



CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

**GŴYS A RHAGLEN**

**SUMMONS AND AGENDA**

ar gyfer

for a

**CYFARFOD O GYNGOR  
SIR YNYS MÔN**

**MEETING OF THE ISLE OF  
ANGLESEY COUNTY COUNCIL**

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on

**DYDD IAU  
9 MAWRTH 2023**

**THURSDAY  
9 MARCH 2023**

**→ am 2.00 o'r gloch ←**

**→ at 2.00 pm ←**

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

### **1. MINUTES**

To submit for confirmation, the draft minutes of the meetings of the County Council held on the following dates:-

- 6 December 2022
- 26 January 2023 (Extraordinary)

### **2. DECLARATION OF INTEREST**

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

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

### **4. PRESENTATION OF PETITIONS**

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

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

To receive the following Notice of Motion by Councillor Llinos Medi:-

*“Anglesey County Council call on the Welsh Government to hold an urgent review into the resilience of the link between Anglesey and the mainland. The situation in Anglesey is unique to any other area in Wales as there are only two links, not only to arrive at the busiest port in the UK, but so that residents of the island can live their lives from day to day. There is a need to ensure that the residents of the island can gain access to work, education and emergency services. Also, there is a need to ensure an economic connection to the island from a tourist perspective as well as the Freeport application. The economic future and the welfare of Anglesey residents is dependent on this link.”*

### **6. RELEASE OF COUNCIL BALANCES TO FUND ADDITIONAL PAY COSTS IN SCHOOLS**

To submit a report by the Director of Function (Resources)/Section 151 Officer.

### **7. TREASURY MANAGEMENT MID-YEAR REVIEW 2022/23**

To submit a report by the Director of Function (Resources)/Section 151 Officer, as presented to the Executive on 2 March 2023.

### **8. TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24**

To submit a report by the Director of Function (Resources)/Section 151 Officer, as

presented to the Executive on 2 March 2023.

**9. CAPITAL STRATEGY**

To submit a report by the Director of Function (Resources)/Section 151 Officer, as presented to the Executive on 2 March 2023.

**10. 2023/24 BUDGET**

**(a) Medium Term Financial Strategy and Budget 2023/24**

To submit a report by the Director of Function (Resources)/Section 151 Officer, as presented to the Executive on 2 March 2023.

**(b) Capital Budget 2023/24**

To submit a report by the Director of Function (Resources)/Section 151 Officer, as presented to the Executive on 2 March 2023.

**(c) Council Tax Resolution 2023/24**

To submit a report by the Director of Function (Resources)/Section 151 Officer, as presented to the Executive on 2 March 2023.

**11. JOB SHARING ON THE EXECUTIVE**

To submit a report by the Director of Function (Council Business)/Monitoring Officer, as presented to the Executive on 2 March 2023.

**12. COUNCIL PLAN 2023-2028**

To submit a report by the Head of Profession – HR and Transformation, as presented to the Executive on 2 March 2023.

**13. PAY POLICY STATEMENT 2023**

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

**14. ESTABLISHING A NEW PLANNING POLICY COMMITTEE FOR THE ISLE OF ANGLESEY COUNTY COUNCIL**

To submit a report by the Head of Regulation and Economic Development, as presented to the Executive on 14 February 2023.

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**ISLE OF ANGLESEY COUNTY COUNCIL**

**Minutes of the hybrid meeting held on 6 December 2022**

**PRESENT:** Councillor Dafydd Roberts (Chair)  
Councillor Margaret Murley Roberts (Vice-Chair)

Councillors Geraint Bebb, Non Dafydd, Paul Ellis, Jeff Evans, Neville Evans, Glyn Haynes, T LI Hughes MBE, Llinos Medi, A M Jones, Carwyn Jones, Dyfed W Jones, G O Jones, R LI Jones, Jackie Lewis, Euryrn Morris, Alun W Mummery, Pip O'Neill, Derek Owen, Llio A Owen, Gary Pritchard, Dylan Rees, Alun Roberts, Keith Roberts, Nicola Roberts, Ken Taylor, Dafydd Rhys Thomas, Ieuan Williams, Robin Williams and Arfon Wyn

**IN ATTENDANCE:** Chief Executive,  
Deputy Chief Executive,  
Director of Function (Council Business)/Monitoring Officer,  
Director of Function (Resources)/Section 151 Officer,  
Director of Social Services,  
Director of Education, Skills and Young People,  
Head of Profession (Human Resources) and Transformation,  
Head of Highways, Property and Waste,  
Head of Regulation and Economic Development,  
Head of Housing Services,  
Head of Adults' Services,  
Communications Officer (GJ),  
Committee Officer (MEH).

**ALSO PRESENT:** None

**APOLOGIES:** Councillor Douglas Fowle, John I Jones, Alwen Watkin and Liz Wood

**1. MINUTES**

The minutes of the meeting held on 27 October, 2022 were confirmed as correct.

**2. DECLARATION OF INTEREST**

None received.

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

- A presentation, as a vote of thanks, was given to those former Councillors who retired from the County Council before the election in May 2022 :-

John Griffith, Richard Griffiths, Vaughan Hughes, R Meirion Jones, Richard O Jones and Bob Parry OBE FRAGS

- A presentation, of a long delayed vote of thanks, was given to Mr Noel Thomas for his service as a former County Councillor.

A Member from each political group paid tribute to Mr Thomas and acknowledged the egregious miscarriage of justice which he endured for sixteen years before unequivocally clearing his name.

The Chair made the following announcements:-

- An innovative project to supply food banks on Anglesey has won a national award recently at the Chartered Housing Association award ceremony. The County Council has led on the project which has seen collaboration between the Anglesey Foodbank, Amlwch Food Bank and Bwyd Da Môn, The Wallich, Care Link and Wild Elements.
- The Council has won a prestigious award with ICE Wales 2022, for the work on the flood prevention project at Mill Lane, Beaumaris. The ICE (Institute of Civil Engineers) Awards are given to the best civil engineering projects in the country.
- The Council's 'Cartrefi Clyd' venture has won a Children in Care Award at the 'Children and Young People Now 2022' awards ceremony. The Children in Care Award recognises a local authority or care provider which has done the most to improve results for children or young people who receive care be it in residential care, through fostering or other locations.
- Even though the campaign of the Wales Football team was a disappointing at the World Cup in Qatar – it was nice to see two from Anglesey representing Wales. The goalkeeper Wayne Hennessey, from Beaumaris and the goalkeeping coach, Tony Roberts is from Holyhead.

\* \* \* \* \*

Condolences were extended to the family of Mr Geoff Murray, former Caretaker of the Council Offices in Llangefni. Mr Geoff Murray worked for the Council between 1991 and 2016 before retiring.

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

Members and Officers stood as silent tribute.

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

Submitted – the following Notice of Motion by Councillors Liz Wood, Derek Owen and Aled M Jones :-

*'We request Anglesey County Council to consider all possible avenues to make St David's Day a bank holiday. This would allow us to celebrate our Patron Saint and National Day'.*

Councillor Aled M Jones, in the absence of Councillor Liz Wood, asked that the County Council put pressure on the UK Government that St David's Day be a bank holiday to allow to celebrate the Patron Saint.

Councillor Derek Owen seconded the proposal.

The Portfolio Holder for Finance, Corporate Business and Customer Experience proposed an amendment to the Notice of Motion that the Council writes to the UK Government following the next general election that St David's Day be a bank holiday in Wales.

The Leader of the Council seconded the amendment.

Councillor Aled M Jones agreed to withdraw his Motion in favour of the amended Motion.

The amended Motion was carried.

**5. TO APPOINT TWO COMMUNITY COUNCILLORS TO THE STANDARDS COMMITTEE**

Submitted – a report by the Director of Function (Council Business)/Monitoring Officer in relation to the above.

**It was RESOLVED:-**

**In accordance with the collective decision of the Town and Community Councils, to co-opt the following Town/Community Councillors to the Standards Committee with immediate effect –**

**Councillor Margaret Ann Thomas of Llangefni Town Council and  
Councillor Iorwerth Roberts of Bryngwran Community Council**

**until the next local government elections, or until such time as the appointees are no longer town/community council members; whichever shall occur first.**

**6. ANNUAL DIRECTOR'S REPORT ON THE EFFECTIVENESS OF SOCIAL SERVICES 2021/22**

Submitted – a report by the Director of Social Services in relation to the above.

The Portfolio Members for Social Services, Adults' and Children's Services wished to thank the Director of Social Services and the staff of the Social Services Department for their work. As evidenced in the report, there have been numerous successes achieved within the Service.

However, it was stressed that due to the cost of living crisis there will be added pressure on the Services with more people requiring care and support.

The Director of Social Services reported that the Annual Report is a statutory report and he highlighted the successes within the Social Services Department as was noted within the report. He specifically referred to the success of the Cartrefi Clyd project which allows for children in care to be cared for within their local communities. He further said that joint working with the Health Board and the third sector has contributed to the successes within the Services.

Councillor Aled M Jones said that the combine budget within the Adults' and Children's Services has increased by 18% over the last 3 years. He questioned the vision of the Services, in the future as such increases in growth is unsustainable. The Portfolio Member for Adults' Services responded that the Council and the Health Board are in continued dialogue to put preventative measures in place to make sure that people are as healthy as possible without having to be admitted to hospital and requiring care packages which can put strain on the Services. The Portfolio Member for Children's Services also responded that following grant funding, from Welsh Government, the Cartrefi Clyd project was able to be established here on Ynys Môn.

**7. It was RESOLVED to accept the Annual Director's report on the effectiveness of Social Services 2021/22**

The meeting concluded at 3.25 pm

**COUNCILLOR DAFYDD ROBERTS  
CHAIR**



## ISLE OF ANGLESEY COUNTY COUNCIL

### Minutes of the hybrid meeting of the Extraordinary meeting of the Isle of Anglesey County Council held on 26 January 2023

- PRESENT:** Councillor Dafydd Roberts (Chair)  
Councillor Margaret Murley Roberts (Vice-Chair)
- Councillors Geraint Bebb, Non Dafydd, Paul Ellis, Jeff M Evans, Douglas Massie Fowlie, Glyn Haynes, T LI Hughes MBE, Llinos Medi, A M Jones, Carwyn Jones, Dyfed Wyn Jones, G O Jones, R LI Jones, Pip O'Neill, Llio Angharad Owen, Gary Pritchard, Dylan Rees, Alun Roberts, Keith Roberts, Nicola Roberts, Ken Taylor, Dafydd Rhys Thomas, Alwen Pennant Watkin, Ieuan Williams and Robin Williams.
- IN ATTENDANCE:** Chief Executive,  
Deputy Chief Executive,  
Director of Function (Council Business)/Monitoring Officer,  
Director of Function (Resources)/Section 151 Officer,  
Director of Education, Skills and Young People,  
Director of Social Services,  
Head of Housing Services,  
Head of Adults' Services,  
Head of Profession (Human Resources) & Transformation,  
Head of Highways, Property and Waste,  
Head of Democracy,  
Programme, Business Planning and Performance Manager (GM),  
Committee Officer (MEH).
- ALSO PRESENT:** None
- APOLOGIES:** Councillors Neville Evans, John Ifan Jones, Jackie Lewis, Euryrn Morris and Derek Owen.
- Head of Regulation & Economic Development

#### 1. DECLARATION OF INTEREST

None received.

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

The Chair made the following announcements:-

- The Council welcomed the positive Care Inspectorate Wales (CIW) report on the Social Services Department. CIW identified areas of strength, good practice and service development and did not highlight any areas of significant risk or safeguarding matters. The Chair wished to congratulate the Social Services Department on receiving such a positive report from the Auditors.
- The County Council wished to thank Stena Line following the crew and staff at Holyhead who gave a number of Christmas gifts to children in care on the Island. The staff from Foster Anglesey (Maethu Môn) were presented with toys and gifts worth over £2,000.
- Congratulations to members of the Young Farmers on Anglesey for their success in the Wales Eisteddfod in Pembrokeshire in November. Congratulations were also extended to the members of the Young Farmers on Anglesey on their success in the Winter Fair in Builth Wells at the end of November.
- The Chair welcomed Mr Dyfan Sion, Head of Democracy to his first meeting of the County Council and wished him well in his new post.

\* \* \* \*

The Chair referred to the announcement by the 2 Sisters Food Group in Llangefni and their intention to close the site.

The Leader of the Council said that this would have a tremendous effect with the potential loss of 730 jobs which equates to 22% of the employment within the private sector in Llangefni. She noted that meetings are currently being undertaken with the Company, both UK and Welsh Government Ministers and the Member of Parliament and Assembly Member. Discussions have taken place with the First Minister, Mr Mark Drakeford to consider how the company could be supported and dealing with the potential loss of employment on the Island. She further said that a Task Group will be established to ensure effective co-ordination and collaboration and to continue with the negotiations to put continued pressure on the Company to safeguard the employment of the workforce at the 2 Sisters Food factory in Llangefni.

\* \* \* \*

The Chair expressed his deepest sympathy to the family of the late Councillor Alun Mummery.

The Leader of the Council, fellow Elected Members who represents the Aethwy Ward and other Members of the Council paid tribute to the late Councillor Alun Mummery for his work as an Elected Member and as the Portfolio Member for Housing Services since 2017. It was noted that Councillor Mummery was proud of the work achieved by the Housing Department. It was further expressed that the

late Councillor Alun Mummery's interest was football and was at the forefront of the achievements of the Llanfairpwll Football Club. The Members referred to his humour, knowledge and friendship and their deepest sympathy was extended to the late Councillor Mummery's family.

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

Members and Officers stood as silent tribute.

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### **3. ANNUAL TREASURY MANAGEMENT REVIEW FOR 2021/22**

Submitted – the report of the Director of Function (Resources)/Section 151 Officer as presented to the Executive on 29 November, 2022.

The Portfolio Member for Finance, Council Business and Customer Experience said that the Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/2022. In accordance with the Scheme of Delegation, the report has been considered by the Governance and Audit Committee on 21 September, 2022 and forwarded to the Executive without comments on 29 November, 2022. The Executive resolved to forward the report to the full Council without any further comments.

**It was RESOLVED:-**

- **To note that the outturn figures in the report will remain provisional until the audit of the 2021/2022 Statement of Accounts is completed and signed off: any resulting significant adjustments to the figures included in the report will be reported as appropriate;**
- **To note the provisional 2021/2022 prudential and treasury indicators within the report.**

### **4. STATEMENT OF ACCOUNTS 2020/21 AND ISA 260 REPORT**

Submitted – the report of the Director of Function (Resources)/Section 151 Officer as presented to the Governance and Audit Committee on 18 January, 2023.

**It was RESOLVED:-**

- **To accept the Statement of Accounts 2021/2021 and authorise the Director of Function (Resources)/Section 151 Officer to sign the accounts;**
- **To note the increase in the Council Fund underspend by £228k for the financial year 2021/2022, due to amendments made during the audit period which impacted on the Council Fund. This increases the underspend for the year from £4,798k to £5,026k.**

The meeting concluded at 2.35 pm

**COUNCILLOR DAFYDD ROBERTS  
CHAIR**

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	<b>COUNTY COUNCIL</b>
<b>Date:</b>	<b>9 MARCH 2023</b>
<b>Subject:</b>	<b>RELEASE OF COUNCIL BALANCES TO FUND ADDITIONAL PAY COSTS IN SCHOOLS</b>
<b>Portfolio Holder(s):</b>	<b>COUNCILLOR ROBIN WYN WILLIAMS – PORTFOLIO HOLDER – FINANCE, CORPORATE BUSINESS &amp; CUSTOMER EXPERIENCE</b>
<b>Head of Service / Director:</b>	<b>MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER</b>
<b>Report Author:</b>	<b>MARC JONES</b>
Tel:	<b>01248 752601</b>
E-mail:	<b>marc.jones@ynysmon.gov.wales</b>
<b>Local Members:</b>	<b>Not Applicable</b>
<b>A –Recommendation/s and reason/s</b>	
<p>In setting the Council’s revenue budget for 2022/23, an assumption was made on the level of the pay award for NJC staff (applicable from April 2022) and for teaching staff (applicable from September 2022). The assumption was made in late 2021, prior to the budget being approved by the County Council on 10 March 2022.</p> <p>The assumption was that pay would increase by 2.5% for both category of workers, although a contingency sum of £1m was also included in the budget, which increased the estimated increase to 3.2%. This gave an increase of £2.3m to cover the increase in pay. These assumptions were made before the commencement of the war in Ukraine and the subsequent significant rise in the level of inflation.</p> <p>The final pay award for non teaching staff was agreed at £1,925 per employee, which gave an average pay rise of 7.5% and an overall increase in the pay budget of £3.8m.</p> <p>The pay award for teachers, which is recommended to Welsh Government by an independent pay body, set the pay award at 5%. This recommendation was accepted by Welsh Government and implemented from September 2022, although it should be noted that teaching unions are currently taking industrial action in order that Welsh Government increase the pay award. A further offer has been made and it is anticipated that all, or part, of the cost will be funded by Welsh Government by means of additional grant funding to local authorities. The cost of the 5% pay award was £926k compared to £473k allowed for in the budget.</p> <p>The Government announced in the Autumn Statement a reverse of the increase in level of the employer’s national insurance contributions. The proposed increase had been factored into the Council’s budgets and can now be reversed. The change will reduce the Council’s national insurance contributions by £260k across all the Council’s services.</p> <p>For the majority of the Council’s services, the additional cost will be absorbed into their costs and may be covered by underspending in other budget areas or result in an overspend, which will be charged against the Council’s General Balances.</p>	

However, as the budget for schools is delegated, any overspending arising from the under provision for the increase in pay in the delegated budget will be charged against individual school's balances. Although a large number of schools would have sufficient school balances to fund the additional cost, some schools would be left with little or no balances, and a small minority would have a deficit balance.

The Executive has considered the matter as part of the review of the Council's revenue budget monitoring process (see Executive 2 March 2023 – agenda item 3) and are recommending to the Full Council that the schools delegated budget is increased to meet the additional costs faced by schools.

The additional costs are as follows:-

	Non Teaching £	Teachers £	Total £
Total Cost of the Pay Award for Schools	707,575	921,690	1,629,265
Less			
Inflation Allowed for in the 2022/23 Budget	(86,700)	(354,860)	(441,560)
Reduction in NI Contributions	(16,690)	(97,380)	(114,070)
<b>Shortfall in Budget</b>	<b>604,185</b>	<b>469,450</b>	<b>1,073,635</b>

If the release of the funding is approved, it will be allocated between the 3 sectors (primary, secondary and special) pro rata, as per the staffing budgets set in the 2022/23 delegated school's budget and then allocated to individual schools using the normal funding formula.

At the beginning of the financial year, the Council's general balances stood at £12.278m. £0.796m has been released during 2022/23, leaving a balance of £11.482m. The release of this funding to schools would reduce the balance to £10.408m, which is equivalent to 6.57% of the 2022/23 net revenue budget.

The Executive budget proposals for 2023/24 utilises a further £1.78m of general balances and £2m of earmarked reserves, which would leave the General Balances standing at £8.628m, prior to any adjustment for under / overspending at the end of the 2022/23 financial year. The figure of £8.628m is equivalent to 5% of the 2023/24 proposed net revenue budget.

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

Consideration was given to not funding the additional cost and requiring schools to use their own balances to meet the cost. This would have left a number of schools with little or no balances and left a small number of schools with a deficit balance.

Schools are facing a difficult financial position in 2023/24, with the majority of schools using school balances to allow them to set a fully funded budget. Without this additional funding support, schools would have to cut expenditure in 2023/24 in order to set a fully funded budget.

The additional funding allows schools time to plan for potential reductions in expenditure which may be necessary in 2024/25.

**C – Why is this a decision for the Full Council?**

The Council resolved at its meeting on 10 March 2022 to :-

*“Delegate to the Executive Committee, in respect of the financial year 2022/23 and on advice of the Director of Function (Resources) / Section 151 Officer, the power to release £250k from general balances to deal with priorities arising during the year.”*

As the sum requested to be transferred from the Council’s General Balances exceeds £250k, the decision rests with the full Council.

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

Under the Council’s Constitution, the full Council has the power to allocate funding.

**D – Is this decision within the budget approved by the Council?**

The decision amends the Council’s revenue budget.

**Dd – Assessing the potential impact (if relevant):**

1	How does this decision impact on our long term needs as an Island?	The decision will assist in maintaining the financial resilience of schools.
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	No. The decision fully funds the increased costs which schools are facing. The increased pay award for both teaching and non teaching staff is outside the Council’s control.
3	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom	Not applicable
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	Not applicable
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	Not applicable
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	The release of funding to schools will assist schools to meet the needs of pupils from socio-economic disadvantaged backgrounds. However, it does reduce the Council’s overall funding level which may result in reductions in services in the future.
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	None

<b>E - Who did you consult?</b>		<b>What did they say?</b>
<b>1</b>	<b>Chief Executive / Leadership Team (LT)</b> (mandatory)	The Chief Executive and LT were aware of the financial position faced by schools and support the decision.
<b>2</b>	<b>Finance / Section 151</b> (mandatory)	Author of the report.
<b>3</b>	<b>Legal / Monitoring Officer</b> (mandatory)	The Council's Monitoring Officer was consulted on whether this decision rests with the Council and the report is brought to the Council following receipt of the Monitoring Officer's advice.
<b>4</b>	<b>Human Resources (HR)</b>	Not applicable
<b>5</b>	<b>Property</b>	Not applicable
<b>6</b>	<b>Information Communication Technology (ICT)</b>	Not applicable
<b>7</b>	<b>Scrutiny</b>	The consequence of the higher than budgeted pay awards for both teaching and non teaching staff have been discussed with members of the Finance Scrutiny Panel. The Chair of the Panel then updates the Corporate Scrutiny Committee on the Panel's work.
<b>8</b>	<b>Local Members</b>	Not Applicable
<b>9</b>	<b>Any external bodies / other/s</b>	Not Applicable
<b>F - Appendices:</b>		
None		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		
<p>Executive Committee – 2 March 2023 – Item 3 – Revenue Budget Monitoring 2022/23 Quarter 3.</p> <p>Isle of Anglesey County Council – 10 March 2022 – Item 10 (c) – Council Tax Setting Resolution 2022/23 – resolution 1(dd).</p>		



<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	COUNTY COUNCIL
<b>Date:</b>	9 MARCH 2023
<b>Subject:</b>	TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2022/23
<b>Portfolio Holder(s):</b>	COUNCILLOR R WILLIAMS
<b>Head of Service / Director:</b>	R MARC JONES, DIRECTOR OF FUNCTION (RESOURCES) & SECTION 151 OFFICER
<b>Report Author:</b> Tel: E-mail:	JEMMA ROBINSON 01248 752675 JemmaRobinson@ynysmon.gov.uk
<b>Local Members:</b>	n/a
<b>A –Recommendation/s and reason/s</b>	
<ul style="list-style-type: none"> <li>Consider and accept the Treasury Management Mid-Year Review Report for 2022/23.</li> <li>To approve the change in counterparty limit to other local authorities as per section 5.3;</li> </ul>	
<b>B – What other options did you consider and why did you reject them and/or opt for this option?</b>	
n/a	
<b>C – Why is this a decision for the County Council?</b>	
<ul style="list-style-type: none"> <li>To comply with regulations issued under the Local Government Act 2003 and with the Council's Treasury Management Scheme of Delegation for 2022/23 (Appendix 8 of the Treasury Management Strategy Statement 2022/23). In accordance with the Scheme of Delegation, this report was scrutinised by the Governance &amp; Audit Committee on 8 December 2022 and the Executive on 2 March 2023.</li> <li></li> </ul>	
<b>CH – Is this decision consistent with policy approved by the full Council?</b>	
Yes	
<b>D – Is this decision within the budget approved by the Council?</b>	
N/A	
<b>DD – Assessing the potential impact (if relevant):</b>	
<b>1</b>	<b>How does this decision impact on our long term needs as an Island</b>
<b>2</b>	<b>Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority. If so, how:-</b>
<b>3</b>	<b>Have we been working collaboratively with other organisations to come to this decision, if so, please advise whom:</b>
<b>4</b>	<b>Have Anglesey citizens played a part in drafting this way forward? Please explain how:-</b>

5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	
<b>E – Who did you consult?</b>		<b>What did they say?</b>
<b>Chief Executive / Senior Leadership Team (SLT)(mandatory)</b>		
<b>Finance / Section 151(mandatory)</b>		n/a – this is the Section 151 Officer's report
<b>Legal / Monitoring Officer (mandatory)</b>		
<b>Human Resources (HR)</b>		
<b>Property</b>		
<b>Information Communication Technology (ICT)</b>		
<b>Procurement</b>		
<b>Scrutiny</b>		
<b>Local Members</b>		
<b>Other</b>		The Governance & Audit Committee and Executive resolved to:- <ul style="list-style-type: none"> <li>To accept the Treasury Management Mid-Year Review report for 2022/23, and to recommend it to the full Council without comment.</li> </ul>
<b>F - Appendices:</b>		
Appendix A –Treasury Management Mid-Year Review for 2022/23		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		
<ul style="list-style-type: none"> <li>Treasury Management Strategy Statement 2022/23</li> <li>Prudential and Treasury Indicators 2022/23</li> <li>Treasury Management Outturn Report 2021/22</li> </ul>		

## 1. Background

### 1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is intended to provide the following: -

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

A report setting out our Capital Strategy was taken to the Executive Committee on 02 March 2023, and is included on the Full Council's meeting agenda on 9 March 2023.

### 1.2 Treasury Management

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

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

Accordingly, treasury management is defined as:-

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

## 2. Introduction

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

- (i) Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Council's treasury management activities.
- (ii) Creation and maintenance of Treasury Management Practices, which set out the manner in which the Council will seek to achieve those policies and objectives.
- (iii) Receipt by the full Council of an Annual Treasury Management Strategy Statement, which includes the Annual Investment Strategy and Minimum Revenue Provision Policy (MRP) for the year ahead, a Mid-year Review Report (this report) and an Annual Report, covering activities during the previous year.
- (iv) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

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

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

- An economic update for the first half of the 2022/23 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2022/23;
- A review of the Council's borrowing strategy for 2022/23;
- A review of any debt rescheduling undertaken during 2022/23;
- A review of compliance with Treasury and Prudential Limits for 2022/23.

### 3. Economic Update

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

	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025
Bank Rate (%)	4.00%	5.00%	5.00%	5.00%	4.50%	4.00%	3.75%	3.25%	3.00%	2.75%
5yr PWLB rate (%)	5.00%	4.90%	4.70%	4.50%	4.20%	3.90%	3.70%	3.50%	3.40%	3.30%
10yr PWLB rate (%)	4.90%	4.70%	4.60%	4.30%	4.10%	3.80%	3.60%	3.50%	3.40%	3.30%
25yr PWLB rate (%)	5.10%	4.90%	4.80%	4.50%	4.30%	4.10%	3.90%	3.70%	3.60%	3.60%
50yr PWLB rate (%)	4.80%	4.60%	4.50%	4.20%	4.00%	3.80%	3.60%	3.40%	3.30%	3.30%

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

### 4. Treasury Management Strategy Statement and Annual Investment Strategy Update

- 4.1 The Treasury Management Strategy Statement (TMSS) for 2022/23 was approved by the full Council on 10 March 2022. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

### 5. Annual Investment Strategy

- 5.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. 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.
- 5.2 The Council held £55.224m of investments as at 30 September 2022 (£46.115m at 31 March 2022), and the investment portfolio yield for the first six months of the year was 1.11%. However, it should be noted that yields have increased during the 2<sup>nd</sup> quarter and are expected to continue to increase during the second half of the year. A full list of investments as at 30 September 2022 can be found in Appendix 3. A summary of the investments and rates can be found in Appendix 4.
- 5.3 The approved limits within the Annual Investment Strategy were not breached during the first six months of 2022/23, however, it is being requested that the limit to which we can lend to other Local Authorities is increased from £5m to £10m. This is in light of our increased cash balances and demand from other local authorities, in order for us to avail of the best possible investment opportunities.

