Procuring and Supplying PPE for the COVID-19 Pandemic</b>	<a href="#"><u>April 2021</u></a>

<sup>1</sup> Main report published 15 September. Over the following six weeks we published five short sector commentaries: [A picture of local government](#), [A picture of healthcare](#), [A picture of social care](#), [A picture of schools](#), [A picture of higher and further education](#).

## Audit Wales national reports and other outputs due to be published during 2021-22 (and other work in progress/planned)<sup>2</sup>

Title	Anticipated publication date
Welsh Government accounts commentary	February 2022
Welsh Government setting of well-being objectives	February 2022
Unscheduled care – data tool and commentary	February/March 2022
Collaborative arrangements for managing local public health resources	February 2022
COVID response & recovery / Welsh Government grants management – third sector support	February 2022
NHS waiting times data-tool and planned care commentary	March 2022
Welsh Government workforce	February/March 2022
Orthopaedic services	March 2022
Curriculum reform	Spring 2022
Equality impact assessment	Spring 2022
Climate change – baseline review	Spring/summer 2022

<sup>2</sup> We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. This includes maintaining some flexibility so that we can respond to developments in Welsh Government policy and areas of possible interest for the new Public Accounts and Public Administration Committee.

<b>COVID response &amp; recovery / Welsh Government grants management - other</b>	TBC
<b>Affordable housing</b>	TBC
<b>Broadband infrastructure</b>	TBC
<b>Flood risk management</b>	TBC

### **Forthcoming Good Practice Exchange events and publications**

<b>Title</b>	<b>Anticipated publication/event date</b>
<b>Post event resources including session recordings for the Springing Forward event on organisational resilience held on 9/12/21</b>	Late January 2022
<b>Direct Payments Event (title TBC)</b>	March 30 2022

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>		
<b>Report to:</b>	Governance and Audit Committee	
<b>Date:</b>	08 February 2022	
<b>Subject:</b>	Annual Insurance Report 2020-21	
<b>Head of Service:</b>	Marc Jones, Director of Function (Resources) / Section 151 Officer 01248 752601 <a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a>	
<b>Report Authors:</b>	Marion Pryor Head of Audit and Risk 01248 752611 <a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a>	Julie Jones Risk and Insurance Manager 01248 752609 <a href="mailto:JulieJones@ynysmon.gov.uk">JulieJones@ynysmon.gov.uk</a>
<p><b>Nature and Reason for Reporting:</b>                      Audit committees are a key component of corporate governance and are an important source of assurance about an organisation’s arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance. Consequently, the Governance and Audit Committee’s terms of reference advocate its greater role in all aspects of assurance. This report provides the Committee with information about how the Council has managed its insurance activity over the last five years and its challenges going forwards.</p>		

## 1. INTRODUCTION

- 1.1. This report details the underwriting arrangements and recent loss histories for the principal areas of insured risk.

## 2. RECOMMENDATION

- 2.1. That the Committee considers and comments on the report.



# ANNUAL INSURANCE REPORT 2020-21

January 2022

**Marion Pryor BA MA CMIIA CPFA, Head of Audit & Risk**

**Julie Jones, Risk & Insurance Manager**





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*Cover Photograph: Rhosneigr during ex-hurricane Ophelia, October 2017*

## INTRODUCTION

The Council has a variety of insurance policies in place of which the main ones are **public and employers' liability, property and motor**.

The **public and employers' liability** policies indemnify the Council against costs and damages that it is liable to pay when members of the public, businesses and employees present claims for damage, injury and illness arising from the Council's negligence.

The **property** policies compensate the Council for damage to its buildings and contents following damage caused by certain perils.

**Motor** insurance combines an element of both in that it indemnifies the Council against damage or injury caused to a third party by its vehicles and compensates the Council for damage to its vehicles.

The Council uses a combination of **self-insurance** and **external insurance** to address the financial consequence of risk. In some cases the Council has arranged external insurance but self-insures a large proportion of the claims paid by opting for a large **excess**. To reduce the financial risk the Council has negotiated an aggregate stop (cap) on these policies and once this is reached the insurer meets the cost of any further claims.

Since 1 October 2017, the excess for the main policies are as follows:

<b>Public and Employers' Liability</b>	<b>£50,000</b>
<b>Motor</b>	<b>£1,000</b>
<b>Property - Schools</b>	<b>£25,000</b>
<b>Property - General Buildings and Housing</b>	<b>£10,000</b>
<b>Property - Smallholdings and Commercial</b>	<b>£250</b>

The self-funding of losses is part of the Council's overall approach to managing risk. It provides a greater incentive to deal with risk more effectively given that any reduction in claims directly benefits the Council. It also reduces the premiums payable and the Council's liability for Insurance Premium Tax (currently levied at 12%<sup>1</sup>). The external premiums paid in 2021/2022 were approximately £718.5k including £73k of Insurance Premium Tax. This represents an increase of approximately 8% since 2020/2021. Whilst a proportion of this relates to inflationary factors on the sums insured, there have also been rate increases, particularly in relation to property insurance. These rate increases are sector wide following losses faced by insurers globally as a result of weather related claims (e.g. flooding, storms etc.) and other large scale losses (e.g. fires in public buildings), and therefore should not be considered as specific to Anglesey.

To meet the self-insured element of any claims, the Council has established an Insurance Fund. The Council's appetite for risk and the need to maintain the stability of the Insurance Fund over the long term influences the level of self-insurance.