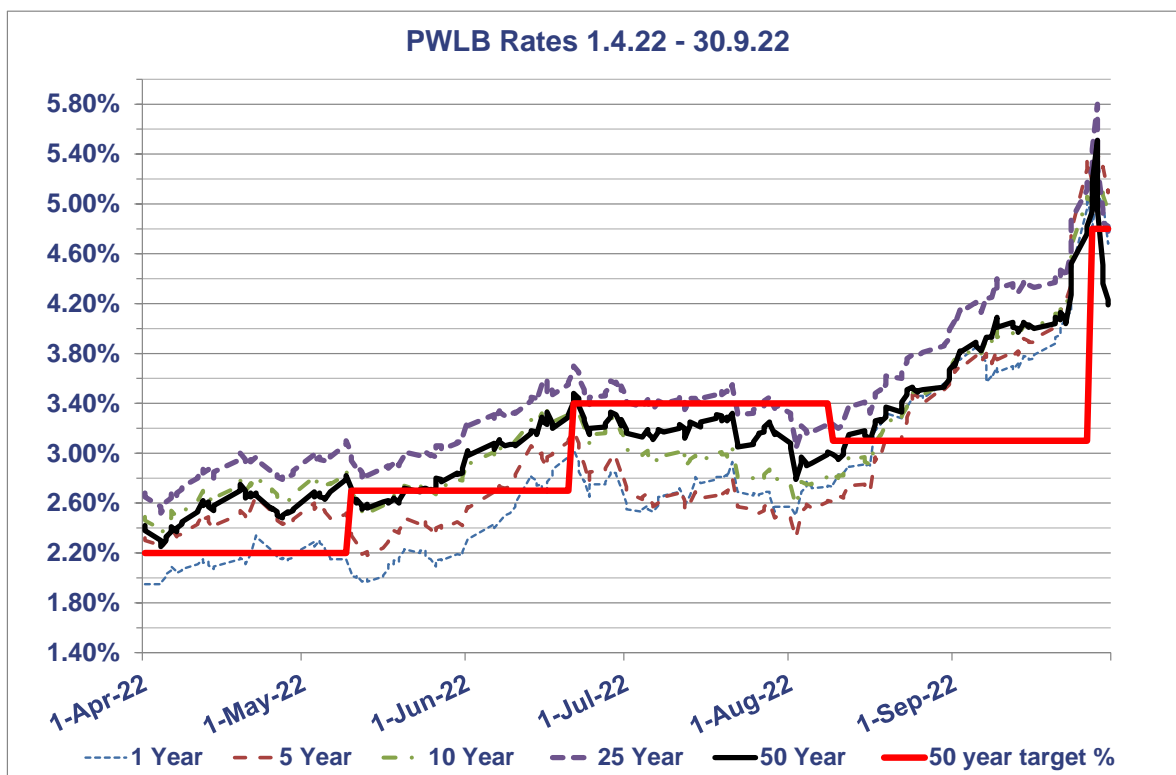
- 5.4** The Council's budgeted investment return for the whole of 2022/23 is £0.004m and performance for the year to date is not in line with the budget, with £0.208m received to the end of Quarter 2. Our projection to year end is that we will overachieve the budget as, with our cash balances having been higher than normal, this is offset by the higher than anticipated interest rates than the forecast was when we set the budget.
- 5.5** The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.
- 5.6** The approved countries for investments can be seen in Appendix 5.
- 5.7** The table below shows a list of investments made during the first half of this financial year. Given that security of funds is the key indicator of this Council, and the lack of demand from other Local Authorities, bank call accounts are seen as the most secure way of investing funds, and this gives a greater rate of return following the increase in interest rates, although the Council is aiming to widen the number of counterparties available in order to minimise the amount held in call accounts

Counterparty	Start Date	End Date	Interest Rate %	Amount £	Interest earned for the period £
National Westminster Bank	11/04/2022	11/10/2022	1.30	10,000,000	65,178
Santander	10/05/2022	10/11/2022	1.47	7,500,000	55,578
Nationwide Building Society	17/05/2022	17/08/2022	0.97	7,500,000	18,337
Goldman Sachs	22/07/2022	22/12/2022	2.18	7,500,000	68,536
Nationwide Building Society	17/08/2022	17/11/2022	1.87	7,500,000	35,351

## 6. Borrowing

- 6.1** The projected capital financing requirement (CFR) for 2022/23 is £146.9m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive, the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council has projected year end borrowings of £122.7m and will have used £24.2m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate, but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.
- 6.2** No borrowing was undertaken during the first half of this financial year, and it is not anticipated that any additional external borrowing will need to be undertaken during the second half of the financial year. There will be a borrowing requirement to fund a part of the 2022/23 capital programme, but this will be through internal borrowing (drawing down cash balances). This will delay capital financing costs while the Council's cash balances can absorb this internal borrowing. In the more medium-term, this might need externalising if Council cash balances become low. The capital programme is being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, in order to achieve optimum value and risk exposure in the long-term.

The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date. Gilt yields and PWLB rates were on a rising trend between 1<sup>st</sup> April and 30<sup>th</sup> September. The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20%, before increasing to 4.80% in September. (Please note, however, that we see PWLB rates trending downwards through 2023 and 2024.)



	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	1.95%	2.18%	2.36%	2.52%	2.25%
<b>Date</b>	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
<b>High</b>	5.11%	5.44%	5.35%	5.80%	5.51%
<b>Date</b>	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
<b>Average</b>	2.81%	2.92%	3.13%	3.44%	3.17%
<b>Spread</b>	3.16%	3.26%	2.99%	3.28%	3.26%

**6.3** Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields, which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has, therefore, been undertaken to date in the current financial year. However, now that the whole of the yield curve has shifted higher, there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

## 7. The Council's Capital Position (Prudential Indicators)

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

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

## 7.2 Prudential Indicator for Capital Expenditure

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

Capital Expenditure	2022/23 Original Estimate £'000	Position as at 30 September 2022 £'000	2022/23 Current Estimate £'000
Council Fund	36,691	13,450	34,068
HRA	15,034	4,015	12,085
<b>Total</b>	<b>51,725</b>	<b>17,465</b>	<b>46,153</b>

7.2.1 The projected expenditure shows that the majority of projects are on target to be completed within budget, with some projects forecasting to be underspent by year end, with the scheme and funding slipping into the next financial year. The HRA is also forecasting a significant underspend. This is reflected in the above table. A full breakdown on the planned capital expenditure for 2022/23 is provided in the Capital Budget Monitoring Report Q2, presented to the Executive on 29 November 2022.

## 7.3 Changes to the Financing of the Capital Programme

7.3.1 There are some changes to the financing of the capital programme, as can be seen in the table below. The main reason for the change is as noted in paragraph 7.2.1, as there will be significant underspend in capital schemes in 2022/23. However, these schemes will slip into 2023/24, along with their funding, and it is not anticipated, at this point, that any funding will be lost due to the delays.

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

Capital Financing	2022/23 Original Estimate £'000	2022/23 Revised Estimate £'000
Capital Grants	19,253	18,331
Capital Receipts	1,108	830
Reserves	7,112	6,331
Revenue Contribution	10,365	7,602
Supported Borrowing	7,068	6,240
Unsupported Borrowing	6,742	6,742
Loan	77	77
<b>Total</b>	<b>51,725</b>	<b>46,153</b>

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

7.4.1 Tables 7.4.2 and 7.4.3 below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary, which is set annually by the Council as part of the Treasury Management Strategy Statement.

## 7.4.2 Prudential Indicator – the Operational Boundary for external debt

	2022/23 Operational Boundary as per TMSS 2022/23 £'000	2022/23 Opening Borrowing Position £'000	Amount Within the Boundary £'000	2022/23 Estimated Borrowing Position £'000	Amount Within the Boundary £'000
<b>Prudential Indicator – External Debt / The Operational Boundary</b>					
Borrowing	175,000	125,349	49,651	122,677	52,323
Other long term liabilities	5,000	0	5,000	0	5,000
<b>Total Debt 31 March</b>	<b>180,000</b>	<b>125,349</b>	<b>54,651</b>	<b>122,677</b>	<b>57,323</b>

## 7.4.3 Prudential Indicator – Capital Financing Requirement (CFR)

7.4.3.1 We are currently slightly below the original forecast for Capital Financing Requirement due to the forecast underspend in borrowing, mainly down to the HRA forecast underspend and receiving additional grant funding received as substitute funding.

	2022/23 Original Estimate £'000	2022/23 Revised Estimate £'000
<b>Prudential Indicator – Capital Financing Requirement</b>		
CFR – Council Fund	107,867	106,957
CFR – HRA	43,646	39,897
Total CFR	151,513	146,854
<b>Net movement in CFR</b>	<b>10,567<sup>1</sup></b>	<b>9,050<sup>2</sup></b>

<b>Original CFR Forecast</b>	<b>151,513</b>
Reduced MRP between TMSS 2022/23 forecast and Capital Q2 2022/23 revised forecast	150
Underspend in Unsupported Borrowing for HRA in 2022/23	-3,750
Difference on loan (difference between TMSS 2022/23 forecast and Capital Q2 revised forecast) – additional Salix loan received not known at time of producing TMSS 2022/23	400
Overspend in Unsupported Borrowing in 2021/22 and underspend in 2022/23 due to Band B expenditure in 2021/22 not anticipated when producing the TMSS, and the underspend in 2022/23 due to reductions in spend on band A and Band B when comparing to the figures available when the TMSS was produced.	-911
Underspend in Supported Borrowing in 2021/22 due to additional grant received in 2021/22 as substitute funding which reduced the need for Supported Borrowing	-549
<b>Revised CFR Forecast</b>	<b>146,854</b>

## 7.5 Limits to Borrowing Activity

7.5.1 The first key control over the treasury activity is a prudential indicator to ensure that, over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for

<sup>1</sup> Movement between 2021/22 estimate and 2022/23 estimate in TMSS 2022/23

<sup>2</sup> Movement between 2021/22 actual (per Statement of Accounts 2021/22) and 2022/23 revised estimate



borrowing in advance of need, which will be adhered to if this proves prudent. The current borrowing position is £124.155m, which is below the CFR forecast for this and the next two financial years (see table below), therefore, this indicator has not been breached.

	2022/23 £'000	2023/24 £'000	2024/25 £'000
<b>CFR (year-end forecast)</b>	<b>146,854</b>	<b>161,468</b>	<b>167,556</b>

	2022/23 Original Estimate £'000	Current Position at 30 September 2022 £'000	2022/23 Revised Estimate £'000
External Borrowing	144,333	124,155	122,677
Internal Borrowing	7,180	22,699	24,177
Plus other long term liabilities	0	0	0
<b>CFR (year-end position)</b>	<b>151,513</b>	<b>146,854</b>	<b>146,854</b>

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

**7.5.3** A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit, which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members, currently £185m. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003.

Authorised Limit for External Debt	2022/23 Original Indicator £'000	Current Borrowing Position as at 30 September 2022 £'000	Estimated Borrowing Position as at 31 March 2023 £'000
Borrowing	180,000	124,155	122,677
Other long term liabilities	5,000	0	0
<b>Total</b>	<b>185,000</b>	<b>124,155</b>	<b>122,677</b>

## **8. Compliance with Treasury and Prudential Limits**

**8.1** It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2022, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2022/23. No difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in compliance with the Council's Treasury Management Practices.

## **9. Recommendation**

**9.1** To approve the change in counterparty limit to other local authorities as per section 5.3;

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

- The second quarter of 2022/23 saw:-
  - GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;
  - Signs of economic activity losing momentum as production fell due to rising energy prices;
  - CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
  - The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
  - Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
  - Gilt yields surge and sterling fall following the “fiscal event” of the new Prime Minister and Chancellor on 23<sup>rd</sup> September.
- The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.
- There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.
- The fall in the composite PMI from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.
- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.
- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below \$90pb, we would expect to see fuel prices fall further in the coming months.
- However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.

- Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.
- During H1 2022, there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the "fiscal event" adds up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April's national insurance tax on 6<sup>th</sup> November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.
- Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of \$1.035 on the Monday following the government's "fiscal event", it has since recovered to around \$1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3<sup>rd</sup> November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23<sup>rd</sup> November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.
- The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 50 basis points hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.
- Since the fiscal event on 23<sup>rd</sup> September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.
- Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21<sup>st</sup> June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31<sup>st</sup> October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14<sup>th</sup> October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.
- Since the Bank's announcement on 28<sup>th</sup> September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.

- There is a possibility that the Bank continues with QE at the long-end beyond 14<sup>th</sup> October or it decides to delay quantitative tightening beyond 31<sup>st</sup> October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.
- After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

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

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

- The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1<sup>st</sup> November 2012.
- The latest forecast on 27<sup>th</sup> September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.
- The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.
- Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1<sup>st</sup> November 2012.

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

**Crynodeb Benthycyca a Buddsoddi – Chwarteroedd 1 a 2 2022/23**  
**Borrowing and Investment Summary – Quarters 1 and 2 2022/23**

	30 Medi / Sept 2022		30 Mehefin / June 2022	
	£'m	% (talwyd ar fenthycyca a dderbyniwyd ar fuddsoddi) / % (paid on borrowing and received on investment)	£'m	% (talwyd ar fenthycyca a dderbyniwyd ar fuddsoddi) / % (paid on borrowing and received on investment)
Benthycyca – graddfa sefydlog Borrowing – fixed rate				
BBGC / PWLB	120.9	4.58	121.9	4.58
Dim BBGC / Non-PWLB	3.3	0	3.3	0
Benthycyca – graddfa amrywiol Borrowing – variable rate	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Adneuon – galw hyd at 30 diwrnod Deposits – Call to 30 days	22.7	0.30	30.1	0.08
Adneuon – Tymor sefydlog < 1 bl. Deposits – Fixed Term < 1 year	32.5	1.67	32.5	1.14
Adneuon – Tymor sefydlog 1 bl. + Deposits – Fixed Term 1 year +	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Cyfanswm Adneuon Total Deposits	55.2	1.11	63.2	0.62
Adneuon Uchaf yn y Chwarter Highest Deposits in the Quarter	63.2	d/b / n/a	64.7	d/b / n/a
Adneuon Isaf yn y Chwarter Lowest Deposits in the Quarter	55.2	d/b / n/a	46.1	d/b / n/a
Cyfartaledd Adneuon yn y Chwarter Average Deposits in the Quarter	58.5	0.88	60.8	0.51

ATODIAD / APPENDIX 4

**Graddfeydd Credyd Gwrthbartion buddsoddi a'r adneuron a ddelir gyda phob un ar 30 Medi 2022\***  
**Credit ratings of investment counterparties and deposits held with each as at 30 September 2022\***

Grŵp Bancio/ Banking Group	Sefydliad/ Institution	Adneuron / Deposit £'000	Hyd (Galw / tymor sefydlog) / Duration (Call / Fixed Term**)	Cyfnod (O / I) / Period (From / To)	Graddfa Dychweliad / Rate of Return %	Graddfa Tymor Hir Fitch Long Term Rating	Graddfa Tymor Byr Fitch Short Term Rating	Graddfa Tymor Hir Moody's Long Term Rating	Graddfa Tymor Byr Moody's Short Term Rating	Graddfa Tymor Hir Standard & Poor's Long Term Rating	Graddfa Tymor Byr Standard & Poor's Short Term Rating	Lliw Sector / Hyd Awgrymiedig / Sector Colour / Suggested Duration
Lloyds Banking Group plc	Bank of Scotland plc	0.000	Galw / Call	d/b / n/a	0.01	A+	F1	A1	P-1	A+	A-1	Coch – 6 mis / Red - 6 Months
Santander Group plc	Santander UK plc	0.000	Galw / Call	d/b / n/a	0.41	A+	F1	A1	P-1	A	A-1	Coch – 6 mis / Red - 6 months
The Royal Bank of Scotland Group plc	The Royal Bank of Scotland plc (Rhan / Gwladoli / Part / Nationalised)	0.002	Galw / Call	d/b / n/a	0.10	A+	F1	A1	P-1	A	A-1	Glas - 12 mis / Blue – 12 months
The Royal Bank of Scotland Group plc	National Westminster Bank Deposit	22.722	Galw / Call	d/b / n/a	0.30	A+	F1	A1	P-1	A	A-1	Glas - 12 mis / Blue – 12 months
The Royal Bank of Scotland Group plc	National Westminster Bank	10.000	Sefydlog / Fixed	11/4/22 – 11/10/22	1.30	A+	F1	A1	P-1	A	A-1	Glas - 12 mis / Blue – 12 months
Santander Group plc	Santander UK plc	7.5000	Sefydlog / Fixed	10/5/22 – 10/11/22	1.47	A+	F1	A1	P-1	A	A-1	Coch – 6 mis / Red - 6 months
Goldman Sachs	Goldman Sachs	7.5000	Sefydlog / Fixed	22/7/22 – 22/12/22	2.18	A+	F1	A1	P-1	A	A-1	Coch – 6 mis / Red - 6 months
Nationwide Building Society	Nationwide Building Society	7.5000	Sefydlog / Fixed	17/8/22 – 17/11/22	1.87	A	F1	A1	P-1	A+	A-1	Coch – 6 mis / Red - 6 months

\* Ceir y Rhestr Benthycia Cymeradwyedig yn Atodiad 8 o'r Datganiad Strategaeth Rheoli Trysorlys 2022/23 / Strategaeth Buddsoddi Blynyddol / The Approved Lending List can be found at Appendix 8 of the 2022/23 Treasury Management Strategy Statement / Annual Investment Strategy

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



**Gwledydd cymeradwy ar gyfer buddsoddi**  
**Approved countries for investments**

*Yn seiliedig ar y gyfradd credyd sofran isaf sydd ar gael*  
*Based upon lowest available sovereign credit rating*

AAA

- Awstralia / Australia
- Denmarc / Denmark
- Yr Almaen / Germany
- Lwcsembwrg / Luxembourg
- Yr Iseldiroedd / Netherlands
- Norwy / Norway
- Singapôr / Singapore
- Sweden
- Y Swistir / Switzerland

AA+

- Canada
- Y Ffindir / Finland
- U.D.A. / U.S.A.

AA

- Abu Dhabi (UAE)
- Ffrainc / France

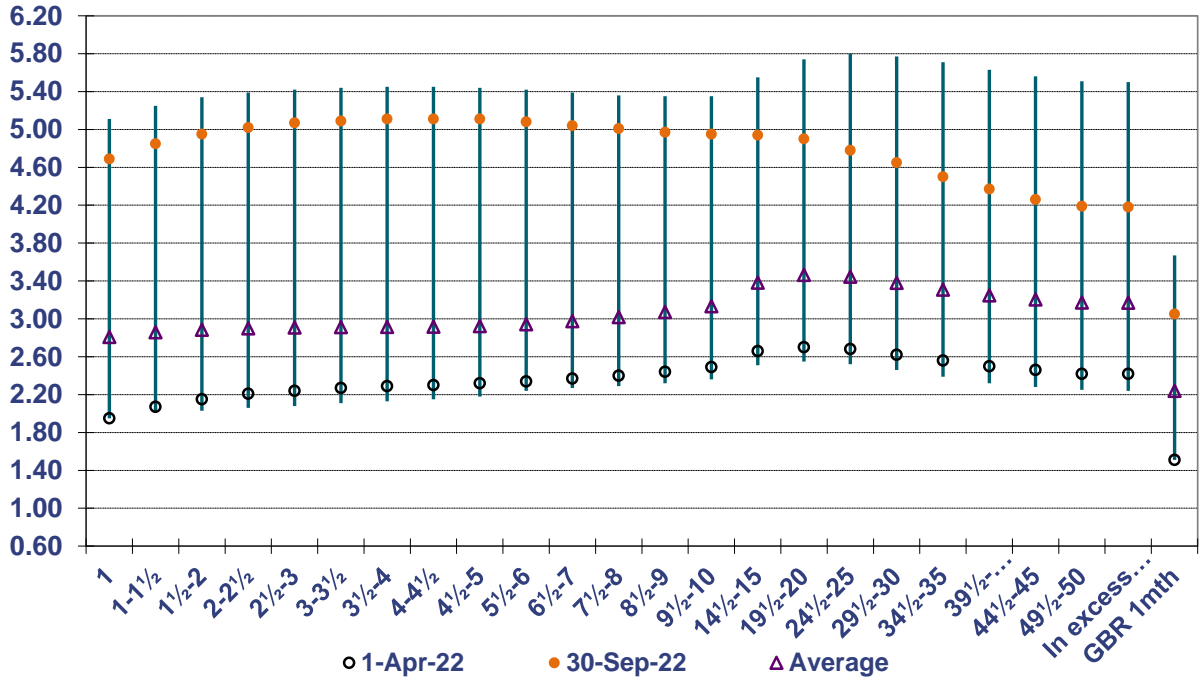
AA-

- Gwlad Belg / Belgium
- Hong Kong
- Qatar
- D.U. / U.K.

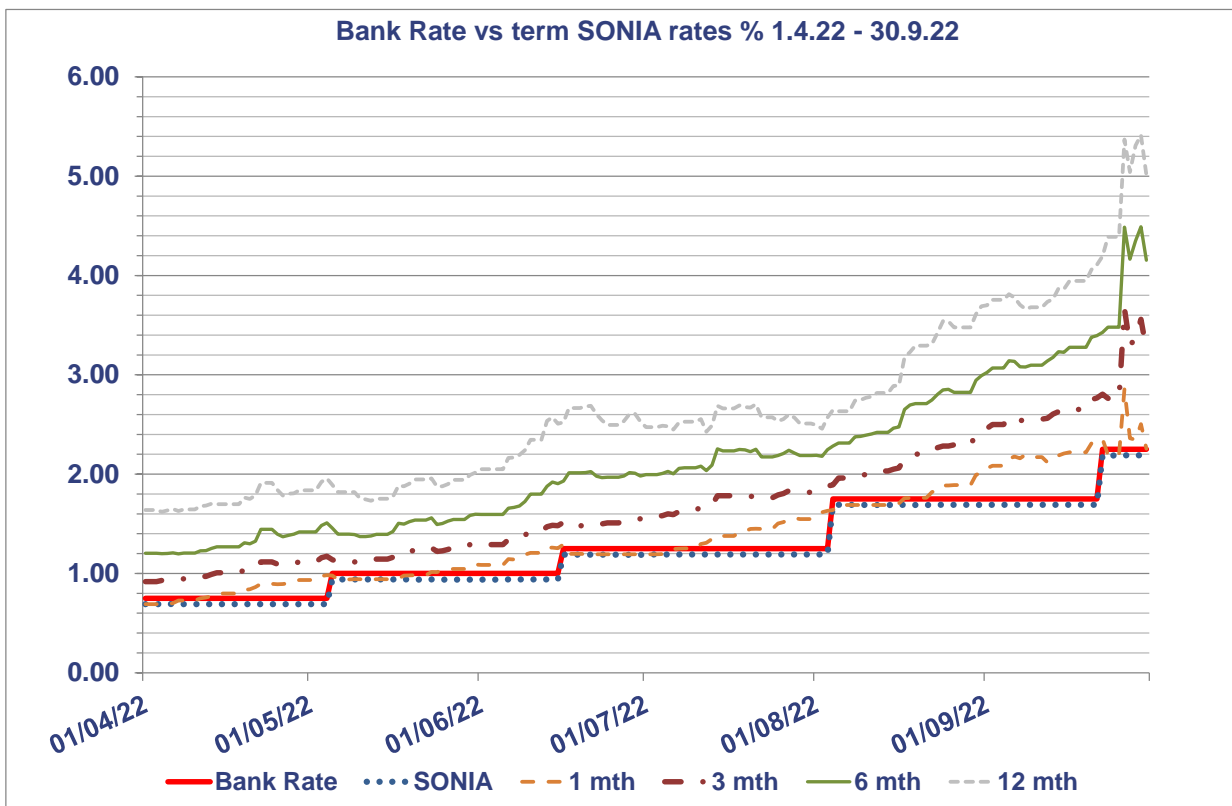
Graffiau Ychwanegol / Additional Graphs

Cymhariaeth o baramedrau benthyca â benthyca allanol gwirioneddol / Comparison of borrowing parameters to actual external borrowing

PWLB Certainty Rate Variations 1.4.22 to 30.9.22



Bank Rate vs term SONIA rates % 1.4.22 - 30.9.22



<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	<b>COUNTY COUNCIL</b>
<b>Date:</b>	<b>9 MARCH 2023</b>
<b>Subject:</b>	<b>TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24</b>
<b>Portfolio Holder(s):</b>	<b>COUNCILLOR R WILLIAMS, PORTFOLIO HOLDER FINANCE, CORPORATE BUSINESS AND CUSTOMER EXPERIENCE</b>
<b>Head of Service / Director:</b>	<b>MARC JONES, DIRECTOR OF FUNCTION (RESOURCES) AND SECTION 151 OFFICER</b>
<b>Report Author:</b>	<b>JEMMA ROBINSON</b>
Tel:	<b>01248 752675</b>
E-mail:	<b>JemmaRobinson@ynysmon.gov.uk</b>
<b>Local Members:</b>	n/a
<b>A –Recommendation/s and reason/s</b>	
<ul style="list-style-type: none"> <li>• 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 &amp; Audit Committee with this function.</li> <li>• 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 &amp; Audit Committee on 11 February 2020.</li> <li>• In terms of updates to the Treasury Management Strategy Statement, there has been an amendment to the Minimum Reserve Provision (MRP) policy since the 2022/23 Statement.</li> <li>• 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 this TMSS report.</li> <li>• <b>Recommendations</b> <ul style="list-style-type: none"> <li>○ To approve the Treasury Management Strategy for 2023/24</li> </ul> </li> </ul>	
<b>B – What other options did you consider and why did you reject them and/or opt for this option?</b>	
n/a	

<b>C – Why is this a decision for the County Council?</b>		
<ul style="list-style-type: none"> <li>In accordance with the Scheme of Delegation, this report was scrutinised by the Governance &amp; Audit Committee on 07 February 2023 and the Executive Committee on 2 March 2023. Both Committees recommend the Strategy be accepted as presented. The final approval of the Strategy has not been delegated by the Council.</li> </ul>		
<b>CH – Is this decision consistent with policy approved by the full Council?</b>		
Yes		
<b>D – Is this decision within the budget approved by the Council?</b>		
N/a		
<b>DD – Assessing the potential impact (if relevant)</b>		
1	How does this decision impact on our long term needs as an Island	
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how:-	
3	Have we been working collaboratively with other organisations to come to this decision, if so, please advise whom:	
4	Have Anglesey citizens played a part in drafting this way forward? Please explain how:-	
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	
<b>E – Who did you consult?</b>		<b>What did they say?</b>
1	Chief Executive / Senior Leadership Team (SLT) (mandatory)	
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report.
3	Legal / Monitoring Officer (mandatory)	
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Procurement	
8	Scrutiny	
9	Local Members	
10	Other	<p>The Governance &amp; Audit Committee and Executive resolved to:</p> <p>Recommend to the full Council the approval of the Treasury Management Statement for 2023/24, without any further changes.</p>

**F - 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

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

- 2022/23 Treasury Management Strategy Statement, approved by the full Council on 10 March 2022;
- 2021/22 Treasury Management Outturn Report, approved by the full Council on 26 January 2023;
- 2021/22 Capital Outturn Report, presented to this Committee on 28 June 2022;
- Capital Budget Monitoring Quarter 2 2022/23, presented to this Committee on 29 November 2022; and
- 2022/23 Treasury Management Mid Year Report, presented to this Committee on 09 March 2023.

## TREASURY MANAGEMENT STRATEGY STATEMENT

### ANNUAL INVESTMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND TREASURY MANAGEMENT POLICY STATEMENT 2023/24

#### 1. INTRODUCTION

- 1.1. CIPFA published the revised codes on 20 December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. The Council, therefore, 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 Treasury Management Code requires all investments and investment income to 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.
- 1.3. The revised Treasury Management Code will require the Council to implement the following:
  - Adopt a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
  - Long-term treasury investments, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;
  - Pooled funds are to be included in the indicator for principal sums maturing in years beyond the initial budget year;
  - Amendment to the knowledge and skills register for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;
  - Reporting to members is to be done quarterly. Specifically, the Section 151 Officer is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly.
  - Environmental, social and governance (ESG) issues to be addressed within an authority's treasury management policies and practices (TMP1).

#### 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 Council 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 expected to peak at 4.5% by May 2023.
- Investing in 2023/24, is therefore likely to be conducted, first, in a rising interest rate environment, but also - potentially - a falling interest rate environment at the back-end of the financial year, depending on how quickly inflation falls back and how growth performs.

- 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 December 2025**

Annual Average	Bank Rate (%)	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
December 2022	3.50	4.20	4.60	4.30
March 2023	4.25	4.20	4.60	4.30
June 2023	4.50	4.20	4.60	4.30
September 2023	4.50	4.10	4.50	4.20
December 2023	4.50	4.00	4.40	4.10
March 2024	4.00	3.90	4.20	3.90
June 2024	3.75	3.80	4.10	3.80
September 2024	3.50	3.60	4.00	3.70
December 2024	3.25	3.50	3.90	3.60
March 2025	3.00	3.40	3.70	3.50
June 2025	2.75	3.30	3.60	3.30
September 2025	2.50	3.20	3.50	3.20
December 2025	2.50	3.10	3.50	3.20

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

- 4.3.** The current forecast, shown above, includes a forecast for Bank Rate to reach 4.5% in Q2 2023. 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):-

2023/24: 4.40%;  
 2024/25: 3.30%;  
 2025/26: 2.60%;  
 2026/27: 2.50%;  
 Long term later years: 2.80%.

## 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	£119,400	£178k	£0k	£0k	£119,578k		
Average life (years)	30.82	4.06	0.00	0.00	30.78		
Average rate (%)	4.53	9.42	0.00	0.00	4.54		
OTHER LOANS							
	Salix Loan 1	Salix Loan 2	Salix Loan 3	Salix Loan 4	Salix Loan 5	Salix Loan 6	TOTAL
Outstanding Balance	£24k	£137k	£382k	£172k	£1,984k	£400k	<b>£3,099k</b>
Repayment Date	2024/25	2025/26	2028/29	2029/30	2031/32	2035/36	
Interest rate (%)	0.00	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 2022 was £46.2m).

**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 1.11% (as at 31 December 2022).

## 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 2023/24 – 2025/26**

	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Non - HRA</b>	<b>15,110</b>	<b>8,450</b>	<b>4,959</b>
<b>HRA</b>	<b>31,847</b>	<b>34,351</b>	<b>27,659</b>
<b>Commercial Activities / Non Financial Investment</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL EXPENDITURE</b>	<b>46,957</b>	<b>42,801</b>	<b>32,618</b>
<b>Financed By</b>			
<b>Capital Grants</b>	13,352	5,561	5,071
<b>Capital Receipts</b>	500	100	100
<b>General Reserves</b>	0	0	0
<b>HRA Revenue Reserve</b>	6,987	6,391	5,999
<b>Balance Funded from Borrowing</b>	26,118	30,749	21,448

**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 2023/24 is set out in **Appendix 6**. The Council's MRP policy was substantially revised in 2018, and again for the financial year beginning 01 April 2022. 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. In 2018, the Council revised its MRP policy and adopted the Equal Instalment Asset Life method to calculate its MRP charge for both its supported borrowing and unsupported borrowing. The revised policy from 01 April 2022 adopts an annuity method, following a similar method to a standard repayment mortgage, where the combined repayment sum of principal repayment and interest remains constant and as a result the amount of principal repaid in the early years is low and increases over time. Therefore, under the annuity method the MRP charge is low in the initial years and increases over time.
- 6.6. 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 2022, the total overpayments were £268k, 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.
- 6.7. 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 2022/23 to 2025/26**

	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000
<b>Capital Financing Requirement (CFR)</b>				
<b>Opening Balance of CFR</b>	<b>137,804</b>	<b>149,409</b>	<b>173,905</b>	<b>202,669</b>
Capital Expenditure	46,153	46,957	42,801	32,618
External Capital Grants	(18,331)	(13,352)	(5,561)	(5,071)
Capital Receipts	(830)	(500)	(100)	(100)
Revenue Contribution & Reserves	(13,933)	(6,987)	(6,391)	(5,999)
Minimum Revenue Provision	(1,454)	(1,622)	(1,985)	(2,103)
<b>CLOSING BALANCE OF CFR</b>	<b>149,409</b>	<b>173,905</b>	<b>202,669</b>	<b>222,014</b>
<b>External Borrowing</b>				
<b>Opening Balance of External Borrowing</b>	<b>125,348</b>	<b>135,734</b>	<b>159,610</b>	<b>189,713</b>
Borrowing to Fund Capital Expenditure	13,059	26,118	30,749	21,448
Borrowing to Fund Loan Repayments	0	0	0	0
Borrowing to Replace Internal Borrowing	0	0	0	0
Loan Repayments	(2,673)	(2,242)	(646)	(639)
<b>Closing Balance of External Borrowing</b>	<b>135,734</b>	<b>159,610</b>	<b>189,713</b>	<b>210,522</b>
<b>Internal Borrowing</b>				
<b>Opening Balance of Internal Borrowing</b>	<b>12,456</b>	<b>13,675</b>	<b>14,295</b>	<b>12,956</b>
Replacement of Internal Borrowing	0	0	0	0
Funding Loan Repayments from External Borrowing	0	0	0	0
External Loan Repayments	2,673	2,242	646	639
Borrowing to Fund Capital Expenditure	0	0	0	0
Minimum Revenue Provision	(1,454)	(1,622)	(1,985)	(2,103)
<b>Closing Balance of Internal Borrowing</b>	<b>13,675</b>	<b>14,295</b>	<b>12,956</b>	<b>11,492</b>
<b>TOTAL BORROWING</b>	<b>149,409</b>	<b>173,905</b>	<b>202,669</b>	<b>222,014</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 strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023. Table 4 indicates that £13.675m 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 2023/24 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, , 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. However, it remains the case that there are certain limitations to externalise borrowing, such as:-

- 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.

**7.3.2** 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.

**7.3.3** However, short term savings by avoiding new long term external borrowing in 2023/24 must also be weighed against the potential for incurring additional long term extra costs, by delaying unavoidable new external borrowing, as PWLB long term rates are now higher. Additionally, the cash flow implications of internalising borrowing require regular review and will limit the potential extent of internalising borrowing. Long term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve, and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

## **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.

**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. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns. Accordingly, 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.

### 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 2021 (“the Code”);
- CIPFA Treasury Management Guidance Notes 2021.

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 maintain a degree of liquidity to cover cash flow needs but to also consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, 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 Council 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 Council 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 2023/24 (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 Council 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 Council 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 Council 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 Council 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. At the current juncture it has not been determined whether a further extension to the over-ride will be agreed by Government.)

### 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, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, the council will not set a minimum rating for the UK.



**8.3.11** Although bank CDS prices (these are market indicators of credit risk),, spiked upwards during the days of the Truss/Kwarteng government, 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 Treasury Management 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 14 September 2022. Further training will be arranged when required. The training needs of treasury management officers are regularly reviewed and addressed.

**9.3.4** The CIPFA Treasury Management Code states that organisations are expected to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making. The Council should carry out the following to monitor and review knowledge and skills:-

- Record attendance at training and ensure action is taken where poor attendance is identified.

- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (a 'self-assessment by members responsible for the scrutiny of treasury management' is available from the CIPFA website to download).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.

**9.3.5** A formal record of the training received by officers central to the Treasury function will be maintained by the Performance & Support Team Leader. Similarly, a formal record of the treasury management / capital finance training received by Members will also be maintained by the Head of Democratic Services.

**9.3.6** 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, Link Treasury Services Limited as its external treasury management advisors. 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, the liability benchmark and the maturity structure of borrowing.. 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.

**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.
- 9.6.5** The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Governance & Audit Committee.
- 9.6.6** In addition to the three major reports detailed above, from 2023/24 quarterly reporting is also required. However, these additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. This role is undertaken by the Executive Committee.

**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

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	<b>UK</b>	<b>Eurozone</b>	<b>US</b>
<b>Bank Rate</b>	3.5%	2.0%	4.25%-4.50%
<b>GDP</b>	-0.2%q/q Q3 (2.4%/y/y)	+0.2%q/q Q3 (2.1%/y/y)	2.6% Q3 Annualised
<b>Inflation</b>	10.7%/y/y (Nov)	10.1%/y/y (Nov)	7.1%/y/y (Nov)
<b>Unemployment Rate</b>	3.7% (Oct)	6.5% (Oct)	3.7% (Nov)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

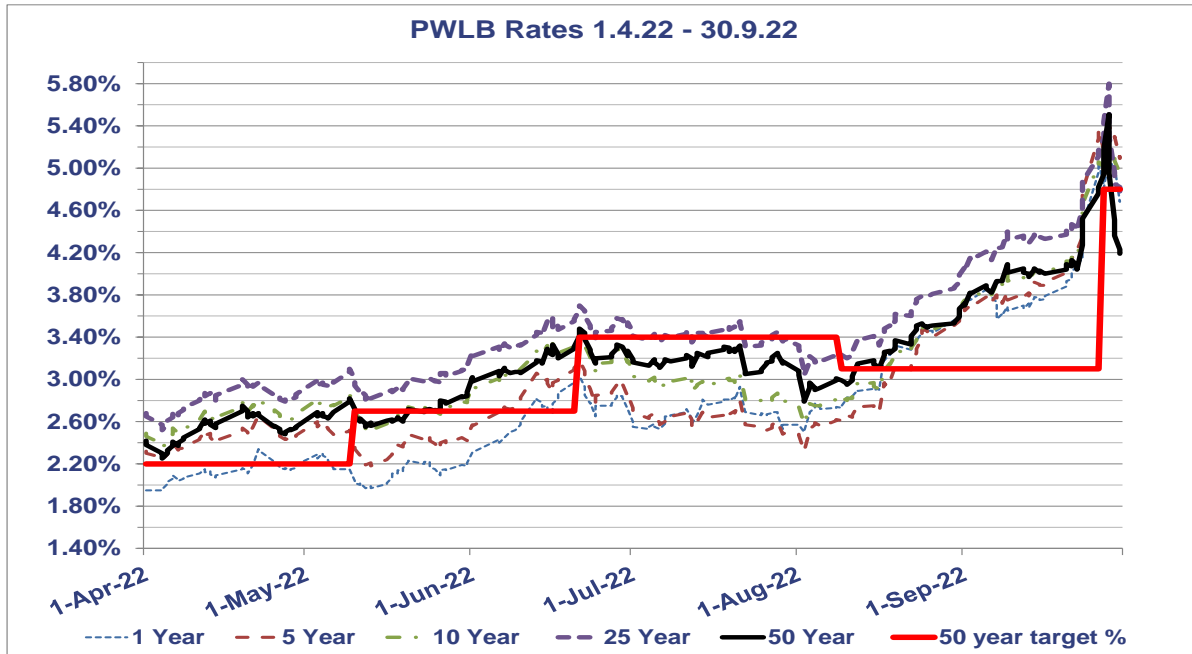
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have almost completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one, if not more, quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.22. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	1.95%	2.18%	2.36%	2.52%	2.25%
<b>Date</b>	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
<b>High</b>	5.11%	5.44%	5.35%	5.80%	5.51%
<b>Date</b>	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
<b>Average</b>	2.81%	2.92%	3.13%	3.44%	3.17%
<b>Spread</b>	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

### CENTRAL BANK CONCERNS – DECEMBER 2022

In December, the Fed decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.

Having said that, the sentiment expressed in the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.



Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

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

**Rhagolygon Graddfeydd Llog  
2022/2025**

**Interest Rate Forecasts 2022/2025**

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

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

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

*Additional notes by Link on this forecast table: -*

Our central forecast for interest rates was updated on 19 December and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. Bank Rate stands at 3.5% currently, but is expected to reach a peak of 4.5% in H1 2023.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.7%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure, now that the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy are firmly in the rear-view mirror.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

## PWLB RATES

- The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

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

- The overall balance of risks to economic growth in the UK is to the downside.

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

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** acts too quickly, or too far, over the next year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **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.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

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

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.
- **The Government** acts too quickly to cut taxes and/or increases expenditure in light of the cost-of-living squeeze.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term **US treasury yields** rise strongly and pull gilt yields up higher than currently forecast.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields consequently.

**Borrowing advice:** Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

<b>DADANSODDIAD BENTHYCIADAU PWLB YN AEDDFEDU 2023/24 YMLAEN / PWLB LOANS MATURITY ANALYSIS 2023/24 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>	
2023/24	1,854	16	0	0	1,870	1.6
2024/25	0	18	0	0	18	0.0
2025/26	0	20	0	0	20	0.0
2026/27	1,381	21	0	0	1,402	1.2
2027/28	2,165	24	0	0	2,189	1.8
2028/29	262	26	0	0	288	0.2
2029/30	1,539	21	0	0	1,560	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	8	0	0	323	0.3
2033/34	637	0	0	0	637	0.5
2034/35	624	0	0	0	624	0.5
2035/36	611	0	0	0	611	0.5
2036/37	599	0	0	0	599	0.5
2037/38	587	0	0	0	587	0.5
2038/39	225	0	0	0	225	0.2
2039/40	5,000	0	0	0	5,000	4.2
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	0.9
2044/45	1,010	0	0	0	1,010	0.8
2045/46	11,464	0	0	0	11,464	9.6
2050/51	2,000	0	0	0	2,000	1.7
2052/53	28,238	0	0	0	28,238	23.6
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	4.2
2057/58	8,513	0	0	0	8,513	7.1
2059/60	1,763	0	0	0	1,763	1.5
2064/65	10,000	0	0	0	10,000	8.4
2066/67	6,200	0	0	0	6,200	5.2
2068/69	15,000	0	0	0	15,000	12.5
	<b>119,400</b>	<b>178</b>	<b>0</b>	<b>0</b>	<b>119,578</b>	<b>100.0</b>
Cyfartaledd bywyd (blynyddoedd)/ Average life (years)	30.82	4.06	0.00	0.00	30.78	
Cyfartaledd graddfa (%)/ Average rate (%)	4.53	9.42	0.00	0.00	4.54	

**PROFFIL AD-DALU BENTHYCIADAU ERAILL 2023/24 YMLAEN /  
OTHER LOANS REPAYMENT PROFILE 2023/24 ONWARDS**

	<b>Benthyciad Salix Loan 1</b>	<b>Benthyciad Salix Loan 2</b>	<b>Benthyciad Salix Loan 3</b>	<b>Benthyciad Salix Loan</b>	<b>Benthyciad Salix Loan 5</b>	<b>Benthyciad Salix Loan 6</b>	<b>Cyfanswm / Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
2023/24	16	46	64	26	220	0	372
2024/25	8	45	64	26	220	264	628
2025/26	0	45	64	26	220	264	619
2026/27	0	0	64	27	220	264	575
2027/28	0	0	63	27	220	264	574
2028/29	0	0	63	27	221	264	575
2029/30	0	0	0	13	221	265	499
2030/31	0	0	0	0	221	265	486
2031/32	0	0	0	0	221	265	486
2032/33						265	265
2033/24						265	265
2034/35						265	265
2035/36						265	265
<b>Cyfanswm / Total</b>	24	137	382	172	1,984	3,175 <sup>1</sup>	5,874

<sup>1</sup> Total amount to be repaid differs from the total amount outstanding in Table 5.1.1 due to only having received £400k to date, however £3,175k will be received.

**Minimum Revenue Provision (MRP) Policy Statement 2023/24**

The Council is required to pay off an element of the accumulated Council Fund and HRA 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 statutory guidance requires the Council to approve a MRP Statement in advance of each year. The guidance also states “if it is ever proposed to vary the terms of the original statement during the year, a revised statement should be put to the Council at that time”. 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:-

From 1st April 2022, for all capital expenditure funded by supported and unsupported borrowing (CFR), MRP will be charged on the asset life - annuity method at the Council’s average interest rate on all of its loans at the end of each relevant year-end.

MRP charges based on the asset life – annuity method may 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 (HRA) MRP charge for its share of supported and unsupported borrowing, will also be based on the asset life – annuity method at the Council’s average interest rate on its loans at the relevant year end.

Any repayments included in annual PFI or finance leases are applied as MRP and will be consistent with the asset life – annuity 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 2023/24 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 2023/24 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	£10m	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 19 December 2022]**

*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, and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.*

***Based on lowest available rating***

## AAA

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

## AA+

- Canada
- Finland
- U.S.A.

## AA

- Abu Dhabi (UAE)
- France

## AA-

- Belgium
- 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 2023/24**

**APPENDIX 11**

**No. Indicator**

<b>Affordability</b>		<b>2021/22 out-turn</b>	<b>2022/23 estimate</b>	<b>2023/24 proposal</b>	<b>2024/25 proposal</b>	<b>2025/26 proposal</b>
<b>1,2</b>	Estimates of [or actual] ratio of financing costs to net revenue stream:					
	Council Fund	4.50%	2.81%	2.23%	2.95%	3.10%
	Housing Revenue Account (inclusive of settlement)	9.12%	18.41%	21.14%	26.12%	29.36%
	Total	5.04%	4.56%	4.25%	5.46%	6.06%

<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>
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<b>4,5</b>	Estimates of [or actual] capital expenditure					
	Council Fund	23,734	34,068	15,110	8,450	4,959
	Housing Revenue Account	9,723	12,085	31,847	34,351	27,659
	Total	<b>33,457</b>	<b>46,153</b>	<b>46,957</b>	<b>42,801</b>	<b>32,618</b>

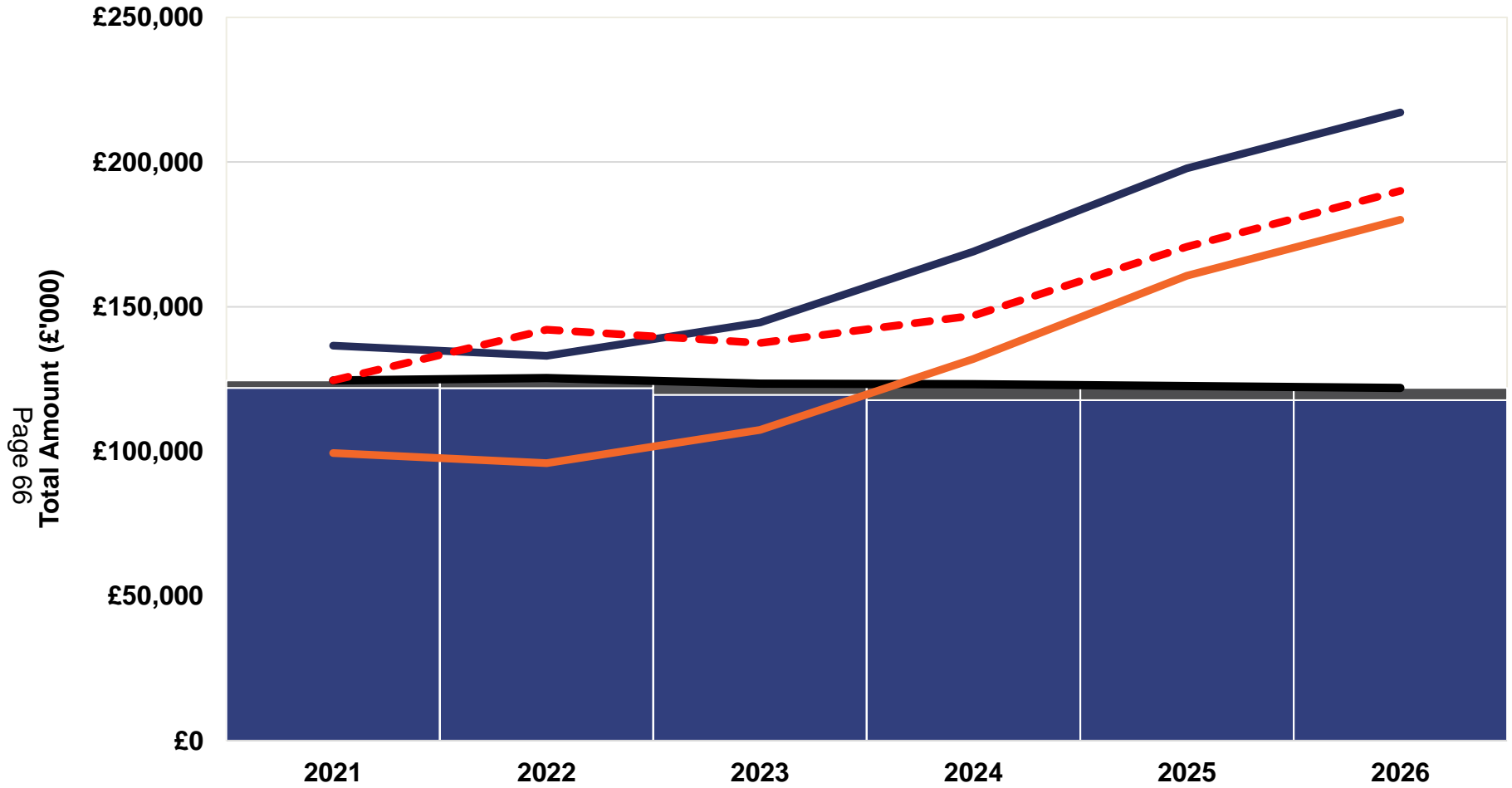
<b>6,7</b>	Estimates of [or actual] Capital Financing Requirement					
	Council Fund	99,387	108,871	116,576	120,181	120,673
	Housing Revenue Account	38,415	40,536	60,101	85,261	104,114
	Total	<b>137,802</b>	<b>149,407</b>	<b>176,677</b>	<b>205,442</b>	<b>224,787</b>

<b>External Debt</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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<b>8</b>	Authorised Limit					
	: General Borrowing	175,000	175,000	205,000	235,000	255,000
	: Other long term liabilities	5,000	5,000	5,000	5,000	5,000
	: Total	<b>180,000</b>	<b>180,000</b>	<b>210,000</b>	<b>240,000</b>	<b>260,000</b>

9	Operational Boundary					
	: General Borrowing	170,000	170,000	200,000	230,000	250,000
	: Other long term liabilities	5,000	5,000	5,000	5,000	5,000
	: Total	175,000	175,000	205,000	235,000	255,000
10	Actual External Debt	125,348				
<b>Treasury Management</b>		<b>2021/22 out-turn</b>	<b>2022/23 estimate</b>	<b>2023/24 proposal</b>	<b>2024/25 proposal</b>	<b>2025/26 proposal</b>
11	The limit for total principal sums invested for periods longer than 364 days <i>(any long term investments carried forward from previous years will be included in each year's limit)</i>	15,000	15,000	15,000	15,000	15,000
			<b>2023/24 upper limit</b>		<b>2023/24 lower limit</b>	
12	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
13	Liability Benchmark (see chart below)					

# Liability Benchmark



- PWLB Loans**
- Existing Loan Debt Outstanding**
- Loans CFR**
- Salix Loans**
- Net Loans Requirement (forecast net loan debt)**
- Liability Benchmark (Gross Loans Requirement)**

## Information on Prudential & Treasury Management indicators

### PRUDENTIAL 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 2023/24 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.

This provides a summary of the Council's capital expenditure. It reflects matters previously agreed and those proposed for the forthcoming financial periods.

The extent to which such expenditure is to be financed will influence how the Council's Capital Financing Requirement Indicator will change.

##### 4 & 5 Estimates of Capital Expenditure

This is the forecast Capital Expenditure from 2022/23 to 2025/26, and is based on the Capital Programme for 2022/23 and the Capital Strategy for 2023/24.

##### 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.
10. **Actual external debt.** The Council has to disclose the closing balance for actual gross borrowing in respect of the financial period just ended, together with the level of other long-term liabilities and so the actual aggregate level of external debt at the Balance Sheet date.

## TREASURY INDICATORS

11. **Limits for Long Term Treasury Management Investments.** This Indicator is seeking to support control of liquidity risk. The limits should be set with regard to the Council's liquidity needs and also reduce the potential need to have to make early exit from an investment in order to recover funds. The indicator relates solely to the Council's investments for treasury management purposes.
12. **Maturity Structure of Borrowing.** The Council is required to set gross limits on maturities for the periods shown and covers both fixed and variable rate borrowings. The reason being to try and control the Council's exposure to large sums falling due for refinancing.
13. **Liability Benchmark.** The new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Council's existing loans that are still outstanding in future years.



2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement:** this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

## 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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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	<b>COUNTY COUNCIL</b>
<b>Date:</b>	<b>9 MARCH 2023</b>
<b>Subject:</b>	<b>CAPITAL STRATEGY</b>
<b>Portfolio Holder(s):</b>	<b>COUNCILLOR R WILLIAMS – PORTFOLIO HOLDER – FINANCE, CORPORATE BUSINESS &amp; CUSTOMER EXPERIENCE</b>
<b>Head of Service / Director:</b>	<b>MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER</b>
<b>Report Author:</b>	<b>MARC JONES</b>
Tel:	01248 752601
E-mail:	rmjfi@ynysmon.gov.wales
<b>Local Members:</b>	<b>n/a</b>
<b>A –Recommendation/s and reason/s</b>	
<p>The revised CIPFA Prudential Code (September 2017), introduced the requirement that all authorities must produce a capital strategy. This must set out the long term context in which capital expenditure and investment decisions are made. The requirement is aimed at ensuring that authorities take capital and investment decisions in line with the service objectives and properly take into account stewardship, value for money, prudence, sustainability and affordability.</p> <p>The capital strategy is linked to a number of other plans and strategies. They include:-</p> <ul style="list-style-type: none"> <li>• The Council Plan;</li> <li>• The Property Asset Management Strategy;</li> <li>• The IT Strategy, including the School’s Digitalisation Strategy;</li> <li>• The Net Zero Carbon Reduction Strategy;</li> <li>• The Leisure Improvement Strategy;</li> <li>• The Education Modernisation Strategy;</li> <li>• The Treasury Management Strategy.</li> </ul> <p>A number of these strategies, including the Council Plan, have yet to be approved and, as a result, this capital strategy is an interim strategy. Further work will be undertaken during 2023/24 to complete and approve the documents and then to assess their impact on the capital strategy in the longer term, with a revised and updated capital strategy being presented to the Executive for approval prior to the commencement of the 2024/25 financial year.</p> <p><b>RECOMMENDATION:</b></p> <p>The Executive is recommending to accept the Capital Strategy to the full Council</p>	
<b>B – What other options did you consider and why did you reject them and/or opt for this option?</b>	
No other options considered as this is a requirement of the CIPFA Prudential Code.	
<b>C – Why is this a decision for the Executive?</b>	
In accordance with the requirements of the Code and the Council’s Constitution, the Executive is requested to consider the strategy and recommend its approval to the full Council.	

<b>CH – Is this decision consistent with policy approved by the full Council?</b>		
Approval to the strategy will be given by the full Council		
<b>D – Is this decision within the budget approved by the Council?</b>		
The capital strategy then drives the annual capital budget which will be approved by the full Council on 9 March 2023.		
<b>Dd – Assessing the potential impact (if relevant):</b>		
<b>1</b>	How does this decision impact on our long term needs as an Island?	The Capital Strategy includes long-term strategy in relation to the Sustainable Communities for Learning for long-term improvements to schools, long-term investment in HRA Council Dwellings and long-term support for the Council's existing assets / replacement IT equipment.
<b>2</b>	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	No
<b>3</b>	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom	The Capital Strategy acknowledges the important role of partnership working, particularly in relation to the North Wales Growth bid.
<b>4</b>	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	As part of the consultation process on the Council's Corporate Plan for 2022 – 2027, citizens were asked a number of questions relating to capital expenditure and their priorities
<b>5</b>	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	The Capital Strategy helps to ensure that buildings are accessible to enable equal access, and the strategy earmarks funding for Disabled Facilities Grants for individuals with disabilities.
<b>6</b>	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	The Capital Strategy will directly support social-economic disadvantage through improvements to school facilities, increased and refurbished Council housing, among other projects.
<b>7</b>	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	The capital projects benefit Welsh, English and individuals who speak other languages. More directly, new schools and refurbished schools will benefit Welsh speakers, as most Anglesey schools teach through the medium of Welsh and teach English language and literature. The requirements to support Smallholdings helps preserve the agricultural culture of Anglesey, including the Welsh language, which is spoken by many tenants.

<b>E - Who did you consult?</b>		<b>What did they say?</b>
<b>1</b>	<b>Chief Executive / Leadership Team (LT)</b> (mandatory)	Comments from the LT have been incorporated into the report.
<b>2</b>	<b>Finance / Section 151</b> (mandatory)	n/a – this is the Section 151 Officer's report.
<b>3</b>	<b>Legal / Monitoring Officer</b> (mandatory)	The Monitoring Officer is a Member of the LT and any comments made have been taken into account in discussions on this report in the LT.
<b>4</b>	<b>Human Resources (HR)</b>	Any proposals which impact on staff will have been identified and discussed with the HR Team
<b>5</b>	<b>Property</b>	Any proposal which impacts on the Council's property and related budgets will have been discussed with the Property Team.
<b>6</b>	<b>Information Communication Technology (ICT)</b>	Any proposal which impacts on the Council's information technology systems and related budgets will have been discussed with the ICT Team.
<b>7</b>	<b>Scrutiny</b>	TBC
<b>8</b>	<b>Local Members</b>	Proposals are applicable to all Members.
<b>9</b>	<b>Any external bodies / other/s</b>	N/A
<b>F - Appendices:</b>		
Appendix 1 – Capital Strategy 2023/24 Appendix 2 – Summary of Draft Proposed Capital Programme 2023/24		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		
Treasury Management Strategy Statement 2023/24, the Executive, 2 March 2023; Medium Term Financial Plan 2023/24 to 2024/25, the Executive, 27 September 2022; Capital Budget 2023/24, Final Proposals, the Executive, 2 March 2023; Revenue Budget 2023/24, the Executive, 2 March 2023; Council Plan 2023 to 2028.		