To meet this level of self-insurance, as at 31 March 2021, the Council's Insurance Fund consisted of £1.250m in an Earmarked Reserve and £290k in the Insurance Provision Account.

While it is important to ensure that the Insurance Fund holds sufficient resources to meet its liabilities, there is also an opportunity cost to maintain a greater balance than is needed. To ensure that the Fund is sufficient to meet the cost of its claims but is not over resourced, the Risk and Insurance Manager, in conjunction with the Director of Function (Resources) and Section 151 Officer, reviews the Fund every year.

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<sup>1</sup> Insurance premium tax increased from 6% to 9.5% in November 2015, to 10% in October 2016 and on 1 June 2017, to 12%.

## CLAIMS SUMMARY

This report provides a summary of claims under or against the Council's external and internal insurance arrangements for the period **1 April 2016 to 31 December 2021**, based on the date the incident occurred and not the date of the making or presentation of the claim, and for claims presented before 1 January 2022. The cost of the claims is the total cost to the Council and its insurer inclusive of damages and costs.

The summary of claims included in [Appendix A](#) of this report provides a breakdown per policy, per financial year for the Council as a whole of the number of claims that have:

- been paid,
- been settled without cost or payment being made, or
- where the claim has not yet been settled.

The summary also includes the amount paid in respect of those settled claims and the amount reserved against those claims not yet settled.

It should be emphasised that not all '*still open*' claims and that have a reserve against them will be paid or settled for the amount reserved against them. This is particularly true for liability claims; claims with large reserves often settle for much lower sums or are settled at no cost at all.

The number of claims might also increase over time, as claims are sometimes presented several years after the event. For example, a child injured in primary school has a period of three years after turning 18 years old to present their claim. Hence, both the number of claims and the amount reserved and paid will change over time.

## CLAIM TRENDS

### Employers Liability Claims

The number of claims for personal injury presented by employees remains low at two or three per year over the 5-year period. The majority of the claims presented are as a result of a specific accident at work. A reserve of approximately £75k applies to a claim where a former teacher has alleged work related stress.

### Public Liability Claims

The number of public liability claims has continued to fall over the last five years. Historically, injury to road users and damage to vehicles on the highway make up a significant proportion of the claims received. Whilst there was a significant reduction of highway related claims during the first lockdown when footfall and traffic were very low, nationally the number of highway related claims has since recovered. This however is not the situation on Anglesey as the number of highway related claims did not initially fall significantly from the pre-pandemic levels and the number remains low with only 10 such claims having been made since April 2021. Although there have been very few claim made against any other service, there are a few claims with high reserves. These include claims relating to child protection issues, and a maritime related claim, which together have reserves totalling around £325k. Of the public liability claims paid, the most significant are damages and costs of almost £12k paid following a trip on the highway.

### Motor Claims

The number of motor claims has fallen over the last two years and this can be attributed to there being less officers travelling during the pandemic. The cost of motor claims has however increased. This is a national trend brought about by the increased cost of parts, the increased sophistication of modern vehicles, and the increased cost of hire cars. This is evidenced as far back as 2017/2018 when four of

the Council's electric vehicles were written off at a cost of over £72k, due to a flooding incident.

## Property Claims

The weather is the main driver for property damage claims. Storm Ophelia brought with it strong winds, with gusts of 70 to 80mph, in 2017 and resulted in over £85k of damage to the roof of Plas Arthur Leisure Centre. More recently, storm Arwen caused damage to agricultural buildings on a number of the Council's smallholdings. Fortunately, damage to the Council's properties due to fire and other perils are relatively uncommon. The last fire claim relates to a smallholding in February 2020, accounting for over £30k of the reserve against 2020/2021.

## Pre-2016 Claims

It should be noted that [Appendix A](#) provides details of claims relating to the period 1<sup>st</sup> April 2016 to 31<sup>st</sup> December 2021. There are other claims that remain open that relate to periods before this date. Currently there are four public liability claims which fall into this category; one highway related, one school related, and two child protection related. The outstanding reserves for these four claims amount to approximately £215k and these highlight that some claims can take many years to resolve or even be made.

Overall, the trend is that the number of claims are low; however, claims are becoming more expensive.

## FUTURE CHALLENGES

The pandemic has undoubtedly had a positive impact on claims numbers. However, new ways of working, including more people working from home could be opening up to an increase in stress and postural type claims or even a whole new world of claims that we have not seen previously. In addition, working practises have also changed and this may affect the Council's ability to defend claims moving forward. An example, being roads being inspected by a single officer driving, whereas previously best practice would be for two officers to undertake the inspection; one driving and the other looking for defects.

It is accepted that fraudulent activities increased during the pandemic and it is possible that individuals may continue with such activities in a post-pandemic society. It is therefore possible that there will be an increase in fictitious or exaggerated claims being submitted. Officers are therefore particularly vigilant of accidents that have allegedly happened during periods of lockdown when witnesses are scarce.

The Council owns and manages approximately 4,000 housing properties and garages across the Island. Despite having achieved Welsh Housing Quality Standard (WHQS)<sup>2</sup> since 2012, a small number of claims alleging housing disrepair are received annually. Whilst these are not insurance matters and therefore not reflected in the statistics presented in appendix A, Council resources are required to investigate, rectify any issues, and pay compensation and costs where required. This may prove challenging if the number of claims increase to levels experienced by some local authorities.