# Isle of Anglesey Capital Strategy

## 2023/24



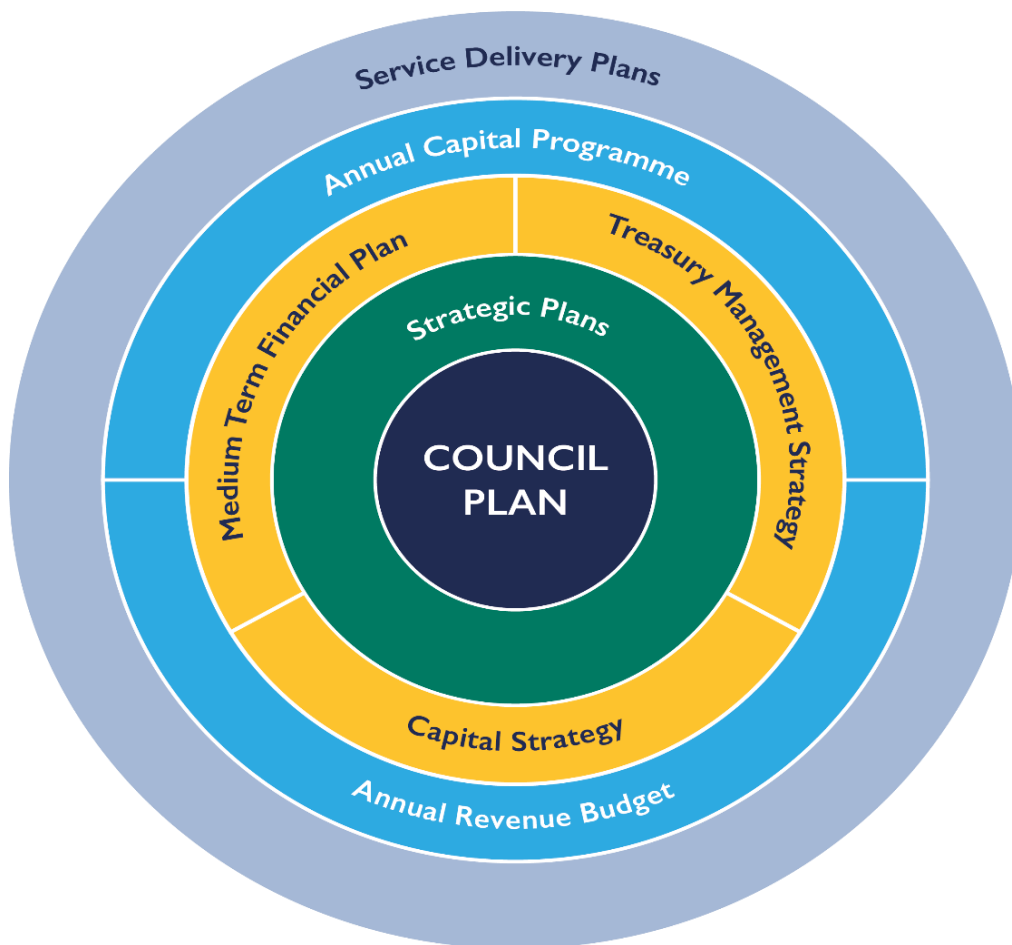


# Isle of Anglesey County Council

## Capital Strategy 2023/24

### 1. Introduction

- 1.1. The Capital Strategy is a key part of the Council's strategic planning for the short, medium and long term. Strategic planning is the process the Council uses to help identify what its key priorities and objectives should be for the next year and into the future. This involves significant work and consultation as the Council needs to set its priorities and target its funding on the right services to meet the needs of the citizens of Anglesey, and the Island itself as a place of special significance. The key objectives of the Council are outlined in the Council Plan. This capital strategy looks at what new assets, or improvements to assets such as council buildings, schools, houses, regeneration projects, social care facilities, leisure facilities, are needed to help the Council deliver its key objectives, along with its many statutory obligations.
- 1.2. The strategic planning diagram below shows that the starting point of reference, and at the core of the work of the Council, is the Council Plan. This is supplemented by the Council's key strategic plans, some of which are discussed below. The next layer is the Capital Strategy, Treasury Management Strategy and the Medium Term Financial Plan, which are very closely linked and all interconnect. The Capital Strategy builds in key information and requirements from all of these plans. The circle also shows two outer layers, these must align with all of the strategic documents before them.



- 1.3. The Council Plan for 2017 to 2022 came to an end in March 2022 and was replaced with a Transitional Plan for 2022/23, pending the adoption of the new Council Plan for the period until the next Council election in May 2027.
- 1.4. This Capital Strategy is, therefore, shorter in nature and reflects the capital funding requirements to implement the remainder of the Transitional Plan. This document will be replaced in 2024/25 by a more comprehensive long term capital strategy linked to other strategies and plans which are currently being developed by the Council, which include an Asset Management Strategy, an Education Strategy etc.
- 1.5. The Council's aspiration for the Capital Strategy for Anglesey is that it will not only plan for the short and medium term, but intends to plan for the long term of 20 years. Council assets can cost significant sums of money which, in return for the investment, tend to last many years. A long term focus is important, not only due to the longevity of the Council's assets, but long term plans can aim for a more transformational change and to ensure that sustainability is a key consideration. There are some objectives that are of such importance and require significant changes, such as Low Carbon targets culminating in the public sector net Zero Carbon target by 2030, to limit climate change. This change will start now with capital projects integrating Low Carbon alternatives and with specific assets, such as electric vehicles, but also requires sustained, long term transformational change. This Capital Strategy, 2023/24, is limited on its long term objectives while the Council re-orientates itself on its journey out of the Pandemic. The Capital Strategy 2024/2025 will provide a more substantial long term view aided by the new Council Plan 2022/27 and as Anglesey's new normal takes shape.
- 1.6. The governance of this strategy follows the same process as the Revenue and Capital Budget Setting Processes and will be presented to the Executive, which will make recommendations to full Council for approval.

## 2. How the Strategy fits with other documents

### 2.1. The Council Plan

The Council Plan is the prime document which outlines what the Council aims to achieve during the medium term, usually a period of five years. All other strategies and plans must be aligned to the Council Plan, as shown in the strategic circle in 1.2. Section 1 above highlights that the most recent five year plan expired in March 2022, and a Transitional Plan for 2023/24 has been published as the Council starts to move forward as the Covid-19 becomes a more endemic disease. The three key strategic objectives in the Transitional Plan for 2023/24 are:-

- A. Re-energising the local economy and embedding positive economic change.
- B. Enabling the visitor and hospitality sector to capitalise on the Island's increased popularity, whilst protecting our assets and communities.
- C. Maintaining and modernising critical community services, such as Care and Education across the Island.

<https://www.anglesey.gov.uk/documents/Docs-en/Council/Democracy/Measuring-our-performance/Transitional-Plan/Anglesey-Transitional-Plan.pdf>

A key objective of the Capital Strategy is to ensure that the capital funding available to the Council is spent on projects that assist the Council to deliver its priorities, including maintaining, replacing or / and upgrading existing assets. There are several other key strategic documents which align with the Council Plan. These guide how the Authority works on specific aspects affecting the Council.

The Transitional Plan 2022/23 highlights the important role of the Capital Strategy and capital projects in achieving the Council's three strategic objectives. In total, there are twenty four tasks listed across the three objectives. Half of these are capital projects, with most helping to deliver objectives A and C. The table below shows the capital projects mentioned explicitly in the Transitional Plan across the three objectives and identifies the progress made to date and the work required to complete each task.

Transitional Plan Objective	Task	Progress To Date
Re-energising the local economy and embedding positive economic change	Constructing 6 new business units on Bryn Cefni Business Park, Llangefni and prepare 6 plots for sale.	On target to complete works by end of financial year 2023/24.
	Constructing 7 new business units at Penrhos, Holyhead in partnership with Welsh Government	On target to complete works by end of financial year 2023/24.
	Strengthening the role of Holyhead and the Port as a key international "Gateway" by working with partners to: substantially repair the Breakwater; development of the Port, including land reclamation; Holyhead Hydrogen Hub; Station improvements.	Works ongoing and projects still being developed.
	Delivering projects with any capital elements identified in the North Anglesey Economic Regeneration Action Plan, for example, potential new business units.	
	Implementing capital projects which would support the delivery of the North Wales Growth Deal (Covid Recovery prospectus) to support the priority areas to help our economy to recover in the short term.	Work commenced to deliver projects but this is a long term project
	Targeting capital funding to address empty and problematic buildings and deliver any capital green projects to continue to deliver as green, sustainable recovery and to enhance the vitality and viability of Town Centres.	
	Implementing capital projects which help progress the Energy Island Programme, such as those which align with Central and Welsh Government's climate and energy change commitments.	
Enabling the visitor and hospitality sector to capitalise on the Island's increased popularity whilst protecting our assets	Investing to improve the quality and enjoyment in the Breakwater Country Park, Dingle and maritime infrastructure for the benefit of local residents and visitors.	On target to complete works at Breakwater Park and Dingle by the end of the financial year 2023/24. Works commenced on Maritime Infrastructure.
Maintaining and modernising critical community services, such as Care and Education across the Island	Sourcing permanent homes for individuals residing in temporary accommodation.	The numbers of people residing in temporary accommodation has risen significantly in 2021 – 2023 which has prevented the full implementation
	Building 83 new energy efficient homes with A energy performance, in line with the Council's Low Carbon Strategy, and to increase Council dwellings and affordable homes to meet individuals' housing needs.	The Council currently has ongoing projects to build 110 new properties across the Island.
	Further developing Cartrefi Clyd on Anglesey in Rhosybol, Holyhead and Llangristiolus, to offer respite and day services for children with disabilities.	Properties purchased and in the process of being upgraded.

These are the projects directly named in the Transitional Plan, however, there are capital projects included in the Draft Capital Programme for 2023/243 which are not named in the Transitional Plan but which are important and contribute to these objectives, such as flood alleviation works which will help achieve objective B to help support the Island's increased popularity. There are also capital projects included in the Draft Capital Programme which help to achieve the Capital Strategy objectives, including those highlighted in other strategic plans, such as the requirement to invest in the Council's assets each year.

## **2.2. The Treasury Management Strategy Statement (TMSS)**

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

## **2.3. The Medium Term Financial Plan**

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

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

## **2.4. Operational, service specific statutory plans and service plans**

While the Council Plan is the key strategic document, this is supported by several key more detailed operational plans, many of which highlight that capital expenditure is key to achieving the respective plan's objectives. Each of these plans are based on research, identifying the current position, analysis to identify needs and plans of how the service aims to meet the needs and consultation with stakeholders.

### **Towards Net Zero Plan 2022/25**

The Towards Net Zero Plan is one of the Council's main strategic plans. Its purpose is to drive forwards the Council's work in reaching its net zero carbon target by 2030. The target was set by the Council when it declared a climate emergency in 2020. The Welsh Government has set a target for Wales as a whole, is for net zero by 2050, and public sector organisations by 2030.

The plan has three scopes, the first two are easier as they relate to cleaner choices over Council controlled facilities, such as offices, schools, vehicles etc. A big barrier to these two scopes will be finding adequate funding to achieve the target. Scope 3 is more challenging as it relates to choices others make, such as employees as they conduct Council business and whether tenants of Council dwellings or investment properties follow clean living guidance.

This capital strategy, therefore, has a key objective that all capital projects must consider how they contribute (positively or negatively) towards the Council's net zero target. Many of the changes needed to achieve the net zero targets will involve capital expenditure, and those projects are likely to be part of the future capital programmes. The Capital Strategy plays an important part of this critical agenda.

## **Corporate Asset Management Plan**

The Executive Summary of the draft Corporate Asset Management plan for Land and Buildings 2021 to 2026 example states “the maintenance of buildings requires substantial capital and revenue budgets to keep them safe and in optimal condition... the estimated capital maintenance requirement is in the region of £27m, based on condition surveys completed in 2019/20...The Council’s assets play a vital role in the effective delivery of the Council’s priorities and services...The drive to become a net zero Council ..in line with Government’s expectations, means we must invest to improve our existing assets and construct new carbon neutral buildings... ”. While this strategic plan is draft, it highlights the condition of the Council’s assets following surveys in 2019/20. Therefore, a key objective of the Capital strategy is that each year capital funding is provided for improvements to the Council’s buildings.

## **Draft Council Smallholdings Estate Asset Management Policy 2021/30**

The Council’s smallholdings comprise of approximate 5,800 acres, ranging from 2 acres to 170 acres parcelled into 92 tenancies. The policy is being consulted on with stakeholders, including tenants. “The main aim for the policy is to maintain and create short and long term economic, social, cultural and environmental benefits to contribute towards safeguarding the well-being and sustainability of Anglesey’s rural communities”. The smallholdings help towards meeting the Council’s Destination Management Plan and the Welsh Government’s Strategy for Tourism. Agriculture is ingrained in the history and culture of Anglesey, as is the Welsh Language which is spoken by many tenants of the Estate. There is a commercial objective to ensure that the estate continues to provide a sustainable financial return. However, due to its wider objectives, the smallholdings are not classed as investment properties, which relates to properties which are held only for collecting income and increasing the value of the properties. In order to support the Smallholdings’ objectives and their contribution to the Council Plan, the Capital Strategy acknowledges that the smallholdings require capital investment on refurbishment works. The above strategy estimates that £2.9m of capital funding is needed over the period 2021-30. £1.9m of this is for low carbon renewable heating systems and energy efficiency by increasing insulation in properties. It is recommended that any capital receipts generated from sale of any Smallholding Estate should be ring-fenced for reinvestment into the Estate. The smallholding team are encouraged to apply for external funding, particularly from Welsh Government, in relation to low carbon renewable heating systems and energy efficiency projects.

## **Digital Schools Strategy 2022-2024**

The Authority’s first Digital Strategy for Schools was presented to the Executive and approved on 13 December 2021. This is key to supporting the educational priorities of the Council and to meet the new Curriculum for Wales. The strategy highlights the Council’s overall aim to create an Anglesey that is healthy and prosperous, where families can thrive, which includes ensuring the people of Anglesey achieve their long term potential. Digital competence is key to this and is included as a mandatory cross-curricular skill. Working in partnership with Welsh Government, whose multi-million pound programme has funded most of the infrastructure and Chromebooks for pupils, and the Hwb digital platform for teaching and learning in Wales, has been key and provides a robust basis for the Digital Schools Strategy.

The key priorities of the strategy are: the Council will fully migrate to and make use of HWB, sufficient network infrastructure will be provided for all schools and the Council will provide schools and classrooms with the hardware needed to enable access to innovative technologies that will support learners. £0.343m of grant was provided by Welsh Government and hardware, which cost £1.536m, was funded by Welsh Government, between the period 2019/20 to 2021/22. Without this funding and the HWB infrastructure, software and equipment, the schools would not have been able to deliver home-learning when the schools were closed to most pupils due to Covid-19.

The Digital Schools Strategy has revenue consequences to support schools but also future capital requirements. In return for the significant funding from Welsh Government for the first 3 years of the project, this was conditional on the Council funding replacement hardware at the end of the current Chromebooks, hardware and ICT infrastructure usable lives. This is staggered depending on the useful lives of the hardware, for example, the network for the schools cost £890k in 2019, and this will need replacing in 10 years, so a bid for funding before 2029 should be expected. There is likely to be an even longer term impact as the Chromebooks or equivalent technology will need replacing every 6 years.

### **Council Housing (Housing Revenue Account) Asset Management Strategy 2018-2023 and HRA Business Plan 2022 to 2052**

Council Houses are managed by the Housing Revenue Account (HRA), which is a substantial part of the Housing service. The HRA operates as a self-funding entity, but is a crucial part of the Council which helps the Council deliver several Council Plan objectives in relation to housing. All aspects of finance are reported separately to the rest of the Council's finances (Council Fund) to ensure that the HRA (HRA Fund) funds its expenditure and that surplus income is reinvested into the housing stock. The vision of this strategy is to provide "Quality Homes: sustainable communities".

All six priorities of the current 30 year plan will contribute to the Council's key objectives. The priorities which relate to the Capital Strategy, and will be delivered as part of the capital programme and result in a long-term programme of the below works, are:-

- To increase the provision of affordable housing across Anglesey – the HRA continues to increase its housing stock through targets each year to build new houses and buy-back former Council Houses. The Council no longer sells Council Housing since the abolition of the Right-to-Buy scheme.
- Between 2015/16 and 2021/22, the Council's housing stock has increased by 188 (82 re-purchase of former Council properties and 106 new properties built). In 2023/24, work is progressing to complete a further 125 units (15 re-purchases and 110 new build properties)
- To promote estate regeneration, increasing tenant participation and community safety – in addition to increasing the number of Council Houses, the HRA implements refurbishment works each year, such as provision of new kitchens, roofing and necessary improvement works to increase the life of the housing. This leads to regeneration of the Council estates. The HRA works with tenants to ensure that tenants participate to influence the work on the estate.
- The HRA also aims to provide accommodation for individuals with specific needs, such as people with mental health issues, moving people on from emergency accommodation to social housing and older people, such as the Llawr Y Dref accommodation. The HRA also plans to develop an extra-care housing facility in the South of the Island, with work progressing to build 55 units.
- The HRA's aim to address efficiency, tackle climate change and fuel poverty can be progressed through its new builds and refurbishments.

### **North Wales Economic Ambition Board (NWEAB) – North Wales Growth Deal Business Plan 2020/23**

Working in partnership is important to the Council. Working together on common goals can bring synergy where more can be achieved together and results in efficiencies, as duplication of effort can be reduced. The North Wales Economic Ambition Board is a partnership between the six North Wales local authorities, Bangor University, Glyndŵr University, Grŵp Llandrillo Menai, Coleg Cambria and other commercial partners and will help the Council achieve its key objectives such as that the people of Anglesey and North Wales can thrive and realise their long term potential.

The three key principles of the Growth Deal are for:-

- A smart North Wales – with a focus on innovation and high value economic sectors to advance economic performance;
- A resilient North Wales – with a focus on retaining young people, increasing employment levels and skills to achieve industrial growth;
- A connected North Wales – with a focus on improving transport and digital infrastructure to enhance strategic connectivity to and within the region.

The partnership has secured £240m to fund the Growth Deal from the Welsh and UK Governments and will be received over a 15 year period. The Growth Deal aims to try to reduce the persistent productivity gap between North Wales and the UK, to build a vibrant, sustainable and inclusive economy for North Wales.

There will be a medium term funding gap (negative cash flow) which will be managed by the lead authority, but with corresponding annual partner contributions. Anglesey’s borrowing towards the funding gap is estimated to be between £0.700m to £1.00m. This would result in an annual MRP charge of between £0.047m and £0.067m each year for the 15 years. In addition, Anglesey will be required to make a revenue contribution towards the core and supplementary budget of the Board each year.

The total capital funding profile per programme is:-

<b>Table 1 : North Wales Growth Deal Financial Summary</b>				
<b>Programme Area</b>	<b>Government Contribution (£m)</b>	<b>Public Contribution (£m)</b>	<b>Private Contribution (£m)</b>	<b>Total Programme Costs (£m)</b>
Innovation in High Value Manufacturing	13.0	26.5	0.0	39.5
Digital Connectivity	37.0	3.1	1.6	41.7
Agrifood & Tourism	24.5	12.4	4.4	41.3
Land and Property	79.1	1.9	274.4	355.4
Low Carbon Energy	86.4	140.4	441.7	668.5
<b>Total</b>	<b>240.0</b>	<b>184.3</b>	<b>722.1</b>	<b>1,146.4</b>

There are 14 transformational capital projects, all of which benefit the whole of North Wales.

The projects more directly linked to Anglesey are:-

- Sites and Premises – the Growth Deal programme will address the shortages of sites and premises in North Wales and investment to enable the growth of Holyhead Port;
- the Holyhead Gateway scheme is a series of targeted investments to address life expired assets essential to the operation of the port and to increase capacity for both vehicle and ship movements for both passenger and freight traffic;
- the digital connectivity project will increase high-speed broadband and mobile connectivity across North Wales. This will benefit the whole region and, as the four North-West counties of North Wales rank in the bottom 25% of UK areas for superfast broadband coverage, this will feel a more significant improvement to Anglesey, Gwynedd, Conwy and Denbighshire;
- the Morlais project – constructing the infrastructure that connects the Morlais zone with the electricity grid system and readying the site for private sector developments investing to lease parts of the zone for deploying tidal technologies.

More information is available on the Board’s website <https://ambitionnorth.wales/>

## 2.5. Statutory Requirements

The Council, along with all other public bodies, is required to comply with the Well-being of Future Generations (Wales) 2015 Act. This legislates for the well-being of current and future generations for people and our planet. This is to ensure that future generations have at least the same quality of life as the current generations. The Act encourages collaborative working to achieve the goals of the Act. The Council's Transitional Plan highlights that the plan's three objectives intertwine with the Council's and National Wellbeing Goals, with the Council's mission statement for wellbeing being "working towards an Anglesey that is healthy and prosperous where families can thrive".

This Capital Strategy will help the Council achieve this important goal through directing funding to schemes which both comply with the Council Plan as well as contributing directly to the wellbeing of both current and future generations. Investment in buildings, school improvements, the purchase of electric vehicles, investing in low carbon alternatives such as heat pump generators, building new Council Houses with low carbon heating etc. all contributes to well-being now and well into the future.

Equality and Diversity legislation and guidance also cuts across all services and work of the Council. The Capital Strategy enables increased accessibility through specific adaptations work in schools, other Council buildings and provision of Disabled Facilities Grants (DFGs) and refurbishments and new buildings will need to be Equality Act compliant.

In addition, the Capital Strategy acknowledges that capital investment is required to help the Council run statutory services to ensure that the assets used to run statutory services such as Social Care, Schools, Housing, etc., are safe and comply with required standards.

The below diagram summarises how the Capital Strategy is connected to key strategies and the annual revenue and capital budget setting:-



## The Council Plan and key Operational Plans

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

### The Medium Term Financial Plan (MTFP)

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

### Capital Strategy

The Capital Strategy sets out the key priorities on how capital expenditure should be spent to help deliver the Transitional Plan 2022/23 and the Council Plan 2023/27. It acknowledges that capital expenditure leads to revenue capital financing costs, which must be kept affordable. The Capital Strategy impacts on, and is impacted by, the MTFP, the TMSS, the Annual Revenue Budget and the Annual Capital Programme.

### Treasury Management Strategy (TMS)

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

### The Annual Revenue Budget

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

### The annual Capital Programme

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

### 3. Objectives of the Capital Strategy

The Council Transitional Plan 2022/23, the key operational / statutory plans mentioned above and statutory requirements provide clear direction on what the priorities of the Capital Strategy should be to help the Council achieve its priorities. The Objectives of the Capital Strategy are, therefore:-

Capital projects must relate to assets which help the Council achieve its key objectives outlined in the Council Plan and key operational strategies.

Each year, when reviewing this strategy and developing the annual Capital Programme, the Council must take into account stewardship, value for money, prudence, sustainability and affordability.

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

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

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

The Council remains committed to the Sustainable Communities for Learning Programme and will continue to fully utilise Sustainable Communities for Learning external funding. This is a substantial programme which will result in Sustainable Communities for Learning capital school improvements or new builds into the longterm.

Capital projects must have regard to the net zero carbon targets and must use clean alternatives where, traditionally, carbon generating equipment/facilities / assets have been used.

Each year, capital receipts received from the sale of Council Smallholdings will be ring-fenced for refurbishments of smallholdings the Council retains. This will help ensure the properties are fit for the longterm.

The Council will continue to work with its strategic partners and is committed to working as part of the North Wales Economic Ambition Board to deliver capital projects across North Wales.

Annual consultation is required with stakeholders and citizens of Anglesey for their opinions on any proposed new capital projects.

### **3. Principles which help support the achievement of the above key objectives:-**

- 3.1** That the Sustainable Communities for Learning programme is considered separately from the remainder of the general Council capital programme. The Sustainable Communities for Learning programme is a longterm, significant commitment to building and / or refurbishing schools so that Anglesey's schools are fit to last and meet the longer term requirements. The Sustainable Communities for Learning programme helps the school modernisation agenda and supports the Council's key objective to ensure that the people of Anglesey can thrive and realise their long term potential. This principle also meets the Wellbeing of Future Generations Act 2015 to ensure educational settings are suitable in the long term. An element of the expenditure on the Sustainable Communities for Learning programme will be funded from the capital receipts from the sale of schools vacated, with the remaining balance being funded from unsupported borrowing. This will ensure that the capital general grant and supported borrowing are available to fund investment in existing and new assets needed to achieve the objectives of the Council Plan and ensure that the Council's existing assets are maintained.
- 3.2** That a sum is allocated in the capital programme each year to fund the major improvement to, or the replacement of, existing IT equipment, vehicles and Council buildings.
- 3.3** That a sum is allocated in the capital programme to meet the Council's statutory requirement to offer disabled facilities grants. This helps deliver statutory responsibilities and supports the key objective of the Council to support vulnerable adults and families to keep them safe, healthy and as independent as possible.
- 3.4** That a level of road improvement works is funded from the capital programme each year. The sum allocated will be dependent on the funding required to achieve any minimum contract value guarantees, the level of funding available and an assessment of the state of repair of the Authority's roads. Improvements to the roads will help the Council ensure the highway network is sustainable in the longer term. It also underpins all of the Council key priorities due to the rural nature of Anglesey and the importance of the highway network to many aspects of the Council's work.
- 3.5** Projects that require a level of match funding to enable grant funding to be drawn down, will be assessed on a case-by-case basis by the Section 151 Officer and the Leadership Team, with a recommendation being made to the Executive. The decision whether to commit funding will be dependent on the project, how it fits into the Council's corporate priorities, any ongoing revenue implications and the ratio of Council funding to grant funding.
- 3.6** To reduce the revenue impact of the capital programme i.e. capital financing costs from interest payable and the Minimum Revenue Provision (MRP) which creates funding to help repay loans, unsupported borrowing will only be used to fund projects if:-
- the project is an approved Sustainable Communities for Learning project;
  - the project is an invest-to-save project, which will cover the capital financing costs i.e. interest payable and Minimum Revenue Provision (MRP);
  - the project attracts substantial external funding of at least 75% and will help deliver at least one of the Council's key priorities.
- 3.7** Where cash balances allow, actual borrowing will be delayed and cash balances will be used to delay and save interest payable and MRP charges to revenue. This is known as internal borrowing. When cash balances need to be replenished, the borrowing will be taken out and the internal borrowing will be externalised. Where interest rates are likely to rise significantly, internal borrowing should be externalised to reduce risk, but not in advance of need.

- 3.8** Capital funding, with the exception of grants awarded for specific projects, will ultimately be allocated to minimise capital financing costs and to ensure the capital programme has the flexibility to maximise funding. This is common practice in local authorities. The actual funding allocated at the end of each financial year might be different to that reported as part of the capital budget. General grant will be allocated first to ensure that this is spent in full at year-end, unless Welsh Government has approved carry-forward of the grant. Flexibility in funding is fundamental to ensure the Council maximises funding opportunities, such as managing specific grants awarded in the last quarter of the year, which allows use of the specific grant on other locally determined capital expenditure in year if it cannot be spent on the specific grant conditions by year end. This on the basis that the Council allocates funding from the next year's programme to fund the specific projects for which the original funding was awarded.

## **4. Corporate Strategy and Capital Programme Process**

### **4.1 Developing the Capital Strategy**

The Capital Strategy is revised each year taking into account the most recent Council Plan, the Medium Term Financial Plan, the budgetary pressures expected, the Treasury Management Plan and the Operational Plans discussed above. It also considers the prior year's capital programme and the level of reserves and the revenue budget. The capital strategy then outlines the key objectives and principles which then helps to develop the annual Capital Programme each year. Capital expenditure is expenditure to acquire or create new assets or to refurbish existing assets where the life of the asset is greater than one financial year. The assets can be tangible (buildings, vehicles and infrastructure) or intangible (software licences). Non-current assets which are £10k or more will be considered as capital expenditure. £10k is the Council's recommended de minimis level to qualify as part of the capital programme. Non-current assets less than £10k will be charged to revenue in most cases. The Council reserves the right to waive the de minimis if appropriate.