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<sup>2</sup> The Welsh Housing Quality Standard (WHQS) is the Welsh Government standard of housing quality. The WHQS was first introduced in 2002 and aims to ensure that all dwellings are of good quality and suitable for the needs of existing and future residents. The Welsh Government set a target for all social landlords to improve their housing stock to meet the WHQS as soon as possible, but in any event by 2020. The Housing (Wales) Act 2014 reaffirmed this requirement.

Climate change has now been recognised as an emergency and we are aware of the impact that storms, flooding, coastal erosion, and heatwaves have had globally and locally in recent times. Such events are likely to occur more frequently and have a greater impact when they do occur. The impact on the individuals and communities that are affected by such events is tragic but there is also an impact on insurers in terms of the costs of settling the resulting claims.

Generally, the cost of claims are increasing due to the increasing cost of parts etc. The cost of repairs, both vehicles and buildings has risen significantly as supply chain issues brought about by Brexit and the pandemic has pushed the rate of inflation to levels not previously experienced this century. Technical advances in vehicles also means that more parts usually have to be replaced. For example, a bumper may now contain many sensors, which also need replacing following a minor collision. Similarly, the cost of construction materials has increased due to supply and demand issues and modern construction may be more combustible than traditional methods. Thus, in the event of a loss the costs are higher due to the increased cost of construction and the likelihood that more damage is caused. The cost of injury claims are also increasing. This is particularly true for larger claims where there is an on-going care element because as society lives longer and prognosis gets better, the cost of care increases.

All these factors will impact the amounts that insurers pay to settle the claims presented to them and will no doubt drive up the premiums charged by insurers. It is therefore likely that the premiums that the Council pays for insurance moving forward will continue to increase regardless of the low number of claims made and received. Ensuring that there are suitable processes and measures in place to manage its risks should minimise these premium increases. Managing risks well can also allow the Council to accept more risk by increasing excesses and deductibles, thus keeping a balance between the risks we insure and the cost of the premium.



## APPENDIX A – CLAIMS SUMMARY

Policy	Period	Number			Cost (£)	
		Paid	Settled at No Cost	Not Settled	Amount Paid	Amount Reserved
Public Liability	2016/2017	28	57	1	47,920	10,000
	2017/2018	24	35	1	33,387	11,719
	2018/2019	22	52	3	31,960	203,399
	2019/2020	10	40	3	7,921	27,510
	2020/2021	9	32	12	16,377	124,479
	2021/2022	1	4	17	1,670	212,403
Employers' Liability	2016/2017	1	2	0	8,883	0
	2017/2018	3	3	0	27,519	0
	2018/2019	0	0	2	0	87,000
	2019/2020	0	0	0	0	0
	2020/2021	0	0	1	0	5,000
	2021/2022	0	0	1	0	4,974
Motor	2016/2017	11	21	0	13,179	0
	2017/2018	17	6	0	97,903	0
	2018/2019	16	18	0	13,887	0
	2019/2020	15	6	1	29,332	11,046
	2020/2021	8	1	8	9,286	9,044
	2021/2022	0	1	14	0	31,262
Property	2016/2017	19	10	0	7,8632	0
	2017/2018	18	17	0	153,594	0
	2018/2019	9	5	0	17,500	0
	2019/2020	3	3	3	12,991	35,800
	2020/2021	1	0	1	10,000	720
	2021/2022	0	0	16	0	32,191
Other	2016/2017	0	1	0	0	0
	2017/2018	2	1	0	331	0
	2018/2019	2	0	0	743	0
	2019/2020	0	0	0	0	0
	2020/2021	0	1	0	0	0
	2021/2022	0	0	0	0	0
Total	2016/2017	<b>59</b>	<b>91</b>	<b>1</b>	<b>148,615</b>	<b>10,000</b>
	2017/2018	<b>64</b>	<b>62</b>	<b>1</b>	<b>312,734</b>	<b>11,719</b>
	2018/2019	<b>49</b>	<b>75</b>	<b>5</b>	<b>64,091</b>	<b>290,399</b>
	2019/2020	<b>28</b>	<b>49</b>	<b>7</b>	<b>50,245</b>	<b>43,356</b>
	2020/2021	<b>18</b>	<b>34</b>	<b>22</b>	<b>35,664</b>	<b>139,243</b>
	2021/2022	<b>1</b>	<b>5</b>	<b>48</b>	<b>1,670</b>	<b>280,830</b>