### **4.2 Developing the Annual Capital Programme**

#### **4.2.1. Bidding Process and Scoring**

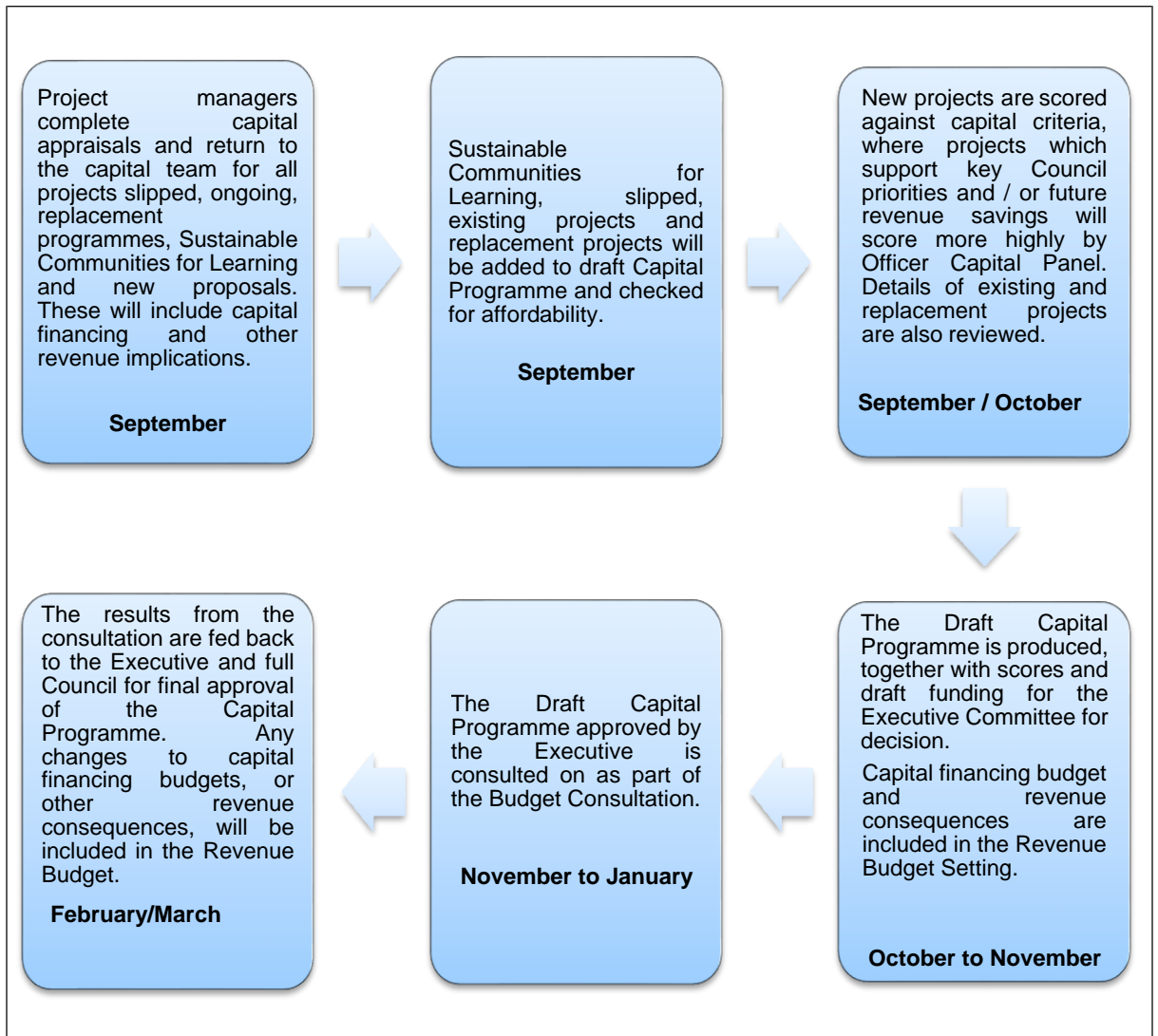
In determining which projects are included in the Capital Programme, new bids must not only be affordable, but also help deliver the key priorities of the Council Plan and meet the objectives and principles of the Capital Strategy. Each year, Services are asked to submit new capital appraisals / bids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

<b>Criteria</b>	<b>Score</b>
How closely the project will contribute to the priorities in the Council Plan and key operational plans	20
The project attracts significant external funding	10
The project will lead to revenue savings	10
The project will help mitigate Corporate Risk	10
<b>Total Highest Score</b>	<b>50</b>

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

#### 4.2.2. Timetable

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



#### 4.2.3. Authorisation

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

#### 4.2.4. Monitoring the Capital Strategy and Capital Programme

Each quarter, a Capital Monitoring report is produced and presented to the Leadership Team and the Executive. This considers spend to date, forecast spend to year-end and narrative to explain the progress or lack of progress of schemes.

## 5. Looking Back – Achievements of the Capital Strategy and Programmes 2017/18 to 2021/22

The Council has spent nearly £160m on capital projects over the above 5 year period. £79m was funded from capital grants, which is 49.36% of the total capital expenditure. This shows the value of including significant grant funding as one of the objectives of the Capital Strategy. The services with the highest spend evidence that capital projects were aligned to the Council Plan 2017/2022. Housing, including housing of vulnerable people, Lifelong Learning to provide assets to help provide services to help individuals achieve their potential, and the legal requirement to refurbish highways and the priority to improve the Island. This is shown in the table below:-

Service	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Housing GF	1,224	1,108	1,252	1,212	1,019	5,815
Housing HRA	9,291	9,028	11,812	12,622	9,723	52,476
Lifelong Learning	6,318	7,233	2,982	3,878	8,833	29,244
Economic & Regeneration	788	4,017	2,993	2,714	2,081	12,593
Highways	6,004	6,055	7,176	5,382	5,290	29,907
Waste Management	66	84	180	3,213	2,270	5,813
Property	786	697	990	2,405	2,140	7,018
Transformation	587	448	1,297	771	794	3,897
Equal Pay - Capitalisation Directive	2,566	-	-	-	-	2,566
Planning	1,031	1,839	755	52	384	4,061
Adult Services	694	168	577	880	923	3,242
<b>Total Expenditure</b>	<b>29,355</b>	<b>30,677</b>	<b>30,014</b>	<b>33,129</b>	<b>33,457</b>	<b>156,632</b>
<b>Capital Grants</b>	<b>11,801</b>	<b>16,629</b>	<b>18,156</b>	<b>18,948</b>	<b>22,486</b>	<b>88,020</b>
<b>Percentage of capital costs funded by Grants</b>	<b>40.20%</b>	<b>54.21%</b>	<b>60.49%</b>	<b>57.19%</b>	<b>67.21%</b>	<b>56.20%</b>

## **6. Current Financial Context and Funding**

### **6.1 Revenue Constraints**

- 6.1.1.** The initial Medium Term Financial Plan (MTFP) for 2023/24 to 2024/25 was presented to the Executive on 27 September 2022. This acknowledged the difficulty in financial planning beyond one year due to the lack of three year budget forecasts from Central and Welsh Governments. The UK's weakening economy, with no growth, the potential for a recession and significantly higher levels of public debt has restricted the funding available for public services, which will result in the use of reserves and balances as short term revenue funding and the need to make revenue savings in the longer term.
- 6.1.2.** In order to try and control inflation, the Bank of England has gradually increased the bank base rate from 0.25% at the beginning of 2022, to its current level of 4.0% (February 2023). It is anticipated that the rate will continue to rise during the early part of 2023) and will peak at 4.5% before it gradually begins to fall during the latter part of 2023 and early 2024. The majority of the Council's current borrowing are fixed rate loans and, as a result, rising interest rates does not impact on the revenue budget, but any new borrowing is at a higher interest rate. The positive impact on the revenue budget of rising interest rates is an increased return on the Council's investments. This has allowed the Council to increase its estimated interest received from £50k in 2023/24 to £1m in 2023/24.
- 6.1.3.** The Welsh Government revenue settlement for 2023/24 increased the funding for Anglesey by 7.9%, which was better than anticipated, but insufficient to all the inflationary pressure and rising demand for services the Council will face in 2023/24. The budget requires the use of £1.8m of general balances to balance the revenue budget.
- 6.1.4.** The revised MTFP does not suggest that the revenue budget position will improve in 2024/25, and a further funding gap of £3m will need to be addressed along with the £1.8m funded by reserves in 2023/24. The continued revenue budget pressure limits the Council's ability to fund additional capital expenditure from reserves or additional borrowing, because reserves will diminish as the revenue budget is supported and additional borrowing will increase interest payments and the level of minimum revenue provision required.

### **6.2 Capital Funding Constraints**

- 6.2.1.** Welsh Government's provisional settlement also includes details of the capital funding provided to the Council for 2023/24. The Council will provisionally receive a general capital grant of £2.217m and £2.159m in supported borrowing which, together, amount to £4.376m. In order to keep capital financing costs affordable for the revenue budget, particularly with the uncertainty about future revenue funding levels, it is a key principle of this strategy that capital programmes should not exceed this available funding from Welsh Government, with the exception of unsupported borrowing for the Council's element of funding the Sustainable Communities for Learning Programme.
- 6.2.2.** Increasing the life of the Council's aging assets and keeping up-to-date with technological upgrades will have the first call against this funding. This will, therefore, mean that there will not be significant funding for new projects. Under this strategy, new projects should only be considered when there is significant grant funding to undertake a specific project, or could be funded from unsupported borrowing if the project meets the requirement of the Prudential code in terms of being able to fund the capital financing costs from additional income or expenditure savings / cost avoidance. Council reserves could be used to fund capital projects, but using reserves is not sustainable and should only be considered when the general reserve is above its recommended minimum level. Use of surplus reserves to fund match-funding for grant funded projects can be considered.

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

### 6.3 Funding the Modernisation of Schools

- 6.3.1. The Council is currently progressing through an ambitious programme to modernise schools through the Sustainable Communities for Learning (formerly known as the 21<sup>st</sup> Century Schools) programme, with the former Band A projects coming to an end in April 2023 and Band B running until 2027.
- 6.3.2. There were previously four phases to the programme, identified as Band A, B, C and CH. However, Bands C and Band CH have been abolished in name. The revised Sustainable Communities for Learning programme will continue to provide funding for school improvements into the long term, with the Council required to submit a 9 year plan. Welsh Government have indicated that Councils will move across to the 9 year plan once 60% of their approved Band B programme has reached the contractual agreement stage (although there may be exceptions to this plan in the case of individual authorities).
- 6.3.3. The Welsh Government has also introduced a mutual investment model (MIM) for projects with a capital value in excess of £15m. The capital cost of the project is funded by the private sector and the Council then pays a rental fee to the investor for a prescribed period (expected to be 25 years). Welsh Government make a contribution to the rental fee each year (81%). The MIM project would not form part of the Council's capital programme as it only becomes a cost to the Council when the rental payments begin.
- 6.3.4. Currently the Council only has 1 projects that has been approved and commenced under Band B which is Ysgol y Graig Extension. It is planned to be completed by September 2024.
- 6.3.5. It is assumed that all of the unsupported and supported borrowing would be undertaken through new PWLB loans over a length of time which matches the expected life of the asset (50 years).
- 6.3.6. Additional supported or unsupported borrowing will increase the Council's CFR which, in turn, will increase the annual MRP charge to the revenue account, and will result in additional annual interest payments.
- 6.3.7. It should be noted that the delivery of new schools will eliminate the need to undertake backlog maintenance work at the various schools which are replaced or closed as a result of the capital investment. These changes would be reflected in the Asset Management Plan.

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

- **General Capital Grant** – This is a sum of money which is provided by the Welsh Government as part of the annual settlement. The Council is free to use the capital grant on any capital project it wishes. This must be spent by 31 March of the financial year it relates to.
- **Supported Borrowing** – The Council will borrow from the Public Works Loans Board (PWLB) to fund the expenditure. The revenue costs arising from the borrowing (Interest Costs and Minimum Revenue Provision) are funded by the Welsh Government through the annual revenue settlement, hence the term "Supported Borrowing".
- **Unsupported Borrowing** – Again, the Council borrows the funding from the PWLB or elsewhere, but is required to finance the revenue costs from its own resources. Projects funded by means of unsupported borrowing tend to be projects which deliver revenue savings, and it is these savings that are used to meet the additional revenue costs arising from the borrowing.
- **Specific Capital Grants** – The Council will be awarded capital grants which partly or fully



fund the cost of a project. Capital grants usually come with restrictions surrounding the expenditure which can be funded and by when the expenditure must be incurred.

- **Revenue Contribution** – Services can make a contribution from their revenue budgets to fund projects. These contributions tend to be as a match funding to a project which is mainly funded from a specific capital grant.
- **Capital Receipts** – The funds generated from the sale of assets can be used to contribute to the funding of the capital programme. These are usually generated from the sale of surplus assets (normally land or buildings).
- **Reserves** – Funding held in reserve, e.g. unapplied capital receipts, can be used to support the capital programme.

## 6.5 Impact of Differing Sources of Capital

- 6.5.1. Funding that is received in the form of grants (general or specific) does not have any impact on the long term financial position of the Council, as any grant received is used to fund the capital expenditure. There may be timing differences which can lead to grants being unapplied and carried from one year to the next via the Council's balance sheet.
- 6.5.2. Capital receipts result in surplus assets being converted into cash which, in turn, results in the creation of a new asset. Again, this type of funding has little long term impact on the Council's financial position, but there will come a point where all surplus assets have been disposed of and the level of funding available through capital receipts will fall.
- 6.5.3. The Housing Revenue Account uses the surplus on the HRA account (excess of rental income over expenditure) to fund capital expenditure. This is reflected in the HRA business plan and does not impact on the Council Fund.
- 6.5.4. The use of revenue funding will reduce the value of funds held in reserves or the sum transferred to the general Council balances at the year end, i.e. it converts surplus cash into a new asset.
- 6.5.5. Both supported and unsupported borrowing impacts on the Council's Capital Financing Requirement (CFR) which, in turn, has implications on the Revenue budget in the form of increased Minimum Revenue Provision (MRP) and annual interest payments.
- 6.5.6. Although the Housing Revenue Account operates separately from the Council Fund, the Council does not borrow separately for Council Fund and HRA expenditure, all borrowing is combined and the costs apportioned to the two funds based on the level of expenditure funded from borrowing for the two funds. The apportionment method is kept under review to ensure that it remains the most equitable method.

## 6.6 Funding Principles

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

- 6.6.2. Unsupported borrowing (outside the Sustainable Communities for Learning programme) should only be considered where the relevant service budget can be reduced by a sum greater than the MRP and interest costs or to fund the Council's share of a scheme which is funded predominately from external grant.
- 6.6.3. The Council, as a landlord of housing stock, will also receive a major repair allowance following the submission and approval of the 30 year business plan for the Housing Revenue Account. Capital expenditure on the HRA is supplemented with the use of the HRA reserve and by the borrowing powers which the HRA can utilise.
- 6.6.4. Specific grants which have been approved, likely to be approved or that result from successful bids, will also be available to fund capital schemes. In some cases, it may be necessary for the Council to contribute a sum of its own capital funding as match funding to enable the grant funding to be drawn down.
- 6.6.5. As stated previously, any unsupported borrowing must generate additional income / revenue expenditure savings to fund the additional capital financing costs (MRP and interest charges) which will be charged to the revenue account. Any proposed schemes funded by unsupported borrowing will be assessed on a scheme-by-scheme basis.
- 6.6.6. In addition to the sources of funding noted above, the Council holds a capital funding reserve, and this includes revenue contributions for specific projects which have not yet been applied. This funding will be utilised as and when required to allow priority projects to move forward or to fund the specific projects when those projects move forward. The funding can also be used as a source of match funding, if an opportunity arises to receive additional grant funding, which may be lost without the match funding.
- 6.6.7. Unallocated capital receipts are held in a reserve. The balance of this reserve has diminished over time as the number of surplus assets falls. However, it is still a valuable source of funding and is utilised as and when required to fund priority projects. It should be noted that the capital receipts generated from the sale of surplus schools will be allocated as funding for new schools if this has been noted in the business case, otherwise the capital receipt will be treated as general capital receipts and allocated to projects accordingly.
- 6.6.8. In summary, the funding for new capital projects relating to the general fund should be limited to the level of general capital grant, supported borrowing and any unallocated capital receipts or capital reserves required to fund the approved capital programme in any year, along with any specific grants received. Projects relating to the Sustainable Communities for Learning Programme and the Housing Revenue Account will be added to the capital programme as required.
- 6.6.9. This principle will be applied into the medium term and longer term to ensure the capital programme is affordable, particularly in the context of continual funding cuts.

## **6.7 Estimated Funding Profile 2023/24 to 2025/26**

- 6.7.1. The external Welsh Government funding (excluding Sustainable Communities for Learning) for the period 2023/24 to 2025/26 is shown in the table below. It should be noted that the Council will also receive a number of minor capital grants.

## Estimated Welsh Government Capital Funding 2023/24 – 2025/26

	2023/24 £'m	2024/25 £'m	2025/26 £'m
General Capital Grant	2,217	2,217	2,217
Supported Borrowing	2,159	2,159	2,159
Major Repairs Allowance	2,660	2,660	2,660
Decarbonisation grant	450	450	450
<b>Total Welsh Government Capital Funding</b>	<b>7,486</b>	<b>7,486</b>	<b>7,486</b>

## 7. The Draft Capital Programme 2023/24

7.1 The draft capital programme for 2023/24 will be presented alongside this capital strategy to the Executive on 2 March 2023 and the full Council on 9 March 2023. The table below summarises the proposed capital programme, including funding sources. Additional detail is provided in Appendix 2.

### Summary Draft Capital Programme 2023/24

	£'000
2023/24 Schemes Brought Forward	12,373
Refurbishment / Replacement of Assets	5,682
New One Off Capital Projects	386
21 <sup>st</sup> Century Schools	5,964
Housing Revenue Account	13,557
<b>Total Recommended Capital Programme 2023/24</b>	<b>37,962</b>
<b>Funded By:</b>	
General Capital Grant	3,410
Supported Borrowing General	2,158
21 <sup>st</sup> Century Schools Supported Borrowing	919
21 <sup>st</sup> Century Schools Unsupported Borrowing	2,797
HRA Reserve & In Year Surplus	9,221
HRA Unsupported Borrowing	0
Capital Receipts	500
External Grants	6,584
2023/24 Funding Brought Forward	12,373
<b>2023/24 Total Capital Funding</b>	<b>37,962</b>

## 7.2 Longer term Capital Expenditure Plans

7.2.1. This capital strategy is seen as an interim document but work will commence, once the Council's corporate plan has been completed and approved, to prepare or update the strategies that will deliver the objectives of the Council Plan. These various strategies will then influence the longer term capital strategy of the Council and this will be reflected in the 2024/25 Capital Strategy.

## 8. Non-Treasury Management Investment Strategy

- 8.1 The Treasury Management Investment Strategy is included in the TMSS discussed below. In addition, the Council holds a number of non-treasury management investments. These are the investment properties from which the Council earns rental income. These help provide a long term revenue stream for the Council. The investment property portfolio held approximately 70 properties at 31 March 2022, which were valued at £6.2m. These include retail properties, office units and commercial units. In 2023/24, £344k of rental income was collected from investment properties. Costs of £185k were spent on maintenance etc., which resulted in a net operational income of £164k from rental income and other income. In terms of future plans for the investment properties, the buildings will continue to be maintained to legal standards. In addition, a new industrial unit complex was recently constructed and is operational in Llangefni. The Council is also working in partnership with Welsh Government on the construction of Industrial Units at Penrhos, Holyhead. This project has been extended to build additional units at Holyhead and the new scheme for additional units in Llangefni, as stated in the Transitional Plan.
- 8.2 Local Authorities have the power to purchase or develop properties as investments in order to improve the economic activity within the Council area or as a means of generating additional income for the Council. At present, the Council has no plans to use these powers more widely than on the plans detailed above, but the use of these powers remains an option and the Strategy allows the Council to incur expenditure on investment properties in order to meet key Council objectives or to take advantage of any significant external funding which may become available.

## 9. Borrowing and Treasury Management

- 9.1 The Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMPs) provide the framework to ensure there is sufficient cash to pay suppliers, ensure that any surplus cash is invested safely and that borrowing to fund the capital programme 2023/24 is affordable. The TMSS will be presented to the full Council on 9 March 2023.
- 9.2 Appendix 11 of the TMSS 2024/25 provides the prudential and treasury indicators for the periods 2021/22 to 2025/26, which help determine whether borrowing plans are affordable.
- 9.3 A measure of affordability is the ratio of financing costs to net revenue streams. The estimated ratio of financing costs to net revenue streams are as follows:-

	Council Fund	HRA	Total
2021/22 (Actual)	4.50%	9.12%	5.04%
2023/24 (Projected)	2.81%	18.41%	4.56%
2023/24 (Projected)	2.23%	21.14%	4.25%
2024/25 (Projected)	2.95%	26.12%	5.46%
2025/26 (Projected)	3.10%	29.36%	6.06%

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

- 9.4 In 2018/19, the Council revised its Minimum Revenue Provision (MRP) policy and was able to back-date the changes. The revision of the policy was designed to ensure a prudent provision is charged to the revenue account each year. However, a consequence of this change was that it identified an over-provision in previous years and this over provision can be used in future years to ensure that the annual financing costs remain affordable. A further amendment to the MRP Policy has been proposed which moves to an annuity method for calculating the annual MRP charge.

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

**9.6 Treasury Management Investments, 3 February 2023**

<b>Bank</b>	<b>Amount Invested</b>	<b>Interest Rate</b>
Santander	£7,500,000	3.24%
Nationwide	£7,500,000	3.03%
NatWest	£21,634,826	0.80% - 2.70%
Goldman Sachs	£7,500,000	3.83%
Local Authorities	£10,000,000	3.06% - 3.80%
<b>Total</b>	<b>£54,134,826</b>	

The investments are reviewed as they reach maturity and a decision taken by the Treasury Management Team as to whether to roll over the investment with the same institution for a further specified period, to invest with a different institution identified in the TMSS or to return the cash back into the Council's general bank account. The decision is dependant on a number of factors, including the forecasted interest rates and the Council's cash needs, which are significantly influenced by the level and timing of capital expenditure. This confirms the link between the capital strategy, the annual capital programme, the Treasury Management Strategy and individual investment decisions.

## **10. Potential Risks arising from the Capital Strategy**

**10.1** The biggest challenge and risk is the uncertainty about future funding for revenue and capital. The Council has underspent considerably in 2021/22, and is likely to underspend in 2023/24, which helps provide a safety net which is shown by the healthy investments in banks shown above. However, the increased costs in the construction industry over the past 12 months has made planned projects less affordable and puts additional strain on the limited funding.

**10.2** The Council's Capital Strategy is based on an assumed level of funding from Welsh Government and via external grants. Given the continued uncertainty over budgets and the loss of substantial grant funding currently received from the European Union, there is a risk that this assumed level of grant funding may not be received as set out in the strategy. Although it should be noted that the Council has been successful in bids from the Shared Prosperity Fund and the Levelling Up Fund, both of which replace European funding. Any changes to funding will require a reassessment of the capital strategy and annual capital programme.

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

**10.4** The Sustainable Communities for Learning Programme is such an aspirational and substantial programme there is a risk that the Council will not be able to afford the programmes post Band B, though the increased usable cash backed reserves will help with investment in schools.

**10.5** External borrowing results in a significant interest cost each year. The majority of the Council's loans are fixed and are not affected by any interest rate rises. However, any sharp rise in interest rates may impact on the affordability of future projects which are funded from borrowing. Steps are outlined in the Treasury Management Strategy which mitigate this risk to some extent. The current small stepped increases in the Base Rate will increase PWLB borrowing rates, though currently these are all well below many of the fixed rates on current loans.

## **11. Knowledge and Skills**

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

## Proposed Capital Programme 2023/24

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Reserve £'000	Capital Receipts Reserve £'000
<b>2023/24 Committed schemes b/f</b>							
Holyhead Landscape Partnership	50	50	0	0	0	0	0
Holyhead Regeneration (THI Phase II)	687	687	0	0	0	0	0
Penrhos Phase III	2,400	2,400	0	0	0	0	0
Levelling Up Funding (various projects)	9,236	9,236	0	0	0	0	0
<b>Total 2023/24 Committed Schemes</b>	<b>12,373</b>	<b>12,373</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Refurbishment / Replacement of Assets</b>							
Disabled Facilities Grant	750	0	750	0	0	0	0
Refurbishment of Schools	1,000	0	0	1,000	0	0	0
Refurbishment of Non School Buildings	600	0	0	600	0	0	0
Highways Resurfacing	2,500	0	1,942	558	0	0	0
Vehicles	540	0	332	0	0	0	208
IT Assets	292	0	0	0	0	0	292
<b>Total Refurbishment / Replacement of Assets</b>	<b>5,682</b>	<b>0</b>	<b>3,024</b>	<b>2,158</b>	<b>0</b>	<b>0</b>	<b>500</b>
<b>New One Off Capital Projects</b>							
Flood Relief Schemes	286	0	286	0	0	0	0
Economic Dev – Match Funding	100	0	100	0	0	0	0
<b>Total New One Off Capital Projects</b>	<b>386</b>	<b>0</b>	<b>386</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>21<sup>st</sup> Century Schools</b>							
Ysgol y Graig	5,964	2,248	0	919	2,797	0	0
<b>Total 21<sup>st</sup> Century Schools</b>	<b>5,964</b>	<b>2,248</b>	<b>0</b>	<b>919</b>	<b>2,797</b>	<b>0</b>	<b>0</b>
<b>TOTAL GENERAL FUND</b>	<b>24,405</b>	<b>14,621</b>	<b>3,410</b>	<b>3,077</b>	<b>2,797</b>	<b>0</b>	<b>500</b>
<b>Housing Revenue Account</b>							

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Reserve £'000	Capital Receipts Reserve £'000
WHQS Planned Maintenance Programme	5,350	3,586	0	0	0	1,764	0
New Developments & Re-Purchase of Right to Buy Properties	8,207	750	0	0	0	7,457	0
<b>TOTAL HOUSING REVENUE ACCOUNT</b>	<b>16,399</b>	<b>4,336</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,221</b>	<b>0</b>
<b>TOTAL CAPITAL PROGRAMME 2023/24</b>	<b>37,962</b>	<b>18,957</b>	<b>3,410</b>	<b>3,077</b>	<b>2,797</b>	<b>9,221</b>	<b>500</b>



**ISLE OF ANGLESEY COUNTY COUNCIL**

<b>REPORT TO:</b>	<b>COUNTY COUNCIL</b>
<b>DATE:</b>	<b>9 MARCH 2023</b>
<b>SUBJECT:</b>	<b>MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2023/24</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>COUNCILLOR R WILLIAMS – PORTFOLIO HOLDER – FINANCE, CORPORATE BUSINESS &amp; CUSTOMER EXPERIENCE</b>
<b>HEAD OF SERVICE:</b>	<b>MARC JONES – DIRECTOR OF FUNCTION (RESOURCES / SECTION 151 OFFICER</b>
<b>REPORT AUTHOR:</b>	<b>MARC JONES</b>
<b>TEL:</b>	01248 752601
<b>E-MAIL:</b>	rmjfi@ynysmon.gov.wales
<b>LOCAL MEMBERS:</b>	n/a

**A - Recommendation/s and reason/s**

**1. MEDIUM TERM FINANCIAL STRATEGY AND 2023/24 REVENUE BUDGET**

**1.1 Purpose**

The Executive is required to agree a number of key matters in respect of the 2023/24 budget. This will then allow the final recommendations to be presented to the full Council at its meeting on 9 March 2023. The matters requiring agreement are:-

- The Council’s Revenue Budget and resulting Council Tax for 2023/24;
- The Council’s updated Medium Term Financial Strategy;
- The use of any one-off funds to support the budget.

**1.2 Summary**

This paper shows the detailed revenue budget proposals requiring final review and agreement for 2023/24, and the resulting impact on the Isle of Anglesey County Council’s revenue budget. These are matters for the Council to agree, and the Executive is asked to make final recommendations to the Council.

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

**2. 2023/24 REVENUE BUDGET AND COUNCIL TAX RECOMMENDATIONS**

The Executive is recommending :-

- To agree the final details of the Council’s proposed budget, as shown in Section 4 of Appendix 1 and Appendix 2;
- To note the Section 151 Officer’s recommendation that the Council should maintain a minimum of £8.6m general balances;
- To note the comments made by the Section 151 Officer on the robustness of the estimates made, as set out in Section 5 of Appendix 1;

<ul style="list-style-type: none"> <li>• To recommend a net budget for the County Council of £174.569m and resulting increase in the level of Council Tax of 5.00% (£68.40 – Band D) to the full Council, noting that a formal resolution, including the North Wales Police and Community Council precepts, will be presented to the Council on the 9 March 2023;</li> <li>• That any differences between the provisional settlement and the final settlement will be adjusted for by using the general contingency which is included in the 2023/24 budget, or by making a contribution to / from the Council's general reserves in order to set a balanced budget;</li> <li>• To authorise the Section 151 Officer to make such changes as may be necessary before the submission of the final proposals to the Council;</li> <li>• To agree that any unforeseen pressures on demand led budgets during the financial year will be able to draw upon funding from the general contingencies budget;</li> <li>• To request the Council to authorise the Executive to release up to £250k from general balances if the general contingencies budget is fully committed during the year;</li> <li>• To delegate to the Section 151 Officer the power to release funding from the general contingency up to £50k for any single item. Any item in excess of £50k not to be approved without the prior consent of the Executive;</li> <li>• To confirm that the level of Council Tax Premium for second homes increases to 75% and for empty homes remains at 100%.</li> </ul>		
<b>B - What other options did you consider and why did you reject them and/or opt for this option?</b>		
A number of options were considered following the issue of the initial budget proposals. The final budget proposals take account of the final local government settlement, views expressed during the consultation process and the views of the Scrutiny Committee.		
<b>C - Why is this a decision for the Executive?</b>		
The Council's Constitution requires the Executive to publish its final budget proposal prior to its consideration by the Council.		
<b>CH - Is this decision consistent with policy approved by the full Council?</b>		
Yes. The final decision on the 2023/24 revenue budget will be taken by the full Council at its meeting on 9 March 2023.		
<b>D - Is this decision within the budget approved by the Council?</b>		
N/A		
<b>Dd – Assessing the potential impact (if relevant):</b>		
<b>1</b>	How does this decision impact on our long term needs as an Island?	In drawing up the budget proposal, the Executive has considered its statutory duties and the objectives set out in its Corporate Plan.
<b>2</b>	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	The details of any savings proposals are set out in the report.
<b>3</b>	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom	The Council has been working with other Councils and the WLGA to press the Welsh Government for the best financial settlement possible.
<b>4</b>	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	The budget proposals have been subject to a consultation process, the details of which are included in the report. The Executive has considered the results of the consultation before agreeing the final budget proposal.