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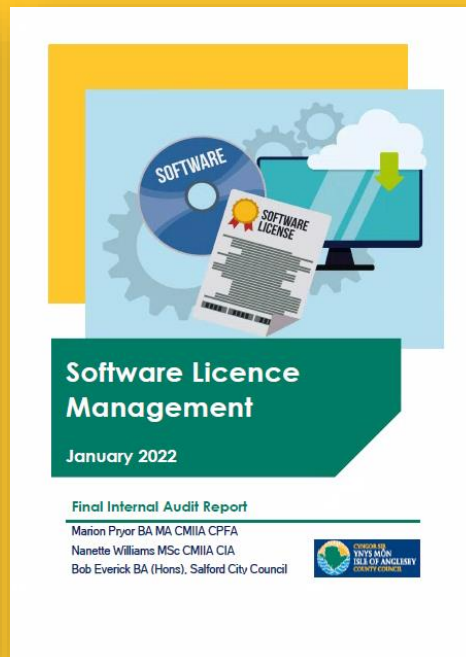
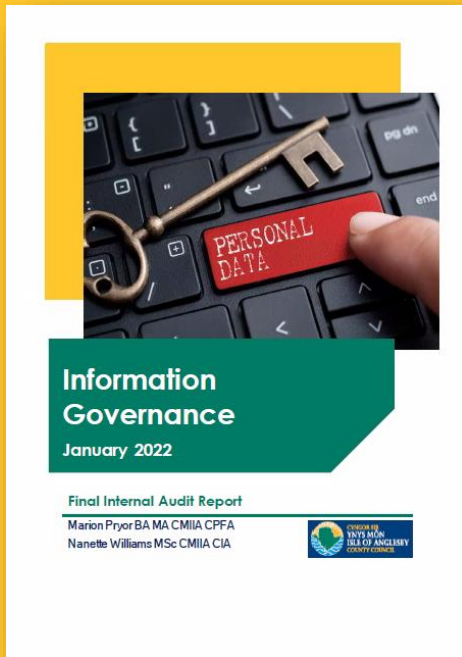
<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Adroddiad i: Report to:</b>	Governance and Audit Committee
<b>Dyddiad: Date:</b>	08 February 2022
<b>Pwnc: Subject:</b>	Internal Audit Update
<b>Pennaeth Gwasanaeth: Head of Service:</b>	Marc Jones Director of Function (Resources) and Section 151 Officer 01248 752601 <a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a>
<b>Awdur yr Adroddiad: Report Author:</b>	Marion Pryor Head of Audit and Risk 01248 752611 <a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a>
<b>Natur a Rheswm dros Adrodd / Nature and Reason for Reporting:</b> In accordance with the Council's 'Strategy for Committee Meetings', this report meets the requirements of the Local Government (Wales) Measure 2011, which sets out the legislative duties to be performed by a council's audit committee, specifically, to oversee the authority's internal audit arrangements.	

## 1. INTRODUCTION

1.1 This report updates the Committee, as at 1 February 2022, on the audits completed since the last update as at 1 December 2021, the current workload of internal audit and our priorities for the short to medium term going forward.

## 2. RECOMMENDATION

2.1 That the Governance and Audit Committee notes Internal Audit's assurance provision and priorities going forward.



# INTERNAL AUDIT UPDATE FEBRUARY 2022

**Marion Pryor BA MA CMIIA CPFA, Head of Audit & Risk**

[MarionPryor@YnysMon.gov.uk](mailto:MarionPryor@YnysMon.gov.uk)



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# ASSURANCE WORK COMPLETED SINCE THE LAST UPDATE

1. This section provides an overview of internal audit reports finalised since the last meeting, including the overall assurance rating and the number of issues/risks raised.
2. We have finalised **two** reports in the period, summarised below:

Title	Strategic Risk Register Ref.	Date Final Report	Assurance Level	Critical	Major	Moderate	Total
Information Governance	YM3 <sup>1</sup>	January 2022	Reasonable Assurance	0	2	5	7
Software Licence Management	YM38 <sup>2</sup>	January 2022	Limited Assurance	0	1	9	10

## Information Governance

Reasonable Assurance	Issues/Risks	
	0	Critical
	2	Major
5	Moderate	

3. Our review sought to answer the following key question:

**Does the Council have adequate arrangements in place to mitigate the risk of critical, confidential, or personal data being lost or wrongly disclosed, or being subject to other breaches of data protection legislation?**

4. Overall, our review concluded that the Council has an effective framework of controls in place to mitigate the risk of critical, confidential, or personal data being lost or wrongly disclosed, or the Council being subject to other breaches of data protection legislation.
5. These include, but are not limited to, increased technical controls around email usage, encryption of Council issued IT equipment, an extensive framework of data protection and information governance related policies and guidance available to staff on its policy portal, with the Data Protection Policy being mandatory for all staff to review and accept. Mandatory training via its Learning Pool platform on the General Data Protection Regulations (GDPR) as well as face to face training sessions are also provided, where possible. Policy acceptance and training completion rates for relevant staff was generally good across the Council and the Council has a robust process for

<sup>1</sup> Former corporate risk register reference

<sup>2</sup> Former corporate risk register reference

reporting potential data breaches to the Data Protection Officer, enabling swift investigation and if required reporting to the Information Commissioner's Office (ICO).

6. The Data Protection Officer also provides regular update reports to the Senior Information Risk Officer (SIRO) and the Senior Leadership Team, as well as annually to the Governance and Audit Committee on data protection matters.
7. We identified weaknesses within the framework and raised seven issues/risks that require management attention, two of which due to the potential impact of the risk in this area, we classed as 'major'. These include improving the security of unencrypted personal mobile devices to access information held on the Council's Microsoft Office 365 applications such as Teams and SharePoint and the Council's procurement guidance and supporting documentation needs to be expanded to include relevant information governance considerations.
8. Completion rates amongst elected members for the annual, mandatory e-learning Data Protection (GDPR) training was also low.
9. We also found some inconsistencies in service privacy notices displayed on both the Council's website, the 'My Account' app and some data collection forms used by the public, as well as the need for some general housekeeping in respect of several of the Council's supplementary data protection guidance documents. In addition, there is currently no mechanism to follow up the actions from a data incident investigation to ensure services have addressed any information governance weaknesses identified.
10. While the Data Protection Officer has undertaken significant compliance monitoring across the Council since the introduction of GDPR in 2018, and prioritised key areas of its data protection legislative obligations in this work, we consider the areas outlined above are symptomatic of the limited resources dedicated corporately for data protection and information governance compliance and quality assurance activities.
11. To conclude, despite the two major risks and the housekeeping issues identified, the outcome of our review is mainly positive and therefore, taking a balanced view of the risk exposure, we are able to provide **reasonable** assurance of the governance, risk management, and control of this area.

## Software Licence Management

Limited Assurance	Issues/Risks	
	0	Critical
	1	Major
	9	Moderate

12. We commissioned this piece of work from Salford City Council's specialist IT Audit team, and is one of three pieces of work Salford is undertaking on our behalf.
13. Our review sought to answer the following key question:

**Does the Council have adequate controls in place to minimise the risks associated with software licensing?**

14. Overall, our review concluded that although the IT unit monitors the licence position for the Council's software in the main, there are insufficient processes in place to manage the risk that unlicensed or unauthorised software is in use. As a result, there is an increased risk that the Council may be subject to penalty payments levied by software suppliers. In addition, there are insufficient controls in place to reduce the risk of unnecessary software licences being held, potentially increasing the cost of operating the software, and improvements are required in most areas. We are therefore only able to provide a **limited** level of assurance of the governance, risk management, and control in this area.
15. The review identified 10 issues/risks that require management attention, one of which we classed as 'major'. We have agreed an action plan with management and note that the Council's current proposed migration to 'Cloud' based applications for some of its mission critical applications will mitigate some of the risks identified. This will also provide the opportunity to improve all current processes regarding software licence management as well as the associated controls.
16. In accordance with our protocol, we have issued members of the Committee and the Portfolio Holder with a copy of the final report and agreed action plan, and the IT Team Manager will be present in the meeting to answer questions.



## WORK IN PROGRESS

17. The following audits are currently in progress:

Audit Area	Strategic Risk Register Ref	Service	Reason for Audit	Stage
Teachers' Pensions	n/a	Resources	Director of Function (Resources) / Section 151 Officer request	Fieldwork
Managing the risk of fraud and corruption in procurement	YM46 <sup>3</sup>	Resources	Corporate Risk Register, Counter Fraud, bribery and Corruption Strategy 2021-24 and raised during investigation	Fieldwork (postponed while undertaking Teachers' Pensions audit)
Payments - Supplier Maintenance	n/a	Resources	Scheduled Follow Up	Fieldwork
Identification of duplicate invoices and recovery of duplicate payments	n/a	Resources	Scheduled Follow Up	Fieldwork
Recruitment and Retention	YM2	Corporate	Strategic Risk Register	Scoping
Climate Change and Sustainability	YM13	Corporate	Strategic Risk Register	Scoping

### National Fraud Initiative

18. Work continues on investigating the first tranche of the NFI 2020/21 matches released in January 2021. Matches highlight potential fraud and error in the Council's systems. In order to protect the public purse against fraud and error, we are in the process of reviewing the matches to stop potential overpayments from increasing.
19. Recently, the Cabinet Office released the outcome of matching the recipients of Council Tax Single Person Discount against the Electoral Roll. We are working with colleagues in these departments to review the matches.
20. We will report the outcome of these investigations in our Annual Counter Fraud, Bribery and Corruption report.

<sup>3</sup> Former corporate risk register reference

## Management of School Unofficial Funds

21. A final report issued in September 2020 following an audit of the management of school unofficial funds concluded that although schools had some arrangements in place for the management of school unofficial funds, the Council needed to strengthen its arrangements to ensure that schools properly accounted for their unofficial fund income and expenditure.
22. We raised five Issues/Risks, which required management attention and the Learning Service to resolve, including one that we classed as 'Major' due to its potential impact on the Council. Due to the lack of oversight and process inconsistencies identified during our review, we were only able to provide a limited level of assurance at that time.
23. The Learning Service was committed to working with schools to support them in managing their school funds. Consequently, the Service devised a programme of work to address the issues identified by our review and asked us to assist with their implementation.
24. We have provided a refreshed guidance document, on-line training for head teachers and governors and conducted audits of school funds where the schools have been unable to retain an auditor locally. We have also undertaken quality assurance of the certificates submitted for 2019/20 to the Learning Service by schools. We are currently undertaking further quality assurance checks of the certificates submitted for 2020/21 and the audits of funds of three primary schools and will report the outcome of this work at the next Governance and Audit Committee meeting.
25. The Learning Service has addressed all the Issues/Risks raised during the audit in September 2020 and we were able to increase the assurance in this area to 'Reasonable' in July 2021.

## OUTSTANDING ACTIONS

26. Work is progressing to support services with implementing all outstanding actions. The 4action dashboard at [Appendix 1](#) provides an overview of the status of actions as at 1 February 2022.
27. There are currently 18 overdue actions (8 Major; 10 Moderate), which all fall within the Resources service. They are related to 'Issues/Risks' raised in four audits:
  - Payments - Supplier Maintenance
  - Identification of duplicate invoices and recovery of duplicate payments
  - Sundry Debtors
  - Leavers' Process
28. We are working with the service to provide support with implementing the actions.