5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	Any proposals included in the final budget for 2023/24 will take into account the impact on any protected groups.
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	The budget will result in an increase in the Council Tax payable by the taxpayers of Anglesey. Those experiencing socio-economic disadvantage are more likely to qualify for help through the Council Tax Reduction Scheme, which should result in no financial impact / limited financial impact to those who are experiencing socio-economic disadvantage.
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	No impact identified.
<b>DD - Who did you consult?</b>		<b>What did they say?</b>
1	<b>Chief Executive / Leadership Team (LT)</b> (mandatory)	The Chief Executive and Leadership Team have been part of the budget setting process throughout and are in agreement with the report and support the final budget proposal.
2	<b>Finance / Section 151</b> (mandatory)	N/A – this is the Section 151 Officer's report.
3	<b>Legal / Monitoring Officer</b> (mandatory)	The Monitoring Officer is part of the LT and, as such, the Officer's comments have been taken into account.
4	<b>Human Resources (HR)</b>	-
5	<b>Property</b>	-
6	<b>Information Communication Technology (ICT)</b>	-
7	<b>Scrutiny</b>	Final budget proposals were considered by the Scrutiny Committee at its meeting on 28 February 2023. A verbal update on the outcome of the meeting will be provided to the Executive.
8	<b>Local Members</b>	The Council's budget is applicable to all Members and consultation has taken place throughout the budget setting process.
9	<b>Any external bodies / other/s</b>	See Section 2 of the report.
<b>F - Appendices:</b>		
<ul style="list-style-type: none"> <li>• Appendix 1 – Detailed report on the Budget Proposals</li> <li>• Appendix 2 – Summary of the Proposed Revenue Budget 2023/24 by Service</li> </ul>		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		
<ul style="list-style-type: none"> <li>• Initial Budget Proposals for 2023/24 – Executive Committee – 24 January 2023</li> <li>• Initial Budget Proposals for 2022/23 – Corporate Scrutiny Committee – 19 January 2023</li> <li>• Medium Term Financial Plan for 2023/24 to 2024/25 – Executive Committee – 27 September 2022</li> </ul>		

## 1. INTRODUCTION AND BACKGROUND

- 1.1. The following report sets out the 2023/24 revenue budget proposals, and is one of a set of reports which provides an overall picture of the financial position of the Council and ensures that the Council funding is allocated to meet its priorities. The other reports in the set relate to the Council's Capital Programme and Capital Strategy, the Council's Treasury Management Strategy and Fees and Charges.
- 1.2. The revenue budget and the continued need to identify revenue savings has been driven by the Medium Term Financial Plan, as approved by the Executive Committee in September 2022, and can be summarised as follows:-

**Table 1**  
**Medium Term Financial Plan 2023/24 to 2024/25**

	2023/24 £'m	2024/25 £'m
Net Revenue Budget B/F	158.367	164.682
Budget Pressures and Inflation	18.147	8.003
<b>Revised Standstill Budget</b>	<b>176.514</b>	<b>172.685</b>
Aggregate External Finance (AEF) (assuming 3.6% rise in 2023/24 and 2.4% rise in 2024/25)	118.675	121.523
Council Tax (assuming 5% rise in 2023/24 & 2024/25)	46.007	48.307
<b>Total Funding</b>	<b>164.682</b>	<b>169.830</b>
<b>Additional Funding Requirement / Savings Required</b>	<b>11.832</b>	<b>2.855</b>
<b>Main Assumptions</b>		
Pay Awards – Non Teaching	7.8%	3.0%
Pay Awards - Teaching	5.2%	3.2%
General Inflation	16.4%	1.8%
Note – The figures for 2023/24 allowed for a correction of the base budget due to an under provision for pay and price inflation in 2022/23 budget.		

- 1.3. Given that the rate of inflation was significantly higher than normal, energy prices had not been received for the forthcoming year and that pay increases for 2022/23 had not been settled when the MTFP was drawn up, there was a significant risk that the funding gap could have been even higher than the figures shown in the MTFP.
- 1.4. In drawing up the initial budget proposal, the 2022/23 pay award had been settled, inflation had begun to show signs that it had peaked and the new energy prices for the year October 2022 to September 2023 had been received. This allowed for more certainty around the base budget.
- 1.5. The draft settlement figures from the Welsh Government were also better than forecast, with the Council receiving an increase of 7.9% compared to the 3.6% that was included in the MTFP.
- 1.6. However, despite these changes and that the funding gap was lower than forecast in the MTFP, it is still a challenging financial position for both 2023/24 and 2024/25, with costs still expected to rise due to inflation and increased demand, but little prospect that the funding from Welsh Government will be sufficient to cover all of these increases in costs.

## **2. THE INITIAL BUDGET PROPOSAL**

- 2.1.** At its meeting on 24 January 2023, the Executive discussed its original budget proposal and the provisional budget settlement which the Welsh Government had published on 14 December 2022.
- 2.2.** The provisional settlement was better than anticipated, and would provide the Council with £123.555m, which is an increase in cash terms of £9.004m (7.86%) but, after allowing for grants transferring into the settlement and the effect of the change in the Council's taxbase, the adjusted increase was £9.065m (7.92%).
- 2.3.** The Executive proposed a budget for 2023/24 of £172.438m and, given the provisional AEF of £123.555m, this would require an increase of 5.00% in Council Tax and the use of £1.758m of the Council's general balances to balance the budget.
- 2.4.** In setting the proposed budget, the Executive recognised the need to protect front line services and increasing budgets to meet an increased demand in Adult and Children's services and homelessness prevention.
- 2.5.** The budget proposal reversed £700k of investment in Education, which had been included in the 2022/23 budget, and capped the inflation increase in the Schools' delegated budget by 1% (£471k). These changes, along with an increase of £169k in the Highways income budget was sufficient to result in a budget that matched the net expenditure to the available funding.
- 2.6.** Although not intended as a measure of what the Council's net revenue budget should be, the Standard Spending Assessment (SSA) does give some indication as to whether the Council's budget is at a reasonable level for the Council. The SSA for 2023/24 is £169.406m and the proposed budget is, therefore, 101.8% of the SSA.

## **3. SCRUTINY COMMITTEE**

- 3.1.** Due to the delays in receiving the provisional and final settlement, the budget timetable for 2023/24 has had to be condensed in order to ensure that the Council is in a position to set the Council Tax within the timeframe set out in the Local Government Finance Act 1992 (Section 30(6)). The Finance Scrutiny Panel also examined in detail the service investment proposals at its meeting on 12 January 2023, and the Panel's comments were reported to the Corporate Scrutiny Committee meeting on 19 January 2023.
- 3.2.** The 2023/24 initial budget proposal was considered by the Finance Scrutiny Committee at its meeting on 19 January 2023. The Committee resolved to support the Executive's initial budget proposal.
- 3.3.** The final budget proposal was given further consideration by the Corporate Scrutiny Committee at its meeting of 28 February 2023, and a verbal report on the Committee's deliberations will be presented to the Executive at the Committee meeting.

## **4. FINAL BUDGET PROPOSAL**

- 4.1.** In drawing up the initial budget proposal, the Council was awaiting the final budget decision in respect of levying bodies and other organisations which receive contribution from the Council. The impact on the Council's budget of the adjustments resulting from a finalisation of the decisions are shown in Table 2 below.
- 4.2.** In addition, one change has been made to the final settlement from Welsh Government, compared to the draft settlement. A grant to assist the North Wales Fire Authority to meet increased pension costs has been transferred into the settlement. The Fire Authority has increased their levy by a similar amount, resulting in a zero net effect on the Council's budget.

**Table 2**  
**Revised Council Net Revenue Budget**

	£m	£m
<b>Initial Proposed Net Revenue Budget 2023/24</b>		<b>172.438</b>
<b>Adjustments</b>		
Reduction in proposed Fire Authority Levy increase from 13.4% to 9.9%	(0.131)	
Increase in Fire Authority Levy to reflect the grant transferred into the final settlement	0.108	
Increase in the CJC levy to reflect the final decision of the CJC	0.012	
Increase in the Tywyn Trewan Levy	0.010	
Increase in the contribution to the NWEAB to reflect the final budget	0.011	
Decrease in the contribution to GwE to reflect the final budget	(0.061)	
Decrease in the contribution to the North Wales Emergency Planning Team to reflect the final budget	(0.021)	
Other Minor Adjustments	(0.015)	<b>(0.087)</b>
<b>Revised Net Revenue Budget 2023/24</b>		<b>172.351</b>
<b>Funded by</b>		
Aggregate External Finance	123.665	
Council Tax (including 2 <sup>nd</sup> Home and Empty Home Premium)	47.124	
Reserves	1.759	
<b>Revised Funding 2023/24</b>		<b>172.548</b>
<b>Excess of Funding over Net Revenue Budget</b>		<b>0.197</b>

- 4.3. The Executive considered three options in order to match the revised funding with the net revenue budget:-
- Reduce the use of reserves by £197k to £1.562m;
  - Reduce the rise in Council Tax to 4.56%. This would change the Band D Council Tax charge to £1,429.83, which is £6.03 lower than the initial budget proposal;
  - Increase the net revenue budget by £190k, by providing additional resources to meet urgent priorities identified since the initial budget proposal was agreed.
- 4.4. Prior to finalising the budget, a review was undertaken to identify any priority areas which required additional funding to that proposed in the initial budget proposal. Following that review, the Executive has agreed to include the following additional budgets into the final budget proposal.
- The Education Service has procured a new schools management information system, in a joint procurement process with the 5 other North Wales authorities. The annual licence fee for the new system is around £30k less than the cost of the current system. However, for 2023/24 it will be necessary to run both systems in parallel and, as a result, it is necessary to add an additional £44k to the software budget.
  - The new Elections Act 2022 places a number of additional duties on the Council which will require additional staffing capacity to undertake. As a result, one additional post is to be added to the staffing structure of the Elections Team at an additional cost of £34k, which is net of grant funding that is received from the UK Government.

- There has been concern for some time that the level of administrative support for Elected Members is insufficient to enable them to undertake all their duties and responsibilities effectively. The Members Support Team is a very small team and difficulties arise when staff are absent due to leave or sickness. One additional post is proposed to provide a greater level of support and to improve the resilience of the Team. The additional cost of the post is £42k.
  - Changes to the grant funding regime following the UK's departure from the European Union has resulted in an increased input required by the Council in schemes such as the Shared Prosperity Fund and the Levelling Up Fund. The changes have also created an opportunity to attract more grant funding to Anglesey and this, along with other economic development opportunities e.g. the development of a Freeport, will require additional economic development capacity to ensure that the maximum benefit is realised. It is therefore proposed to increase the economic development team at a cost of £69k.
  - The Council's school meals catering contractor had hoped to maintain prices at the current level until September 2023, but recent rises in respect of food, energy and staff pay have resulted in the agreed cost per meal rising by over 10%, this takes the cost of a meal in a secondary school from £2.60 to £2.88. The Executive has agreed not to pass on the increased cost to pupils and to have further discussions with the catering contractor prior to deciding on the price charged from September 2023 onwards. The additional cost will then fall on the Service and, as a result, an increase of £29k is required to meet this additional cost.
- 4.5. The net effect of these proposals is to increase the net revenue budget by £218k, which is £21k higher than the funding available. The additional cost would be funded by increasing the use of general balances from £1,759k to £1,780k.
- 4.6. On 24 February 2023, the Employers announced the initial pay offer to the Unions in respect of the non-teaching pay award. The offer is a flat rate increase of £1,925 to all employees, with an increase of 3.88% to all employees on spinal column point 43 and above, with a 3.5% increase for Chief Officers and the Chief Executive. It is estimated that this will increase costs by approximately 7% compared to the 3.5% that was allowed for in the initial budget proposal. This places an additional £2m as a pressure on the budget.
- 4.7. The Executive have considered how to fund this additional cost and propose to use the Council's reserves to meet the additional cost in 2023/24.

## 5. ROBUSTNESS OF ESTIMATES

- 5.1. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of budget estimates and the adequacy of the proposed financial reserves.
- 5.2. Budget estimates are based on assumptions of future expenditure and income and contain an element of assumption risk. The impact of this risk can be mitigated through contingency plans, contingency budgets and financial reserves.
- 5.3 The robustness of budget estimates is not simply a question of whether they are correctly calculated. In practice, many budgets are based on estimates or forecasts, and there may be an element of risk as to whether plans will be delivered or targets achieved. Different risks to the budget are considered in turn below:-

- **Inflation Risk** – When inflation levels are low and the overall movement in the inflation rate is small, then the inflation risk is low, as has been the case for a number of years. However, there is a greater level of uncertainty surrounding pay and price inflation in 2023/24, and this significantly increases the risk. The general measure of inflation (CPI) peaked in December 2022, and has begun to fall during the first quarter of 2023, however, there is a great deal of uncertainty as to how quickly it will fall, with the optimistic forecasts showing it will fall to around 2% by the end of 2023, whilst the more pessimistic forecasts showing that it will be around 8% by the end of 2023. In addition, the inflation for some types of expenditure may remain higher than this (food, energy, building materials) and the actual inflation faced by the Council may differ greatly from the CPI figure. To some extent, the Council is protected from this risk because a majority of our larger contracts (school meals, highway maintenance, refuse collection etc.) use inflation indices from September, October or November 2022 to determine the inflation for 2023/24. Given that these figures are known, they have been built into the proposed budget for 2023/24.
- **Pay Inflation** - Pay is the Council's largest cost, and the pay award for non-teaching staff for 2023/24 has yet to be agreed. The Unions have submitted a pay claim of RPI + 2% (equates to around 15%). The Employer's offer is detailed in paragraph 4.6 above and is funded in the budget. Any award above these figures would have to be funded from the Council's reserves, with each 1% increase adding around £600k to the Council's pay bill. The teachers' pay award up to September 2023 has been set and paid (5%), a further offer taking the pay award to 6.5% has been made by Welsh Government. The Welsh Government has also announced an indicative pay rise of 3.5% for teachers from September 2023 and this has been allowed for in the budget although, again, there is a risk that this will not be accepted by the teaching unions.
- **Interest Rate Risk** - Interest rates affect a single year's revenue budget through the interest earned - i.e. an interest rate rise is beneficial. The Authority's Treasury Management Strategy requires investments to be made on the grounds of security and liquidity of the investment as the first consideration, with investment returns being a lower priority, therefore, the budget is not reliant on high investment returns. Interest rates have risen significantly in the past 12 months, with the Council now receiving over 3% on its investments. In setting the budget, an estimate of the interest receivable has been factored into the budget, but there is a risk that the budget will not be achieved if interest rates begin to fall quickly or if the funds available to be invested are lower than forecast. The majority of the interest paid by the Council relates to fixed rate loans which will not change should the interest rate rise. Therefore, the interest rate risk is considered low and, as in previous years, this is a compensating risk for inflation risk, because if one increases, the other is likely to increase also.
- **Grants Risk** - These are risks attached to the large number of specific grants from WG, or other bodies which support a good proportion of Council spending. The final settlement indicates that the majority of the grants received from Welsh Government will increase or remain at the 2022/23 level, which significantly reduces the Council's risk. Whilst the immediate response is to say that when the grant ceases, so must the associated expenditure, there is a risk that this may not always be possible. It may not be possible when contract terms mean the expenditure cannot be cut as quickly as the income, or it involves unfunded severance costs. It may not be possible if the activity funded turns out to be so important to the delivery of the Council's own priorities that the Council decided it must continue the expenditure. Efforts to mitigate this risk are to ensure we have the best information available on each grant, but significant changes during the year cannot be entirely ruled out.



- **Income Risks** – The budget is based on securing an overall 3% increase in fees, and a number of services have assumed rises up to 3%. If the elasticity of demand for Council Services is such that volume falls, and income targets are not achieved, that may cause overspending on net budgets. The cost of living crisis may have an impact on the income generated from services such as leisure, car parking, planning and building regulations, where users may choose to reduce their expenditure on these non-essential services. This will require close monitoring of the net budget position and, if necessary, cutting back on spending to match reduced income.
- **Demand Risk** – A number of services can experience a change in the demand for its services. Some can be predicted and taken into account when setting the budget e.g. changes in pupil numbers. Others are more difficult to predict and a small increase in numbers can have a significant impact on costs. The budget allows for providing the service at current levels, with increases in demand covered by the Council's general balances or, in some cases, earmarked reserves. Allowance has been made in the 2023/24 budget for the current level of service demand for social care and homelessness prevention, although there is a risk of the increase in demand continuing in 2023/24 above what has been allowed for in the budget. This would result in an overspend in those services affected, which would have to be funded from the Council's general reserves and balances.
- **Optimum Risk** – In previous years, probably the greatest risk in current circumstances is that the Authority, Members and Officers have been over-optimistic in the savings that will be achieved or that demand for services, particularly social care, will not increase significantly. For 2023/24, there are no savings proposed and, as such, this risk is not applicable to the 2023/24 budget but the demand risk is still applicable (see above).
- **Over-caution Risk** – This is the opposite of optimum risk: the danger that our budgets have been drawn up with too much caution and, so, are more than is required, and this would result in the Council Tax being set at a level that is higher than required, which is something that Members are keen to avoid. The Section 151 Officer is satisfied with the budget setting process and that the budget set is a fair assessment of the resources required by each service, based on the relevant factors as they stand at the moment.

**Council Tax Premium** – In setting the taxbase, it is accepted that the number of empty properties and second homes can change during the year and, as such, only 80% of eligible properties are included in the taxbase. This protects the Council's budget should there be a significant drop in numbers. However, it should be noted that the number of empty properties used in the taxbase calculation rose from 324 properties in October 2021 to 334 properties in October 2022, and the number of second homes rose from 2,149 to 2,180 over the same period, even though the second home premium rose from 35% to 50%. The change in the level of the second home premium from 50% to 75% presents a significant risk in 2023/24. The increase may encourage second home owners to sell or let their property i.e. one of the intended purposes of increasing the premium, however, it may encourage a greater amount of non payment or avoidance by transferring to business rates or by other avoidance means. To mitigate the risk, additional staff will be employed to identify tax avoidance and minimise the amount of the premium lost as a result. As the Executive has committed to using all of the additional premium to address the issues caused by high numbers of second homes on Anglesey, any significant reduction in income would result in a reduction in the funding available for these initiatives in future years.

**Council Tax Income** – The Council Tax income budget is based on the taxbase calculation as at November of the previous financial year. The taxbase changes constantly during the year, as new properties are included and exemptions and single person discounts are granted. These changes cannot be estimated and, invariably, lead to a difference between the actual debit raised and the budget. The changes in the thresholds for self catering properties to register for Council Tax has started to see a number of self catering properties transferring back to the Council Tax register, but there is a risk that the owners will achieve the new higher thresholds during the forthcoming year, which will allow them to transfer back to the Business Rates register.

The cost of living crisis may also impact on the Council's collection rate, as more households struggle financially with rising costs. This may result in a financial loss in 2023/24 or future years, when uncollectable debts are eventually written off.

- 5.4 Having considered all the risks noted above and the mitigating actions, the Section 151 Officer is of the view that the budgets are robust and deliverable, and the Council's current healthy level of general balances and earmarked reserves provides sufficient mitigation against the risks identified.

## 6. GENERAL AND SPECIFIC RESERVES

- 6.1 The proposed budget incorporates a number of assumptions in terms of likely levels of income and expenditure in future years. There are, therefore, inevitably a number of financial risks inherent in the proposed budget, which are set out in paragraph 5 above.
- 6.2 In terms of any contingencies and reserves, the Section 151 Officer needs to review these in their totality in conjunction with the base budget itself and the financial risks which face the Authority. In addition, the review should incorporate a medium term view, where needed, and should take into account key developments that may impact on the need and use of one off resources.
- 6.3 A robust view is being taken on managing budget risks and protecting the financial health of the Council at this time. This is particularly the case when one off funds need to be adequately protected to fund future strategic / transformational changes, as opposed to funding significant overspends on the base budget itself.
- 6.4 Account has been taken of the need to keep the immediate reductions in spending, and the resulting impact on services, to a minimum, but this must be balanced against the need to ensure the medium and long term financial stability of the Council, and for savings to be implemented over the coming years in a phased and structured way. In addition, there is always some risk of unforeseen items of expenditure or overspending because of a more general pressure on a service budget, and reserves must also be adequate to absorb these pressures.
- 6.5 As at 31 March 2022, the Council's general reserves stood at £12.278m, which is equivalent to 8.35% of the Council's net revenue budget for 2021/22, 11.75% if the delegated schools' budget is excluded. During the year, £0.5m was allocated to fund highway repairs and £1.073m was added to the delegated school's budget to fund additional pay costs, £4.139m has been transferred from service and other earmarked reserves. Therefore, the revised forecast level currently stands at £14.844m, although this assumes that there will be no over or underspend of the 2022/23 budget. After allowing for the use of £3.780m as funding for the 2023/24 revenue budget, the revised balance would fall to £11.064m, or 6.33% of the 2023/24 net revenue budget.
- 6.6 The transfer of earmarked reserves back to general balances, and the use of these reserves during the year, has reduced the balance from £24.46m at the beginning of 2022/23 down to a forecasted level of £9.973m at the end of the financial year.

- 6.7** School balances began the 2022/23 financial year at £7.83m, but are forecast to fall to £3.29m by the end of 2022/23, with a further £1.78m being used to balance individual school budgets in 2023/24.
- 6.8** The level of general balances is a matter for the Council to decide based on the recommendation of the Council's Section 151 Officer but, as a general rule, 5% of the net revenue budget is considered to be an acceptable level. It is a matter for debate whether the net revenue budget should exclude the delegated schools budget, as schools hold their own balances to meet unexpected costs. Based on the current financial situation, there is a high degree of confidence that the level of general balances will exceed 5% of the net revenue budget at the beginning of the 2022/23 financial year.
- 6.9** Having taken into consideration the level of the Council's general balances, school balances, earmarked reserves and contingency budgets, the Section 151 Officer is content that the Council's financial position is sufficiently robust to withstand any difficulties that may arise during 2023/24 if the proposed revenue budget is insufficient to meet the actual costs incurred by the Council during 2022/23.

## **7. COUNCIL TAX**

- 7.1** The Council's Band D Council Tax charge for 2021/22 was £1,367.46, which was 18<sup>th</sup> from the 22 Authorities in Wales and is lower than the Welsh Average of £1,461. More importantly for Anglesey is the comparison to the 5 other North Wales authorities. This is shown in Table 3 below:-

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

<b>Authority</b>	<b>Band D Charge 2022/23 £</b>	<b>Amount Above / Below Anglesey £</b>	<b>Percentage Above / Below Anglesey %</b>
Anglesey	1,367		
Gwynedd	1,527	+ 160	+ 11.7%
Conwy	1,438	+ 71	+ 5.2%
Denbighshire	1,479	+ 112	+ 8.2%
Flintshire	1,450	+ 83	+ 6.1%
Wrexham	1,372	+ 5	+ 0.4%

- 7.2** The Council Tax budget for 2023/24 (prior to an increase in the Council Tax but after adjusting for the change in the Council Tax Base and premium) is £44.9m. Therefore, each 1% increase generates an additional £449k.
- 7.3** After taking into account the anticipated final settlement figure of £123.665m, the revised budget requirement of £174.569m (see Appendix 2) and the use of £3.780m of reserves, it would require £47.124m in Council Tax funding. To fund the revised budget requirement, the increase in the level of Council Tax would be 5.00%, taking the Band D charge to £1,435.86, an increase of £68.40, or £1.32 per week.

## **8. EQUALITIES IMPACT ASSESSMENT**

- 8.1** In delivering its services, the Council has to be mindful of its duties under the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 to assess the impact of key financial decisions on protected groups, and have due regard to the result of such assessments.
- 8.2** The proposed budget will not impact on any of the protected groups set out in the Regulations and, as a result, no Equality Impact Assessments are considered necessary.

## 9. UPDATING THE MEDIUM TERM FINANCIAL STRATEGY

- 9.1 As stated in paragraph 1, the economic situation has changed considerably since the Council approved the Medium Term Financial Strategy (MTFS) in September 2022. In addition the higher than anticipated provisional local government settlement for 2023/24 also changes the strategy significantly.
- 9.2 The main area of uncertainty for the MTFS moving forward is inflation and its impact on future pay awards, whilst the cost of living crisis and its impact on the demand for Council services is also a major factor.
- 9.3 The updated MTFP for 2024/25 and 2025/26 is shown in Table 4 below:-

**Table 4**  
**Summary Medium Term Financial Plan 2024/25 & 2025/26**

	2024/25 £'m	2025/26 £'m
Net Revenue Budget B/F	174.569	176.856
Budget Pressures and Inflation	8.876	5.168
<b>Revised Standstill Budget</b>	<b>183.445</b>	<b>182.024</b>
Aggregate External Finance (AEF) (assuming 3.0% rise in 24/25 and 2.0% rise in 2025/26)	127.375	129.922
Council Tax (assuming 5% rise in 2024/25 & 2025/26)	49.481	51.955
<b>Total Funding</b>	<b>176.856</b>	<b>181.877</b>
<b>Additional Funding Requirement / Savings Required</b>	<b>6.589</b>	<b>0.149</b>
<b>Main Assumptions</b>		
Pay Awards – Non Teaching	3.5%	2.0%
Pay Awards - Teaching	4.8%	2.0%
General Inflation	2.0%	1.2%

- 9.4 The MTFP estimate above is based on a number of assumptions which may change as we move towards 2024/25, but the plan indicates that there will be a need to make significant reductions in the net revenue expenditure budget in 2024/25 (over £6.5m). This again could be partly offset by the further use of reserves but again this only postpones the need to make budget reductions until 2025/26.
- 9.5 The situation does improve in 2025/26, with only a very small shortfall in funding projected but this is dependent on the continued strategy to increase Council Tax by 5% per annum.
- 9.6 An updated MTFS will be presented to the Executive in September 2023.

## 10. CONCLUSIONS

- 10.1 It is important that the budget set is achievable and reflects the demands faced by services currently, although it is noted that the continuation of the cost of living crisis or a re-emergence of Covid restrictions would have a significant impact on the Council's budget.
- 10.2 The local government settlement is better than anticipated, and allows the Council to set a balanced budget in 2023/24, with only limited reductions in service budgets, a modest use of service reserves and a below inflation increase in Council Tax. However, it does also take the Council back to a position where significant investment in Council services is not possible.

- 10.3** The Council's general financial position is still fairly strong, although the level of balances and earmarked reserves have diminished during 2022/23 and, although the use of reserves to balance the 2023/24 budget is a fairly safe strategy, it is not a strategy that can be used long term.
- 10.4** The position in 2024/25 appears to be more difficult and, unless Welsh Government funding increases by more than inflation and / or pay awards are limited and the general level of inflation reduces, then significant budget reductions will be required or Council Tax will have to rise above the 5% allowed for in the MTFP.
- 10.5** Therefore, in the professional opinion of the Section 151 Officer, the proposed revenue budget for 2023/24 achieves the following objectives:-
- Ensures that the financial resources allocated to each service is sufficient to meet the current budget pressures and fulfil the demand for the statutory functions which the services must provide.
  - Uses a combination of budget reductions, reserves and a rise in Council Tax to set a balanced budget.
  - Sets a level of Council Tax which is comparable with the Welsh Government's assessment of where Anglesey's Council Tax should be, and is in line with the Council Tax set by other Welsh authorities of a similar size and type.

## **11. RECOMMENDATIONS**

- 11.1** The Executive has recommended to approve the final budget proposal, as set out in Paragraph 4, to the full Council meeting on 9 March 2023.