# PRIORITIES FOR 2021-22 AND BEYOND

## Current Capacity

29. Our new Senior Auditor commenced in post on 13 December 2021 and has made an excellent start in the role. This means that the team is almost up to full strength, with only half a full time equivalent post remaining vacant, due to flexible working. However, one member of the team continues to be absent long-term.

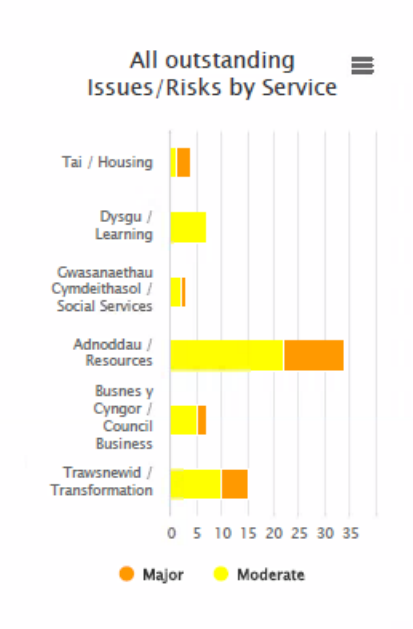
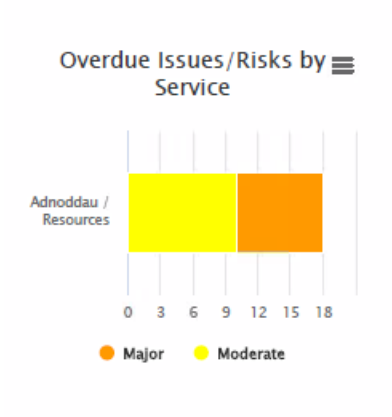
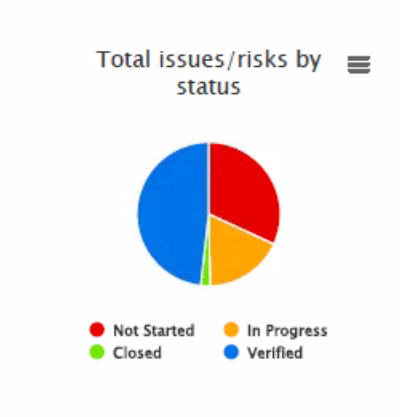
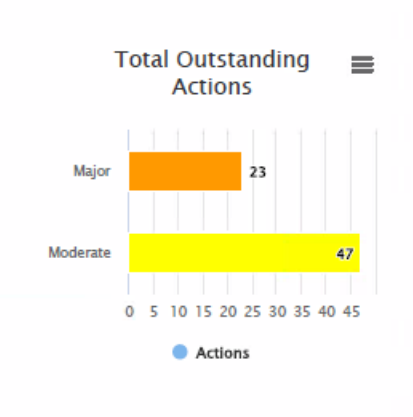
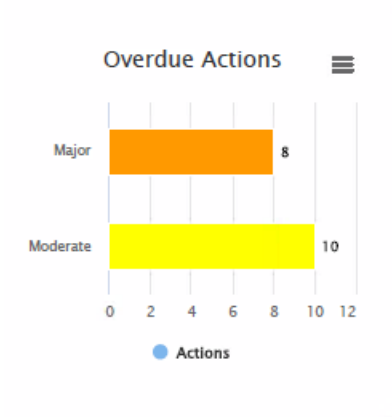
## Short/Medium Term Priorities

30. The SLT has significantly reviewed the now 'Strategic' Risk Register. Our immediate priority is to review the 'red' and 'amber' residual risks we have not yet reviewed, or not reviewed in the last two years, whilst remaining agile to respond to requests for assistance and assurance from services, and reacting to investigations.
31. The Head of Audit and Risk is currently developing the Annual Internal Audit Strategy for 2022-23 in conjunction with SLT and heads of services and will submit it to the Governance and Audit Committee at its meeting in May 2022 for consideration by the new committee.
32. We will continue to actively promote and monitor the addressing of outstanding internal audit issues/risks.

## Longer Term Priorities

- The delivery of the Counter Fraud, Bribery and Corruption Strategy 2021-24, including continuing to address the Audit Wales recommendations included in its report 'Raising Our Game - Tackling Fraud in Wales'.
- Work with colleagues in the Performance Team to improve assurance mapping across the Council and contribute to the development of the Performance Review Group.
- Prepare for the External Quality Assessment (EQA) due in June 2022.

# APPENDIX 1 – OUTSTANDING ACTIONS (4ACTION DASHBOARD) AS AT 1 FEBRUARY 2022



### Outstanding Red Issues/Risks

ID Summary

0 of 0

### Outstanding Limited Assurance Reports

Audit Title	Count
Payments - Supplier Maintenance 202107	9
Identification of Duplicate Invoices and Recovery of Duplicate Payments 202118	6
ICT Service Continuity (Phishing) 202123	2
Recovering Council Debt 202110	8

### Outstanding Amber Issues/Risks

ID Summary

- 4148 Business Continuity 3 - Our testing identified a lack of quality assurance activity over corporate and service business continuity plans and key...
- 4157 IT Resilience 2 - There is a lack of continuity and co-ordination between the Council's corporate business continuity plans and the IT disaster...
- 4212 Financial Resilience 2 - Progress with undertaking an exercise to map sources of assurance to support the Council's governance framework and ensure...
- 6024 Payments Supplier Maintenance 2 - Procedure notes exist, however, they have not been updated for a number of years and do not include the process...