## FINAL BUDGET PROPOSAL 2023/24 BY SERVICE

	<b>Final Proposed Budget 2023/24 £</b>
Education and Culture	63,319,619
Adult Services	34,973,049
Children's Services	12,965,415
Housing Services	1,590,036
Highways, Waste and Property	19,755,398
Regulation and Economic Development	5,754,153
Corporate Transformation	6,993,174
Resources	3,723,134
Council Business	2,013,794
Corporate Management	759,918
<b>Total Service Budgets</b>	<b>151,847,690</b>
Corporate and Democratic Costs	3,244,158
Recharges to HRA	(800,000)
Support for Local Housing Help to Buy Schemes	1,501,907
Levies	4,503,685
Capital Financing	4,328,774
Benefits Granted	109,240
Discretionary Rate Relief	105,000
Council Tax Reduction Scheme	6,751,765
<b>Total Allocated Budgets</b>	<b>171,592,219</b>
General & Other Contingencies	2,976,987
<b>Total Budget 2023/24</b>	<b>174,569,206</b>
<b>Funded By</b>	
Revenue Support Grant	100,842,008
Non Domestic Rates	22,822,905
Council Tax (Including Council Tax Premium)	47,124,293
Council Reserves	3,780,000
<b>Total Funding</b>	<b>174,569,206</b>
<b>Difference Budget to Funding</b>	



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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	<b>COUNTY COUNCIL</b>
<b>Date:</b>	<b>9 MARCH 2023</b>
<b>Subject:</b>	<b>CAPITAL BUDGET 2023/24</b>
<b>Portfolio Holder(s):</b>	<b>COUNCILLOR R WILLIAMS – PORTFOLIO HOLDER – FINANCE, CORPORATE BUSINESS &amp; CUSTOMER EXPERIENCE</b>
<b>Head of Service / Director:</b>	<b>MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER</b>
<b>Report Author:</b> Tel: E-mail:	<b>MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER</b> <b>01248 752601</b> <b>rmjfi@ynysmon.gov.wales</b>
<b>Local Members:</b>	n/a

#### **A –Recommendation/s and reason/s**

##### **1. PURPOSE OF THE REPORT**

To approve the capital budget for 2023/24.

##### **2. RECOMMENDATIONS**

To approve following capital programme for 2023/24:-

	<b>Ref</b>	<b>£'000</b>
2022/23 Schemes Brought Forward	Para 5.1 & Table 2	12,373
Refurbishment / Replacement of Assets	Para 5.2	5,682
New One Off Capital Projects	Para 6.2 & Table 3	386
21 <sup>st</sup> Century Schools	Para 7	5,964
Housing Revenue Account	Para 8	13,557
<b>Total Recommended Capital Programme 2023/24</b>		<b>37,962</b>
<b>Funded By:</b>		
General Capital Grant		3,410
Supported Borrowing General		2,158
21 <sup>st</sup> Century Schools Supported Borrowing		919
21 <sup>st</sup> Century Schools Unsupported Borrowing		2,797
HRA Reserve & In Year Surplus		9,221
HRA Unsupported Borrowing		0
Capital Receipts		500
External Grants		6,584
2022/23 Funding Brought Forward		12,373
<b>2023/24 Total Capital Funding</b>		<b>37,962</b>

<b>B – What other options did you consider and why did you reject them and/or opt for this option?</b>		
A number of additional schemes are to be considered in the capital programme, with the main driving factor in funding being affordability and the maximisation of external grant funding.		
<b>C – Why is this a decision for the County Council?</b>		
The Council's Constitution states that deciding on the budget is a matter for Full Council and it cannot be delegated		
<b>CH – Is this decision consistent with policy approved by the full Council?</b>		
Yes		
<b>D – Is this decision within the budget approved by the Council?</b>		
N/A		
<b>Dd – Assessing the potential impact (if relevant):</b>		
1	How does this decision impact on our long term needs as an Island?	The capital budget ensures funding to maintain the Council's assets, and forms part of the strategy to meet the objectives set out in the Council's corporate plan.
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	Continued maintenance of the Council's assets will prevent larger costs in the future.
3	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom	Capital projects in respect of 21st Century Schools and the HRA are aligned to priorities set out by the Welsh Government.
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	As part of the consultation process on the Council's Corporate Plan for 2022 – 2027, citizens were asked a number of questions relating to capital expenditure and their priorities.
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	The capital budget ensures funding to maintain the Council's assets and, forms part of the strategy to meet the objectives set out in the Council's corporate plan.
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	None identified.
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	No impact identified.

<b>E - Who did you consult?</b>		<b>What did they say?</b>
<b>1</b>	<b>Chief Executive / Leadership Team (LT)</b> (mandatory)	Comments from the LT have been incorporated into the report.
<b>2</b>	<b>Finance / Section 151</b> (mandatory)	n/a – this is the Section 151 Officer’s report.
<b>3</b>	<b>Legal / Monitoring Officer</b> (mandatory)	The Monitoring Officer is a Member of the LT and any comments made have been taken into account in discussions on this report in the LT.
<b>4</b>	<b>Human Resources (HR)</b>	Any proposals which impact on staff will have been identified and discussed with the HR Team.
<b>5</b>	<b>Property</b>	Any proposal which impacts on the Council’s property and related budgets will have been discussed with the Property Team.
<b>6</b>	<b>Information Communication Technology (ICT)</b>	Any proposal which impacts on the Council’s information technology systems and related budgets will have been discussed with the ICT Team.
<b>7</b>	<b>Scrutiny</b>	TBC
<b>8</b>	<b>Local Members</b>	Proposals are applicable to all Members.
<b>9</b>	<b>Any external bodies / other/s</b>	
<b>F - Appendices:</b>		
Appendix 1 – Report on the Capital Budget 2023/24 Appendix 2 – Final Proposed Capital Budget 2023/24		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		
Capital Strategy Report – full Council 10 March 2022 Capital Budget 2022/23 – full Council 10 March 2022 Quarterly Capital Monitoring Reports 2022/23 – Executive 27 September 2022, 29 November 2022, 2 March 2023		

## 1. INTRODUCTION

- 1.1. The Capital Budget for 2023/24, set out below, takes into account the principles set out in the Capital Strategy which was approved by the Executive and the full Council in March 2022. The Capital Strategy has been updated to reflect the proposed capital budget for 2023/24, but the principles of the strategy remain unchanged.

## 2. PRINCIPLES OF THE CAPITAL STRATEGY

- 2.1. The Capital Strategy for 2022/23 was approved by the Executive and full Council and has been updated for 2023/24 to reflect the new funding levels, any changes in the Council's priorities and any changes set out in the Council's Treasury Management Strategy for 2023/24, which will be approved by the Executive and full Council in March 2023.

- 2.2. The current Capital Strategy sets out the following principles for the Council in determining its capital programme:-

- Each year, capital funding will be allocated to ensure an investment in existing assets to protect them into the future.
- The Council will maximise external capital funding wherever possible and affordable.
- Capital funding will also be prioritised on assets required to help the Council deliver its statutory responsibilities.
- The Council remains committed to the 21<sup>st</sup> Century Schools Programme, and will continue to fully utilise 21<sup>st</sup> Century Schools external funding.

- 2.3. The strategy then went on to provide a little more information on how these principles would be delivered, and included the following key points:-

- That the 21<sup>st</sup> Century Schools programme is considered separately from the remainder of the general capital programme.
- That the replacement of existing and obsolete assets has the benefit of reducing revenue costs, and that the capital programme will allocate funding to replace or improve existing IT equipment, vehicles and Council buildings.
- It is a statutory requirement to offer disabled facilities grants, and that the capital programme will allocate funding annually to comply with this requirement.
- A sum will be allocated annually to fund road improvement works. The sum will depend on the amount required to achieve any minimum contract values, the level of external and internal funding available and an assessment of the state of repair of the Authority's roads.
- Projects that require match funding will be assessed on a case by case basis, with any decision to allocate funding being based on how the project fits into the Council's corporate priorities, any ongoing revenue implications and the ratio of Council funding to external funding.
- Projects funded from unsupported borrowing will only be undertaken if the reduction in revenue costs or increased income generated is sufficient to meet any additional capital financing costs.

- 2.4. The Capital Strategy also sets out how any new bid should be assessed, as follows:-

- How closely the project will contribute to the priorities of the corporate plan;
- Whether the project attracts significant external funding;
- Whether the project will lead to revenue savings;
- Whether the project will help mitigate a corporate risk.

### 3. FUNDING THE CAPITAL PROGRAMME 2023/24

3.1. The funds available to finance the capital programme for 2023/24 are shown in Table 1 below. It should be noted that the figure for the General Capital Grant and Supported Borrowing are based on the provisional Local Government settlement figures. The final figure will not be known until the final settlement figures are announced on 28 February 2023. The level of funding under both headings have remained fairly constant over a number of years and are not anticipated to change significantly between the provisional and final settlement.

**Table 1**  
**Anticipated Capital Funding Available for 2023/24**

Source of Funding	£'m	£'m
<b>General Fund Capital Programme</b>		
Schemes / Funding brought forward from 2022/23	12,373	
General Capital Grant 2023/24	2,216	
Unutilised General Capital Grant b/f from 2022/23	1,701	
Supported Borrowing	2,158	
Capital Receipts	500	
<b>Funding for the General Capital Programme (Council Fund)</b>		<b>18,948</b>
<b>21st Century Schools</b>		
Supported Borrowing	919	
Unsupported Borrowing	2,797	
Welsh Government Grant	2,248	
<b>Funding for 21st Century Schools</b>		<b>5,964</b>
<b>Housing Revenue Account (HRA)</b>		
HRA Reserve	8,646	
HRA - In-year Surplus	575	
Welsh Government Major Repairs Allowance & Other external grants	4,336	
Unsupported Borrowing	0	
<b>Funding for HRA</b>		<b>13,557</b>
<b>Total Capital Funding 2023/24</b>		<b>38,469</b>

3.2. The General Capital Funding received from Welsh Government for 2023/24 totals £4.374m (compared to £3.643m in 2022/23), which is an increase of £0.731m, but only restores the level of funding back to the levels seen in the past 10 years. Although the increase is welcomed, the value of the funding has been significantly eroded over the past 12 months, due to significant inflation in the construction industry. This funding now only provides sufficient funding for the Council to maintain its existing assets.

3.3. The potential for any significant funding in the form of capital receipts is very limited, with any unsold assets already earmarked for existing plans (school modernisation and leisure improvements).

- 3.4. In previous years, the Council has placed funding in earmarked reserves to fund specific projects, to provide a source of match funding when external grant opportunities arise, or to fund emergency capital works should the need arise. The restrictions on the Council's revenue budget has resulted in a review of earmarked reserves and there may be a need to utilise these reserves to help balance the revenue budget in 2024/25 and beyond. This, again, restricts the funding that the Council can allocate from its own reserves towards capital projects.
- 3.5. The HRA funding is earmarked for HRA projects and cannot be used for any other purpose. It is forecast that the balance of the HRA reserve will be in the region of £8.5m by the end of the financial year. The HRA Business Plan sets a target of £1.5m as the minimum HRA reserve balance, which allows the remainder to be used to fund capital expenditure.

#### 4. CONSULTATION PROCESS

- 4.1. As part of the Council's consultation on the Council Plan and future priorities, respondents were asked which areas they wished the Council to prioritise in terms of capital investment, and which areas they wanted to see reduced investment. The conclusion to the consultation process was that the majority of respondents wished to see the Council investing more in building social housing and properties that local people could rent or buy, followed by investment in upgrading Council buildings, investing in road maintenance and improvements and improving flood defences.
- 4.2. Respondents wished to see less investment in improving leisure facilities and 4G pitches, building more industrial and business units and in green energy and electric vehicles.

#### 5. PROPOSED CAPITAL PROGRAMME

##### 5.1. 2022/23 Schemes Carried Forward

There is a forecast underspend of £15.223m on the current Capital Programme for 2022/23 schemes (£4.891m HRA and £10.332m General Fund). This figure is based on the projected outturn position at the end of quarter 3 (Table 4 and Appendix B of the quarter 3 capital budget monitoring report presented to this Committee). The actual outturn position at the end of quarter 4 will be presented to this Committee in a separate capital outturn report, and any slippage amounts requested to be carried forward to 2023/24 will be subject to this Committee's approval at that stage. Committed schemes that are due to run for a number of years from the current year and beyond have been factored in to this programme due to new budgets being required, and are detailed below:-

**Table 2**  
**2022/23 Schemes Brought Forward**

<b>2022/23 Schemes Brought Forward</b>	<b>2023/24 £'000</b>
Holyhead Landscape Partnership	50
Holyhead Regeneration (THI Phase II)	687
Penrhos Phase III	2,400
Levelling Up Funding (various projects)	9,326
<b>Total Schemes Brought Forward</b>	<b>12,373</b>

## 5.2. Refurbishment / Replacing Existing Assets

Each year, it is necessary to invest in the Council's assets to prolong their life and ensure that they are fit for purpose, or to replace obsolete assets. The following sums are proposed:-

- **Refurbishment of Schools** – The cost of clearing the backlog maintenance in the Council's 46 schools is considerable and cannot be fully funded in the short to medium term. The Council's school modernisation programme may reduce some of this cost, but a large number of the existing schools will remain in use in the long term. A sum of £1m is to be allocated in order to undertake the most urgent works which the Council's Property Team have identified and prioritised.
- **Refurbishment of Non School Buildings** – Again, a backlog of work has been identified in the Council's offices, residential homes, day care facilities, libraries and leisure centres and there is insufficient funding to undertake this work in any one year. £600k has been proposed, and this level of funding will be sufficient to meet the cost of the majority of the priority work required to be undertaken.
- **Highways Resurfacing** – The Annual Status and Option Report confirms that an annual budget of £2m is required in order to sustain the Steady State (Preventative) condition of our roads. A budget below this required amount would inevitably result in less efficiency and reduced value for money, with additional costs to the Highway Authority with more money being spent on emergency works and also the risk of increased third party claims being made against the Authority. The Executive recognises the importance of the continued investment in the Council's road network, and proposes a budget of £2.5m for 2023/24, which will allow for some improvement in the overall condition of the road network.
- **Vehicles** – The Council is committed to becoming a carbon neutral organisation by 2030 and in order to achieve that commitment, the Council needs to reduce the number of petrol and diesel powered vehicles. £390k is to be allocated to fund the purchase of replacement vehicles, with electric vehicles being purchased wherever possible. An additional £150k is to be allocated to fund the continued cyclical replacement of the Council's fleet of gritters.
- **IT Assets** – Continued investment is required to maintain the Council's core infrastructure and to replace devices used by staff to access systems. £171k has been identified as a sum required to maintain the core infrastructure, with £121k required for desktop devices.

## 5.3. Disabled Facilities Grants

Although not strictly an investment in the Council's own assets, there is a statutory obligation for the Council to fund grants to private home owners to undertake works which enable disabled residents to remain in their own homes by undertaking adaptation works to their properties. A sum of £750k has been allocated to meet this requirement.

## 6. OTHER BIDS FOR ONE OFF ADDITIONAL FUNDING

- 6.1. Services were requested to put forward bids for capital funding. These bids were assessed by the Finance Team, and then prioritised by the Leadership Team. Excluding the 21<sup>st</sup> Century Schools programme and the Housing Revenue Account, the general core funding available, including earmarked reserves and general balances for 2023/24 totalled £6.575m, of which £5.682m is required for the above, leaving £0.893m to fund any new one off projects.

- 6.2. The Leadership Team have reviewed the bids received, and the following projects are recommended to be included in the 2023/24 capital programme:-

**Table 3**

**Recommended One off Capital Projects to be Funded in 2023/24**

<b>Project Title</b>	<b>Description</b>	<b>Sum Recommended £'000</b>
Economic Development and Environmental Wellbeing projects	Match funding to be used as and when grant funding becomes available	100
Flood Relief Schemes	To provide match funding (15%) for small scale schemes and also to provide match funding (15%) for prioritised major schemes in order to draw down Welsh Government (WG) grant funding. WG grant would therefore total £1.621m.	286
<b>TOTAL NEW BIDS FOR CAPITAL FUNDING IN 2023/24</b>		<b>386</b>

- 6.3. All other bids were rejected as it was considered that a further decision was required on the future delivery of the service before a capital investment was made, or that a wider strategy needed to be agreed before undertaking the capital investment. The remaining £0.507m would be held in reserve and used in the funding of the 2024/25 capital programme.

## **7. SCHOOL MODERNISATION**

- 7.1. Due to the significant amount of Welsh Government funding the schemes will attract, and the need to modernise the existing school estate, the Council is committed to funding these schemes through the use of unsupported borrowing and the capital receipts from the sale of old school sites. The 2023/24 Capital Programme allows for the completion of the Extension to Ysgol y Graig.

- 7.2. The estimated cost of the programme in 2023/24 is £5.964m, which will be funded from £2.248m Welsh Government grant, £0.919m supported borrowing and £2.797m unsupported borrowing.

## **8. HOUSING REVENUE ACCOUNT**

- 8.1. The Housing Revenue Account (HRA) is a ring fenced account in terms of both revenue and capital expenditure. The proposed programme for 2023/24 will see the continued investment in the existing stock to ensure continued compliance with the WHQS standards, with £5.350m being invested. A further £8.207m will be spent on developing new properties and in re-purchasing former right to buy properties.

- 8.2. The programme will be funded from: the HRA Reserve (£8.646m), the revenue surplus generated in 2023/24 (£0.575m) and Welsh Government grants (£4.336m).



8.3. The long term investment programme and how it will be funded over the next 30 years, will be set out in the Housing Revenue Account business plan, which will be presented to the Executive in due course.

## 9. SUMMARY RECOMMENDED CAPITAL PROGRAMME 2023/24

9.1. The recommended capital programme for 2023/24 is summarised in Table 4 below, and analysed in further detail in Appendix 2:-

**Table 4**  
**Summary Recommended Capital Programme 2023/24**

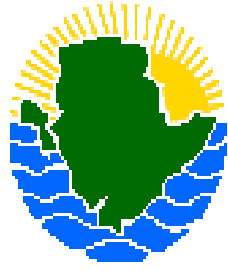
	Ref	£'000
2022/23 Schemes Brought Forward	Para 5.1 & Table 2	12,373
Refurbishment / Replacement of Assets	Para 5.2.	5,682
New One Off Capital Projects	Para 6.2 & Table 3	386
21 <sup>st</sup> Century Schools	Para 7	5,964
Housing Revenue Account	Para 8	13,557
<b>Total Recommended Capital Programme 2023/24</b>		<b>37,962</b>
<b>Funded By:</b>		
General Capital Grant		3,410
Supported Borrowing General		2,158
21 <sup>st</sup> Century Schools Supported Borrowing		919
21 <sup>st</sup> Century Schools Unsupported Borrowing		2,797
HRA Reserve & In Year Surplus		9,221
HRA Unsupported Borrowing		0
Capital Receipts		500
External Grants		6,584
2022/23 Funding Brought Forward		12,373
<b>2023/24 Total Capital Funding</b>		<b>37,962</b>

## FINAL PROPOSED CAPITAL BUDGET 2023/24

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Reserve £'000	Capital Receipts Reserve £'000
<b>2022/23 Committed schemes b/f</b>							
Holyhead Landscape Partnership	50	50	0	0	0	0	0
Holyhead Regeneration (THI Phase II)	687	687	0	0	0	0	0
Penrhos Phase III	2,400	2,400	0	0	0	0	0
Levelling Up Funding (various projects)	9,236	9,236	0	0	0	0	0
<b>Total 2022/23 Committed Schemes</b>	<b>12,373</b>	<b>12,373</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Refurbishment / Replacement of Assets</b>							
Disabled Facilities Grant	750	0	750	0	0	0	0
Refurbishment of Schools	1,000	0	0	1,000	0	0	0
Refurbishment of Non School Buildings	600	0	0	600	0	0	0
Highways Resurfacing	2,500	0	1,942	558	0	0	0
Vehicles	540	0	332	0	0	0	208
IT Assets	292	0	0	0	0	0	292
<b>Total Refurbishment / Replacement of Assets</b>	<b>5,682</b>	<b>0</b>	<b>3,024</b>	<b>2,158</b>	<b>0</b>	<b>0</b>	<b>500</b>
<b>New One Off Capital Projects</b>							
Flood Relief Schemes	286	0	286	0	0	0	0
Economic Dev – Match Funding	100	0	100	0	0	0	0
<b>Total New One Off Capital Projects</b>	<b>386</b>	<b>0</b>	<b>386</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>21<sup>st</sup> Century Schools</b>							
Ysgol y Graig	5,964	2,248	0	919	2,797	0	0
<b>Total 21<sup>st</sup> Century Schools</b>	<b>5,964</b>	<b>2,248</b>	<b>0</b>	<b>919</b>	<b>2,797</b>	<b>0</b>	<b>0</b>
<b>TOTAL GENERAL FUND</b>	<b>24,405</b>	<b>14,621</b>	<b>3,410</b>	<b>3,077</b>	<b>2,797</b>	<b>0</b>	<b>500</b>

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Reserve £'000	Capital Receipts Reserve £'000
<b>Housing Revenue Account</b>							
WHQS Planned Maintenance Programme	5,350	3,586	0	0	0	1,764	0
New Developments & Re-Purchase of Right to Buy Properties	8,207	750	0	0	0	7,457	0
<b>TOTAL HOUSING REVENUE ACCOUNT</b>	<b>13,557</b>	<b>4,336</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,221</b>	<b>0</b>
<b>TOTAL CAPITAL PROGRAMME 2023/24</b>	<b>37,962</b>	<b>18,957</b>	<b>3,410</b>	<b>3,077</b>	<b>2,797</b>	<b>9,221</b>	<b>500</b>

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CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

**PENDERFYNIAD DRAFFT  
AR OSOD  
Y DRETH GYNGOR  
2023/24**

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**DRAFT RESOLUTION  
ON SETTING  
THE COUNCIL TAX  
2023/24**

## DRAFT COUNCIL TAX RESOLUTION

### 1. RESOLVED

- (a) Pursuant to the recommendations of the Executive, to adopt the 2023/24 Budget at Section 4 as a Budget Strategy within the meaning given by the Constitution, and to affirm that it becomes part of the budget framework with the exception of figures described as current.
- (b) Pursuant to the recommendations of the Executive, to adopt a revenue budget for 2023/24 as shown at 4.2 within Section 4 of the 2023/24 Budget Report Appendix 1 and Appendix 2.
- (c) Pursuant to the recommendations of the Executive, to adopt a capital budget as shown in the Capital Budget Report 2023/24 report.
- (ch) To delegate to the Director of Function (Resources)/Section 151 Officer the power to make adjustments between headings in the Final Budget Proposal 2023/24 at Appendix 2 in order to give effect to the Council's decisions. In addition, to delegate to Director of Function (Resources)/Section 151 Officer the power to transfer up to £50k per item from the general contingency. Any item in excess of £50k will require the approval of the Executive before any transfer from the general contingency is made.
- (d) To delegate to the Executive Committee, for the financial year 2023/24, the powers to transfer budgets between headings as follows:-
  - (i) unlimited powers to spend each budget heading in Appendix 2 Final Budget Proposal 2023/24 against the name of each service, on the service to which it relates;
  - (ii) powers to approve the use of service and earmarked reserves to fund one-off spending proposals that contribute to the delivery of the Council's objectives and improve services;
  - (iii) powers to vire from new or increased sources of income.
- (dd) To delegate to the Executive Committee, in respect of the financial year 2023/24 and on the advice of the Director of Function (Resources) – Section 151 Officer, the power to release up to £250k from general balances to deal with priorities arising during the year.
- (e) To delegate to the Executive Committee in respect of the period to 31 March 2024, the following powers:-
  - (i) powers to make new commitments from future years' revenue budgets up to amount identified under New Priorities in the Medium Term Financial Plan;
  - (ii) the power and the duty to make plans for achievement of revenue budget savings implied by the Medium Term Financial Plan;
  - (iii) powers to transfer budgets between capital projects in the Capital Budget Report 2023/24 report and to commit resources in following years and consistent with the budget framework.
- (f) To set and approve the prudential and treasury indicators which are estimates and limits for 2023/24 and onwards as shown in the report on the Treasury Management Strategy Statement 2023/24.
- (ff) To approve the Treasury Management Strategy Statement for 2023/24 and the Capital Strategy 2023/24.
- (g) To confirm that items 1(b) to (ff) become part of the budget framework.