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Adroddiad i: Report to:</b>	Governance and Audit Committee
<b>Dyddiad: Date:</b>	08 February 2022
<b>Pwnc: Subject:</b>	Updated Forward Work Programme 2021-22 v5
<b>Pennaeth Gwasanaeth: Head of Service:</b>	Marc Jones Director of Function (Resources) and Section 151 Officer 01248 752601 <a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a>
<b>Awdur yr Adroddiad: Report Author:</b>	Marion Pryor Head of Audit and Risk <a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a>
<b>Natur a Rheswm dros Adrodd / Nature and Reason for Reporting:</b> To inform the members of the Governance and Audit Committee of the amendments to the Forward Work Programme for 2021-22 for the Committee.	

## Introduction

1. The Governance and Audit Committee approved the proposed Forward Work Programme at [Appendix A](#) at its meeting of 25 May 2021, and some minor amendments at its meeting of 20 July, 21 September 2021 and 9 December 2021.
2. Further amendments have been made since to take account of management requests due to workload or other factors, the inclusion of the additional special meeting in the calendar to consider the finalised Statement of Accounts and Annual Governance Statement, the Local Government and Elections (Wales) Act 2021 and the election in May 2022. Amendments are highlighted in **bold**.

## Recommendation

3. That the Governance and Audit Committee:
  - notes the minor amendments to the approved Forward Work Programme for 2021-22.

## Appendix A – Updated Forward Work Programme 2021-22

Core Function	Tuesday 25/05/21	Wednesday 23/06/21	Tuesday 20/07/21	Tuesday 21/09/21	Wednesday 20/10/21	Monday 15/11/21	Thursday 09/12/21	Tuesday 08/02/22	Tuesday 19/04/22
Accountability arrangements (3.4.8.3)	Annual Chair's Report 2020-21 (3.4.8.3.1)  Review of Forward Work Programme 2021-22 (3.4.8.3.2)						Annual Review of Committee's Terms of Reference		Committee Self-assessment (3.4.8.3.2)  Annual Review of Committee's Terms of Reference
Governance (3.4.8.4)		Draft Annual Governance Statement (3.4.8.4.1/2/3)			Final Annual Governance Statement (3.4.8.4.1/2/3)	Final Annual Governance Statement (3.4.8.4.1/2/3)	Local Code of Governance (3.4.8.4.1/3)	Annual Report of the Partnerships and Regeneration Scrutiny Committee (3.4.8.4.4)	<b>Annual Report of the Partnerships and Regeneration Scrutiny Committee (3.4.8.4.4)</b>
Treasury Management (3.4.8.5)			Annual Report 2020-21 (3.4.8.5.1/2/3/4)				Mid-year Report (3.4.8.5.3)	Strategy and Prudential Indicators 2022-23 (3.4.8.5.3/4)	



## Appendix A – Updated Forward Work Programme 2021-22

Core Function	Tuesday 25/05/21	Wednesday 23/06/21	Tuesday 20/07/21	Tuesday 21/09/21	Wednesday 20/10/21	Monday 15/11/21	Thursday 09/12/21	Tuesday 08/02/22	Tuesday 19/04/22
Assurance Framework (3.4.8.7) Risk Management (3.4.8.8)							Risk Management Framework (3.4.8.7.1/2) (3.4.8.8.1)  Corporate Risk Register (3.4.8.7.1/2) (3.4.8.8.1)	Risk Management Framework (3.4.8.7.1/2) (3.4.8.8.1)  Corporate Risk Register (3.4.8.7.1/2) (3.4.8.8.1)	Risk Management Framework (3.4.8.7.1/2) (3.4.8.8.1)
Countering Fraud and Corruption (3.4.8.9)			Annual Fraud Report 2020-21 (3.4.8.9.4)	Annual Comments, Complaints & Whistleblowing Report (3.4.8.9.1)			Counter Fraud Strategy (3.4.8.9.2/3)		
Internal Audit (3.4.8.10)	Annual Internal Audit Report 2020-21 (3.4.8.10.6/7/8/9/12/14/15) (3.4.8.6)		Internal Audit Update Report (3.4.8.10.10/11) (3.4.8.6)	Internal Audit Update Report (3.4.8.10.10/11) (3.4.8.6)  Outstanding Issues/Risks (3.4.8.10.11)			Review of Internal Audit Charter (3.4.8.10.3/13)  Internal Audit Update Report (3.4.8.10.10/11) (3.4.8.6)	Annual Internal Audit Strategy 2022-23 (3.4.8.10.1/2/5/6)  Internal Audit Update Report (3.4.8.10.10/11) (3.4.8.6)	Internal Audit Update Report (3.4.8.10.10/11) (3.4.8.6)  Outstanding Issues/Risks (3.4.8.10.11)

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Core Function	Tuesday 25/05/21	Wednesday 23/06/21	Tuesday 20/07/21	Tuesday 21/09/21	Wednesday 20/10/21	Monday 15/11/21	Thursday 09/12/21	Tuesday 08/02/22	Tuesday 19/04/22
External Audit (3.4.8.11)				Audit of Accounts Report (3.4.8.11.2) (3.4.8.12.3)			Annual Audit Summary 2021 (3.4.8.11.3)		Annual Audit Plan 2021-22 (3.4.8.11.1/3)
Financial Reporting (3.4.8.12)		Draft Statement of Accounts 2020-21 (3.4.8.12.1/2)			<del>Final</del> Statement of Accounts 2020-21 (3.4.8.12.1/2)	Final Statement of Accounts 2020-21 (3.4.8.12.1/2)			
Other regulators and inspectors (3.4.8.13)			Annual Health & Safety Report (3.4.8.13.1)	Annual Information Governance Report 2020-21 (3.4.8.13.1)  Annual Policy Acceptance Report 2020-21 (3.4.8.13.1)			Annual Information Governance in Schools Report 2020-21 (3.4.8.13.1)  Annual Insurance Report 2020-21 (3.4.8.13.1)  Annual ICT Security Report 2020-21 (3.4.8.13.1)	Annual Insurance Report 2020-21 (3.4.8.13.1)  Annual ICT Security Report 2020-21 (3.4.8.13.1)	

## Appendix A – Updated Forward Work Programme 2021-22

<b>Core Function</b>	<b>Tuesday 25/05/21</b>	<b>Wednesday 23/06/21</b>	<b>Tuesday 20/07/21</b>	<b>Tuesday 21/09/21</b>	<b>Wednesday 20/10/21</b>	<b>Monday 15/11/21</b>	<b>Thursday 09/12/21</b>	<b>Tuesday 08/02/22</b>	<b>Tuesday 19/04/22</b>
Complaints Handling (3.4.8.14)				Annual Comments, Complaints & Whistleblowing Report 2020-21 (3.4.8.14.1/2)					
Panel Performance (3.4.8.15) <sup>1</sup>									

<sup>1</sup> Will be submitted next year in line with the requirements of the new legislation.

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# DDIM I'W GYHOEDDI NOT FOR PUBLICATION

*(Teitl yr Adroddiad: /Title of Report: )*

## PRAWF BUDD Y CYHOEDD PUBLIC INTEREST TEST

Paragraff(au) Paragraph(s)	Atodlen 12A Deddf Llywodraeth Leol 1972 Schedule 12A Local Government Act 1972  14 & 16
Y PRAWF – THE TEST	
Mae yna fudd y cyhoedd wrth ddatgan oherwydd / There is a public interest in disclosure as:-  Mae'r mater yn ymwneud â materion busnes y Cyngor.  The matter concerns the business affairs of the Council.	Y budd y cyhoedd with beidio datgelu yw / The public interest in not disclosing is:-  Mae'r mater yn cyfeirio at materion busnes y Cyngor a all niweidio buddiannau'r Cyngor yn fasnachol, ariannol ac yn gyfreithlon.  The matter refers to the business affairs of the Council which could prejudice the interests of the Council commercially, financially and legally.
Argymhelliad: *Mae budd y cyhoedd wrth gadw'r eithriad yn fwy o bwys/ <del>llai o bwys</del> na budd y cyhoedd wrth ddatgelu'r wybodaeth [* dilewch y geiriau nad ydynt yn berthnasol]	
Recommendation: *The public interest in maintaining the exemption outweighs/ <del>does not outweigh</del> the public interest in disclosing the information. [*delete as appropriate]	

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# DDIM I'W GYHOEDDI NOT FOR PUBLICATION

## *Adroddiad Blynyddol Diogelwch Seiber 2021/22 Annual Cyber Security Report 2021/22*

### PRAWF BUDD Y CYHOEDD PUBLIC INTEREST TEST

<p>Paragraff(au) Paragraph(s)</p>	<p>Atodlen 12A Deddf Llywodraeth Leol 1972 Schedule 12A Local Government Act 1972</p> <p>14: Information relating to the financial or business affairs of any particular person (including the authority holding that information).</p> <p>18: Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.</p>
<p>Y PRAWF – THE TEST</p>	
<p>Mae yna fudd y cyhoedd wrth ddatgan oherwydd / There is a public interest in disclosure as:-</p> <p>Information relating to the effectiveness of the Council’s cyber security arrangements indirectly relates to the security of the public’s personal and confidential data. There is a public interest in access to the information as the public may be considered to be stakeholders in the Council’s cyber security.</p>	<p>Y budd y cyhoedd wrth beidio datgelu yw / The public interest in not disclosing is:-</p> <p>Mae'r mater yn cyfeirio at materion busnes y Cyngor a all niweidio buddiannau'r Cyngor yn fasnachol, ariannol ac yn gyfreithlon.</p> <p>Gall hefyd ddatgelu gwybodaeth sy'n ymwneud â chamau gweithredu'r Cyngor a gymerwyd mewn cysylltiad ag atal trosedd.</p> <p>Placing information about the Council’s cyber security arrangements into the public domain would be likely to increase the risk to the security of the Council’s network and the integrity of its data. The information could be exploited by criminals and other parties who seek to undermine the Council’s security measures. The likelihood of harm to the business affairs of the Council, arising from disclosure is high resulting in prejudice to the commercial and financial interests of the Council. The public interest in ensuring the security of data holdings is strong.</p>
<p>Argymhelliad: *Mae budd y cyhoedd wrth gadw'r eithriad yn fwy o bwys/<del>llai o bwys</del> na budd y cyhoedd wrth ddatgelu'r wybodaeth [* dilewch y geiriau nad ydynt yn berthnasol]</p> <p>Recommendation: *The public interest in maintaining the exemption <del>outweighs/does not outweigh</del> the public interest in disclosing the information. [*delete as appropriate]</p>	



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