2. **RESOLVED** to adopt and affirm for the purposes of the financial year 2023/24 the decision of the County Council on 10 March 1998 to set the discount level applicable to the prescribed Class A and prescribed Class B of dwellings under Section 12 of the Local Government Finance Act 1992 (as amended), as described by the Council Tax (Prescribed Classes of Dwellings) (Wales) Regulations 1998, as follows:-

Prescribed Class A	Nil Discount
Prescribed Class B	Nil Discount

3. **RESOLVED** to adopt and affirm for the purposes of the financial year 2023/24 the decision of the County Council on 6 March 2007 to set the discount level applicable to the prescribed Class C of dwellings under Section 12 of the Local Government Finance Act 1992 (as amended), as described by the Local Authorities (Calculation of Tax Base) and Council Tax (Prescribed Classes of Dwellings) (Wales) (Amendment) Regulations 2004 as follows:-

Prescribed Class C Nil Discount

4. **RESOLVED** to disapply any discount(s) granted to long-term empty dwellings and dwelling occupied periodically (usually known as second homes) and to vary the full Council's decision made on 28 February 2018 and apply for the financial year 2023/24 a higher amount of Council Tax (called a Council Tax Premium) of 100% of the standard rate of Council Tax for long-term empty dwellings or for dwellings occupied periodically (usually known as second homes) to apply a higher amount of Council Tax (called a Council tax Premium) of 75% under Sections 12A and 12B of the Local Government Finance Act 1992 as inserted by Section 139 of the Housing (Wales) Act 2014.
5. That it be noted that at its meeting on 28 February 1996 the Council resolved not to treat any expenses incurred by the Council in part of its area or in meeting any levy or special levy as special expenses and that the resolutions remain in force until expressly rescinded.
6. That it is noted that a resolution of the Executive on 29 November 2022 approved the amount calculated by the Isle of Anglesey County Council for its council tax base for 2023/24 and to further note that the full Council in its meeting on the 11 December 2018 approved that the local Council Tax Reduction Scheme will continue unchanged for subsequent years unless substantially amended. It is also noted that the full Council on 28 February 2018 adopted and approved a local Council Tax Discretionary Policy under Section 13A of the Local Government Finance Act 1992, delegating to the Executive the power to revoke, re-enact and/or amend the Policy. The Executive having last amended the Policy on 03 March 2022
7. At its meeting on 29 November 2022, the Executive, in accordance with the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base)(Wales) Regulations 1995 (SI19956/2561) as amended by SI1999/2935 and the Local Authorities (Calculation of Council Tax Base) and Council Tax (Prescribed Classes of Dwellings)(Wales) Amendment) Regulations 2004 and the Local Authority (Calculation of Taxbase) (Wales) (Amendment) Regulations 2016 resolved to approve the amounts calculated by the Isle of Anglesey County Council as its tax base and for the parts of the area, for the year 2023/24, as follows:-
- a) **32,819.56** being the amount approved by the Executive as the Isle of Anglesey County Council's council tax base for the year.
- b) The parts of the Council's area, being the amounts calculated by the Executive as the amounts of the Isle of Anglesey County Council's council tax base for the year for dwellings in those parts of its area to which one or more special items relate, are as follows:-

Community/Town Council Areas	Tax Base 2023/24
Amlwch	1,561.06
Beaumaris	1,102.52
Holyhead	4,161.60
Llangefni	2,111.52
Menai Bridge	1,489.58
Llanddaniel-fab	377.55
Llanddona	418.99
Cwm Cadnant	1,203.84
Llanfair Pwllgwyngyll	1,338.51
Llanfihangel Ysgeifiog	711.47
Bodorgan	476.72
Llangoed	690.37
Llangristiolus & Cerrigceinwen	645.45
Llanidan	426.02
Rhosyr	1,055.40
Penmynydd	259.29
Pentraeth	596.47

<b>Community/Town Council Areas</b>	<b>Tax Base 2023/24</b>
Moelfre	672.00
Llanbadrig	702.26
Llanddyfnan	531.14
Llaneilian	614.45
Llanerch-y-medd	539.14
Llaneugrad	193.38
Llanfair Mathafarn Eithaf	1,936.09
Cylch y Garn	411.89
Mechell	588.55
Rhos-y-bol	485.78
Aberffraw	306.64
Bodedern	429.12
Bodffordd	420.51
Trearddur	1,419.34
Tref Alaw	273.58
Llanfachraeth	237.27
Llanfaelog	1,389.80
Llanfaethlu	277.23
Llanfair-yn-Neubwll	585.82
Valley	1,048.41
Bryngwran	365.06
Rhoscolyn	383.28
Trewalchmai	382.46
<b>Total Taxbase</b>	<b>32,819.56</b>

8. That the following amounts be now calculated by the Council for the year 2023/24, in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-
- a) £237,917,684 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (d) of the Act.
  - b) £65,279,022 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) and (c) of the Act.
  - c) £172,638,662 being the amount by which the aggregate at 8(a) above exceeds the aggregate at 8(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.
  - ch) £123,664,913 being the aggregate of the sums which the Council estimates will be payable for the year into its council fund in respect of redistributed non-domestic rates, revenue support grant and specific grant, reduced by any amount calculated in accordance with Section 33(3) of the Act.
  - d) £1,492.21 being the amount at 8(c) above less the amount at 8(ch) above, all divided by the amount at 7(a) above, calculated by the Executive, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year.
  - dd) £ 1,849,456 being the aggregate amount of all special items referred to in Section 34(1) of the Act.
  - e) £ 1,435.86 being the amount at 8(d) above less the result given by dividing the amount at 8(dd) above by the amount at 7(a) above, calculated by the Executive, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates.



f)

Community/Town Council areas		Band D equivalent per area including Isle of Anglesey Council and Community/Town Council elements
Amlwch	£	1,506.24
Beaumaris	£	1,463.85
Holyhead	£	1,585.71
Llangefni	£	1,563.75
Menai Bridge	£	1,528.38
Llanddaniel-fab	£	1,467.27
Llanddona	£	1,456.11
Cwm Cadnant	£	1,464.21
Llanfair Pwllgwyngyll	£	1,482.93
Llanfihangel Ysgeifiog	£	1,470.69
Bodorgan	£	1,461.06
Llangoed	£	1,467.99
Llangristiolus & Cerrig Ceinwen	£	1,448.28
Llanidan	£	1,471.32
Rhosyr	£	1,459.53
Penmynydd	£	1,468.62
Pentraeth	£	1,465.38
Moelfre	£	1,454.40
Llanbadrig	£	1,481.58
Llandyfnan	£	1,455.66
Llaneilian	£	1,470.87
Llanerch-y-medd	£	1,472.31
Llaneugrad	£	1,456.56
Llanfair Mathafarn Eithaf	£	1,467.18
Cylch y Garn	£	1,452.87
Mechell	£	1,453.68
Rhos-y-bol	£	1,452.33
Aberffraw	£	1,475.01
Bodedern	£	1,470.78
Bodffordd	£	1,466.73
Trearddur	£	1,461.24
Tref Alaw	£	1,460.52
Llanfachraeth	£	1,469.88
Llanfaelog	£	1,467.54
Llanfaethlu	£	1,457.46
Llanfair-yn-Neubwll	£	1,464.84
Valley	£	1,480.68
Bryngwran	£	1,475.55
Rhoscolyn	£	1,454.13
Trewalchmai	£	1,472.49

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

## Valuation Bands

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

		<b>Council Tax per Band, per Area, which includes the Isle of Anglesey County Council and Community/Town Council elements/precepts</b>								
		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>
Amlwch	£	1,004.16	1,171.52	1,338.88	1,506.24	1,840.96	2,175.68	2,510.40	3,012.48	3,514.56
Beaumaris	£	975.90	1,138.55	1,301.20	1,463.85	1,789.15	2,114.45	2,439.75	2,927.70	3,415.65
Holyhead	£	1,057.14	1,233.33	1,409.52	1,585.71	1,938.09	2,290.47	2,642.85	3,171.42	3,699.99
Llangefni	£	1,042.50	1,216.25	1,390.00	1,563.75	1,911.25	2,258.75	2,606.25	3,127.50	3,648.75
Menai Bridge	£	1,018.92	1,188.74	1,358.56	1,528.38	1,868.02	2,207.66	2,547.30	3,056.76	3,566.22
Llanddaniel-fab	£	978.18	1,141.21	1,304.24	1,467.27	1,793.33	2,119.39	2,445.45	2,934.54	3,423.63
Llanddona	£	970.74	1,132.53	1,294.32	1,456.11	1,779.69	2,103.27	2,426.85	2,912.22	3,397.59
Cwm Cadnant	£	976.14	1,138.83	1,301.52	1,464.21	1,789.59	2,114.97	2,440.35	2,928.42	3,416.49
Llanfair Pwllgwyngyll	£	988.62	1,153.39	1,318.16	1,482.93	1,812.47	2,142.01	2,471.55	2,965.86	3,460.17
Llanfihangel Ysgeifiog	£	980.46	1,143.87	1,307.28	1,470.69	1,797.51	2,124.33	2,451.15	2,941.38	3,431.61
Bodorgan	£	974.04	1,136.38	1,298.72	1,461.06	1,785.74	2,110.42	2,435.10	2,922.12	3,409.14
Llangoed	£	978.66	1,141.77	1,304.88	1,467.99	1,794.21	2,120.43	2,446.65	2,935.98	3,425.31
Llangristiolus & Cerrig Ceinwen	£	965.52	1,126.44	1,287.36	1,448.28	1,770.12	2,091.96	2,413.80	2,896.56	3,379.32
Llanidan	£	980.88	1,144.36	1,307.84	1,471.32	1,798.28	2,125.24	2,452.20	2,942.64	3,433.08
Rhosyr	£	973.02	1,135.19	1,297.36	1,459.53	1,783.87	2,108.21	2,432.55	2,919.06	3,405.57
Penmynydd	£	979.08	1,142.26	1,305.44	1,468.62	1,794.98	2,121.34	2,447.70	2,937.24	3,426.78
Pentraeth	£	976.92	1,139.74	1,302.56	1,465.38	1,791.02	2,116.66	2,442.30	2,930.76	3,419.22
Moelfre	£	969.60	1,131.20	1,292.80	1,454.40	1,777.60	2,100.80	2,424.00	2,908.80	3,393.60
Llanbadrig	£	987.72	1,152.34	1,316.96	1,481.58	1,810.82	2,140.06	2,469.30	2,963.16	3,457.02
Llanddyfnan	£	970.44	1,132.18	1,293.92	1,455.66	1,779.14	2,102.62	2,426.10	2,911.32	3,396.54
Llaneilian	£	980.58	1,144.01	1,307.44	1,470.87	1,797.73	2,124.59	2,451.45	2,941.74	3,432.03
Llanerch-y-medd	£	981.54	1,145.13	1,308.72	1,472.31	1,799.49	2,126.67	2,453.85	2,944.62	3,435.39
Llaneugrad	£	971.04	1,132.88	1,294.72	1,456.56	1,780.24	2,103.92	2,427.60	2,913.12	3,398.64
Llanfair Mathafarn Eithaf	£	978.12	1,141.14	1,304.16	1,467.18	1,793.22	2,119.26	2,445.30	2,934.36	3,423.42
Cylch y Garn	£	968.58	1,130.01	1,291.44	1,452.87	1,775.73	2,098.59	2,421.45	2,905.74	3,390.03
Mechell	£	969.12	1,130.64	1,292.16	1,453.68	1,776.72	2,099.76	2,422.80	2,907.36	3,391.92
Rhos-y-bol	£	968.22	1,129.59	1,290.96	1,452.33	1,775.07	2,097.81	2,420.55	2,904.66	3,388.77
Aberffraw	£	983.34	1,147.23	1,311.12	1,475.01	1,802.79	2,130.57	2,458.35	2,950.02	3,441.69
Bodedern	£	980.52	1,143.94	1,307.36	1,470.78	1,797.62	2,124.46	2,451.30	2,941.56	3,431.82
Bodffordd	£	977.82	1,140.79	1,303.76	1,466.73	1,792.67	2,118.61	2,444.55	2,933.46	3,422.37
Trearddur	£	974.16	1,136.52	1,298.88	1,461.24	1,785.96	2,110.68	2,435.40	2,922.48	3,409.56
Tref Alaw	£	973.68	1,135.96	1,298.24	1,460.52	1,785.08	2,109.64	2,434.20	2,921.04	3,407.88
Llanfachraeth	£	979.92	1,143.24	1,306.56	1,469.88	1,796.52	2,123.16	2,449.80	2,939.76	3,429.72
Llanfaelog	£	978.36	1,141.42	1,304.48	1,467.54	1,793.66	2,119.78	2,445.90	2,935.08	3,424.26
Llanfaethlu	£	971.64	1,133.58	1,295.52	1,457.46	1,781.34	2,105.22	2,429.10	2,914.92	3,400.74
Llanfair-yn-Neubwll	£	976.56	1,139.32	1,302.08	1,464.84	1,790.36	2,115.88	2,441.40	2,929.68	3,417.96
Valley	£	987.12	1,151.64	1,316.16	1,480.68	1,809.72	2,138.76	2,467.80	2,961.36	3,454.92
Bryngwran	£	983.70	1,147.65	1,311.60	1,475.55	1,803.45	2,131.35	2,459.25	2,951.10	3,442.95
Rhoscolyn	£	969.42	1,130.99	1,292.56	1,454.13	1,777.27	2,100.41	2,423.55	2,908.26	3,392.97
Trewalchmai	£	981.66	1,145.27	1,308.88	1,472.49	1,799.71	2,126.93	2,454.15	2,944.98	3,435.81

9. That it be noted that for the year 2023/24, the Police and Crime Commissioner North Wales has stated the following amounts in a precept issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

**Precepting Authority**

**Valuation Bands**

		A	B	C	D	E	F	G	H	I
Police and Crime Commissioner North Wales	£	222.06	259.07	296.08	333.09	407.11	481.13	555.15	666.18	777.21

10. That, having calculated the aggregate in each case of the amounts at 8(ff) and 9 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2023/24 for each of the categories of dwellings shown below:-

**Council Tax per Band, per Area, which includes the Isle of Anglesey County Council element,  
Community/Town Council Precepts and North Wales Police Precept**

		A	B	C	D	E	F	G	H	I
Amlwch	£	1,226.22	1,430.59	1,634.96	1,839.33	2,248.07	2,656.81	3,065.55	3,678.66	4,291.77
Beaumaris	£	1,197.96	1,397.62	1,597.28	1,796.94	2,196.26	2,595.58	2,994.90	3,593.88	4,192.86
Holyhead	£	1,279.20	1,492.40	1,705.60	1,918.80	2,345.20	2,771.60	3,198.00	3,837.60	4,477.20
Llangefni	£	1,264.56	1,475.32	1,686.08	1,896.84	2,318.36	2,739.88	3,161.40	3,793.68	4,425.96
Menai Bridge	£	1,240.98	1,447.81	1,654.64	1,861.47	2,275.13	2,688.79	3,102.45	3,722.94	4,343.43
Llanddaniel-fab	£	1,200.24	1,400.28	1,600.32	1,800.36	2,200.44	2,600.52	3,000.60	3,600.72	4,200.84
Llanddona	£	1,192.80	1,391.60	1,590.40	1,789.20	2,186.80	2,584.40	2,982.00	3,578.40	4,174.80
Cwm Cadnant	£	1,198.20	1,397.90	1,597.60	1,797.30	2,196.70	2,596.10	2,995.50	3,594.60	4,193.70
Llanfair Pwllgwyngyll	£	1,210.68	1,412.46	1,614.24	1,816.02	2,219.58	2,623.14	3,026.70	3,632.04	4,237.38
Llanfihangel Ysgeifiog	£	1,202.52	1,402.94	1,603.36	1,803.78	2,204.62	2,605.46	3,006.30	3,607.56	4,208.82
Bodorgan	£	1,196.10	1,395.45	1,594.80	1,794.15	2,192.85	2,591.55	2,990.25	3,588.30	4,186.35
Llangoed	£	1,200.72	1,400.84	1,600.96	1,801.08	2,201.32	2,601.56	3,001.80	3,602.16	4,202.52
Llangristiolus & Cerrig Ceinwen	£	1,187.58	1,385.51	1,583.44	1,781.37	2,177.23	2,573.09	2,968.95	3,562.74	4,156.53
Llanidan	£	1,202.94	1,403.43	1,603.92	1,804.41	2,205.39	2,606.37	3,007.35	3,608.82	4,210.29
Rhosyr	£	1,195.08	1,394.26	1,593.44	1,792.62	2,190.98	2,589.34	2,987.70	3,585.24	4,182.78
Penmynydd	£	1,201.14	1,401.33	1,601.52	1,801.71	2,202.09	2,602.47	3,002.85	3,603.42	4,203.99
Pentraeth	£	1,198.98	1,398.81	1,598.64	1,798.47	2,198.13	2,597.79	2,997.45	3,596.94	4,196.43
Moelfre	£	1,191.66	1,390.27	1,588.88	1,787.49	2,184.71	2,581.93	2,979.15	3,574.98	4,170.81
Llanbadrig	£	1,209.78	1,411.41	1,613.04	1,814.67	2,217.93	2,621.19	3,024.45	3,629.34	4,234.23
Llanddyfnan	£	1,192.50	1,391.25	1,590.00	1,788.75	2,186.25	2,583.75	2,981.25	3,577.50	4,173.75
Llaneilian	£	1,202.64	1,403.08	1,603.52	1,803.96	2,204.84	2,605.72	3,006.60	3,607.92	4,209.24
Llanerch-y-medd	£	1,203.60	1,404.20	1,604.80	1,805.40	2,206.60	2,607.80	3,009.00	3,610.80	4,212.60
Llaneugrad	£	1,193.10	1,391.95	1,590.80	1,789.65	2,187.35	2,585.05	2,982.75	3,579.30	4,175.85
Llanfair Mathafarn Eithaf	£	1,200.18	1,400.21	1,600.24	1,800.27	2,200.33	2,600.39	3,000.45	3,600.54	4,200.63
Cylch y Garn	£	1,190.64	1,389.08	1,587.52	1,785.96	2,182.84	2,579.72	2,976.60	3,571.92	4,167.24
Mechell	£	1,191.18	1,389.71	1,588.24	1,786.77	2,183.83	2,580.89	2,977.95	3,573.54	4,169.13
Rhos-y-bol	£	1,190.28	1,388.66	1,587.04	1,785.42	2,182.18	2,578.94	2,975.70	3,570.84	4,165.98
Aberffraw	£	1,205.40	1,406.30	1,607.20	1,808.10	2,209.90	2,611.70	3,013.50	3,616.20	4,218.90
Bodedern	£	1,202.58	1,403.01	1,603.44	1,803.87	2,204.73	2,605.59	3,006.45	3,607.74	4,209.03
Bodffordd	£	1,199.88	1,399.86	1,599.84	1,799.82	2,199.78	2,599.74	2,999.70	3,599.64	4,199.58
Trearddur	£	1,196.22	1,395.59	1,594.96	1,794.33	2,193.07	2,591.81	2,990.55	3,588.66	4,186.77
Tref Alaw	£	1,195.74	1,395.03	1,594.32	1,793.61	2,192.19	2,590.77	2,989.35	3,587.22	4,185.09
Llanfachraeth	£	1,201.98	1,402.31	1,602.64	1,802.97	2,203.63	2,604.29	3,004.95	3,605.94	4,206.93
Llanfaelog	£	1,200.42	1,400.49	1,600.56	1,800.63	2,200.77	2,600.91	3,001.05	3,601.26	4,201.47
Llanfaethlu	£	1,193.70	1,392.65	1,591.60	1,790.55	2,188.45	2,586.35	2,984.25	3,581.10	4,177.95
Llanfair-yn-Neubwll	£	1,198.62	1,398.39	1,598.16	1,797.93	2,197.47	2,597.01	2,996.55	3,595.86	4,195.17
Valley	£	1,209.18	1,410.71	1,612.24	1,813.77	2,216.83	2,619.89	3,022.95	3,627.54	4,232.13
Bryngwran	£	1,205.76	1,406.72	1,607.68	1,808.64	2,210.56	2,612.48	3,014.40	3,617.28	4,220.16
Rhoscolyn	£	1,191.48	1,390.06	1,588.64	1,787.22	2,184.38	2,581.54	2,978.70	3,574.44	4,170.18
Trewalchmai	£	1,203.72	1,404.34	1,604.96	1,805.58	2,206.82	2,608.06	3,009.30	3,611.16	4,213.02



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<b>Isle of Anglesey County Council</b>	
Report to:	<b>The Executive / full Council</b>
Date:	<b>02.03.2023 / 09.03.2023</b>
Subject:	<b>Job Sharing on the Executive</b>
Portfolio Holder(s):	<b>Leader Finance, Corporate Business and Customer Experience</b>
Head of Service / Director:	<b>Lynn Ball Director of Function (Council Business) / Monitoring Officer</b>
Report Author: Tel: E-mail:	<b>Mared Yaxley Solicitor (Corporate Governance) <a href="mailto:MaredYaxley@ynysmon.llyw.cymru">MaredYaxley@ynysmon.llyw.cymru</a></b>
Local Members:	<b>Not a local matter</b>

<b>A –Recommendation/s and reason/s</b>
<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. For the Executive to recommend and for the Council to agree that Constitutional changes are made to :               <ol style="list-style-type: none"> <li>a. allow for one or more members to job share as leader, deputy leader and as portfolio holders on the Executive;</li> <li>b. allow the maximum number of members on the Executive to be amended to reflect the statutory maximum numbers where Executive members share roles; and</li> <li>c. detail the arrangements in relation to quorum and voting when Executive members are job-sharing;                   <ol style="list-style-type: none"> <li>(a) in accordance with the wording in <b>Appendix 1</b> to this report, and</li> <li>(b) any further consequential amendments that are required as a result of this decision.</li> </ol> </li> </ol> </li>   <li>2. Should any changes be made by way of job-share arrangements and / or the number of individuals in receipt of a senior salary change due to job-share arrangements, the Council will inform the Independent Remuneration Panel for Wales (IRPW) and promptly publicise the same.</li> </ol> <p><b>Reasons:</b></p> <ol style="list-style-type: none"> <li><b>1. Legislative background</b> <ol style="list-style-type: none"> <li>1.1 The Local Government and Elections (Wales) Act 2021 includes a requirement that local authorities must include in their Executive arrangements provision enabling two or more councillors to share office on an Executive. <a href="#">Section 58 of the Act</a> also details that this provision must include job-sharing in the office of deputy leader and leader; and when such arrangements are exercised, the maximum number of members of an Executive are increased from the current maximum of 10 and consequential voting and quorum provisions will apply.</li> </ol> </li> </ol>

## A –Recommendation/s and reason/s

1.2 The setting up of Executive arrangements for local authorities in Wales is included in the Local Government Act 2000. [Schedule 7](#) of the 2021 Act changes the original provision of the 2000 Act by:

- Allowing more than one councillor to share office as Executive leader
- Requiring that Executive arrangements must include provision which enables either the authority or the Executive leader to determine the number of councillors to be appointed to the Executive
- Requiring that Executive arrangements must include provision for two or more councillors to share appointment to the Executive
- When members share office, they have one vote between them in respect of any matter
- If members share office and they attend a meeting in their capacity as an Executive member, they count only as one person for determining if the meeting is quorate
- Though leader and cabinet Executive in Wales may not exceed 10 members, if two or more councillors are elected to share office, this number can exceed 10 but not 13:
  - For 11 or 12 members, at least two of the members must have been elected/appointed to share office;
  - For 13 members, at least three members must have been elected/appointed to share office.

Welsh Ministers are able to pass Regulations to amend these numbers, though numbers are not to exceed 10 or 13 (respectively) on the Executive.

### 2. The current Constitutional position

2.1 Whilst the Council's Constitution includes provision for the Leader to share office (paragraph 2.7.3.4) and for two or more Councillors to share office as Executive Members (paragraph 2.7.5.5) – and further included in paragraph 2.7.9; there is no express provision for the Deputy Leader role to be shared.

2.2 The Constitution does not include details of how issues of quorum or voting will be affected where there is an arrangement for an office to be shared.

2.3 The Constitution does not detail how job-sharing arrangements will affect the overall number of members on the Executive.

### 3. The proposal

3.1 It is proposed that the Constitution be amended to reflect and provide for the statutory changes included in the 2021 Act (detailed above), as further detailed in accordance with the tracked changes in **Appendix 1**, together with any other consequential constitutional changes that arise.

3.2 The changes include detailing that:

3.2.1 More than one person can job-share the role of Leader, Deputy Leader and Portfolio Holder on the Executive:

3.2.1.1 The Council appoints to the role of Leader. The arrangements of how



## A –Recommendation/s and reason/s

to share the duties and responsibility of the role of Leader will be made amongst the Councillors job-sharing the role.

3.2.1.2 The Leader appoints the members of the Executive including appointing to the role of Deputy Leader and allocating Portfolios. The arrangements of how to share the duties and responsibility of those roles between two or more Councillors will be directed by the Leader, or if the Leader is indisposed, the Councillors job-sharing will discuss amongst each other.

3.2.2 Where there is more than one Executive Member sharing office (the office of Leader or Deputy Leader or Portfolio Holder), if they are attending a meeting in their capacity as Executive member,

3.2.2.1 they will have one vote between them (the vote is allocated to the job-sharing arrangement and not to the individuals themselves) and

3.2.2.2 they only count as one person for the purpose of calculating the quorum.

3.2.3 Where there is a job-share arrangement, the total number of members on the Executive rises above the usual statutory maximum, in accordance with the statutory provision.

3.2.4 Voting: In meetings of the Executive, each Executive role has a vote.

- Leader(s) could be appointed as Leader(s) or as Leader(s) and Portfolio Holder(s); that role will have one vote - each person carrying out that role does not. The vote is allocated to the job-sharing arrangement and not to the individuals themselves.
- Deputy Leader(s) are appointed by the Leader from amongst Councillors already appointed on the Executive as Portfolio Holders. The role of Deputy Leader does not in itself carry a separate vote and so a job-share arrangement for the role of Deputy wouldn't affect voting at Executive meetings. The vote is linked to the Portfolio.
- Each Portfolio has a vote. As the vote is allocated to the job-sharing arrangement and not to the individuals themselves, only one vote could be cast in relation to each Portfolio and the Councillors within that job-share would need to decide in advance who would cast the vote on behalf of the Portfolio.

### **4. Effect on remuneration and senior salary roles within the Council**

4.1 Part 6 of the Constitution details the payments available to local authority members, in accordance with the determinations made by The Independent Remuneration Panel for Wales. All Councillors are entitled to a basic salary. Senior salaries (which include the basic salary) are payments to members who are executive, chairs of committees and the leader of the opposition.

4.2 The Independent Remuneration Panel for Wales provides annual reports detailing the basic and senior salaries payable to Councillors. It also details the maximum

## A –Recommendation/s and reason/s

number of senior salaries available within each Council.

4.3 At present, a maximum of 17 senior salaries (inclusive of civic salaries) may be paid by the Isle of Anglesey County Council. 15 senior salaries are currently paid and the details of these amounts/the individuals in receipt of the same are included in the Schedule of Member Remuneration in Part 6 of the Council's Constitution.

4.4 For job-share arrangements, the Schedule within Part 6 of the Constitution details (paragraph 10):

### “10.0 Job Share arrangements

*10.1 For members of the Executive: Each “sharer” will be paid an appropriate proportion of the salary of the Population Group.*

*10.2 The statutory maximum for cabinets cannot be exceeded so each job sharer will count toward the maximum.*

*10.3 Under the Measure, it is the number of persons in receipt of a senior salary, not the number of senior salary posts that count towards the cap. Therefore, for all job share arrangements the senior salary cap will be increased subject to the statutory maximum of 50% of the council's membership.*

*10.4 The Independent Remuneration Panel for Wales must be informed of the details of any job share arrangements.”*

4.5 If a job share occurs between current members of the Executive, E.g. should there be more than one deputy leader appointed from among the Portfolio Holders, this would not affect the number of senior salaries paid and would not affect the total sum paid by way of senior salaries. As regards the financial implication of such an arrangement, the Schedule details (paragraph 2.7): *“If the Council chooses to have more than one remunerated deputy leader, the difference between the senior salary for the deputy leader and other Executive members should be divided by the number of deputy leaders and added to the senior salary for other executive members in order to calculate the senior salary payable to each deputy leader.”*

There would not be any cost implication of such an arrangement; the same amount would be paid in proportions to the number of individuals appointed to the role.

4.6 If a Councillor (currently in receipt of the basic salary only) is appointed to job share as Portfolio Holder on the Executive, that individual would share the appropriate proportion of the senior salary allocated to a member of the Executive with the other Portfolio Holder. There would be two persons carrying out the one senior salary post whilst sharing the senior salary remuneration amount. This arrangement would not affect the total sum paid by way of senior salaries but it would result in an additional person being in receipt of a senior salary (it is the number of persons in receipt of a senior salary, not the number of senior salary posts that count towards the cap); on the basis of the current numbers, this would take the Council to sixteen senior salaries (which remains below the current cap of 17). Again, there would not be any cost implication of such an arrangement; the same amount would be paid in proportions to the number of individuals appointed

<b>A –Recommendation/s and reason/s</b>
<p>to the role.</p> <p>4.7 The Schedule details (paragraph 2.8) that “A Senior Salary may not be paid to more than the number of members specified by the Independent Remuneration Panel for Wales in its Annual Report and cannot exceed fifty percent of the total membership of the authority, unless the consent of Welsh Ministers has been obtained.”</p> <p>4.8 Schedule 3 to the IRPW’s annual report details “Any changes to the schedule during the year must be promptly publicised in the above manner and all changes notified to Panel Secretariat promptly”. If any changes were made to the Executive arrangements, including job-sharing among the Executive members, the IRPW would need to be informed.</p>

<b>B – What other options did you consider and why did you reject them and/or opt for this option?</b>
Statutory changes have come into effect due to the Local Government and Elections (Wales) Act 2021. The Constitution must be adapted to reflect these statutory changes.

<b>C – Why is this a decision for the Executive?</b>
Changes to the Constitution will only be approved by full Council after consideration of the proposal by the Executive. (Paragraph 2.15.2 of the Council’s Constitution)

<b>Ch – Is this decision consistent with policy approved by the full Council?</b>
The changes to the Council’s Constitution are in line with the amended statutory provisions.

<b>D – Is this decision within the budget approved by the Council?</b>
<p>No current budget implications.</p> <p>Should job-sharing be exercised between Executive members, any arrangement must be considered in accordance with Part 6 of the Constitution (Remuneration for Members) and subject to the provisions of the Independent Remuneration Panel for Wales.</p> <p>A job-share arrangement between members in itself would not have a cost implication as the “additional” part of the salary would be paid in proportion to the number of individuals involved in the job share.</p>

<b>Dd – Assessing the potential impact (if relevant):</b>	
1	<p>How does this decision impact on our long term needs as an Island?</p> <p>Allowing Executive Members to job-share could result in a more diverse Executive as the responsibility would be shared between Councillors, and this could result in individuals who would not consider an Executive role (perhaps due to other responsibilities such as family or work) being able to contribute.</p>
2	<p>Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?</p> <p>This proposed decision is cost neutral</p>
3	<p>Have we been working collaboratively with other organisations to come to this</p> <p>No but changes in the recent Local</p>

Dd – Assessing the potential impact (if relevant):		
	decision? If so, please advise whom.	Government and Elections (Wales) Act 2021 have now provided this opportunity for flexibility.
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	No. There should be no direct impact on citizens
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	It could have a positive impact –as detailed in box 1 above.
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	Not relevant
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	The proposal could have a positive effect to the extent that it could give more opportunity to practice for members who would like to gain confidence in speaking Welsh at public meetings.

E – Who did you consult?		What did they say?
1	Chief Executive / Leadership Team (LT) (mandatory)	Yes, consulted; their contribution is included in the final report / Appendix 1
2	Finance / Section 151 (mandatory)	Yes, consulted; his contribution is included in the final report / Appendix 1
3	Legal / Monitoring Officer (mandatory)	Report Author
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Procurement	
8	Scrutiny	
9	Local Members	

F - Appendices:
Appendix 1 – Proposed amended wording for Article 7 and the Executive Procedure Rules in the Council's Constitution

Ff - Background papers (please contact the author of the Report for any further information):
None

## 2.7 Article 7 – The Leader and The Executive

### 2.7.1 Role

The Executive will carry out all of the local authority's functions which are not the responsibility of any other part of the local authority, whether by law or under this Constitution.

### 2.7.2 Form and composition

The Executive will consist of the Leader together with at least 2, but no more than 9 other Councillors, [\(unless there is job-sharing between Executive members, and the provision of paragraph 2.7.9 below applies\)](#), to include [the role of a Deputy Leader](#); all of whom shall be appointed to the Executive by the Leader.

### 2.7.3 The Leader

The leader will be a Councillor [\(or more than one – see paragraph 2.7.3.4 below\)](#) elected to the position of Leader by the Council at its first Annual Meeting after the ordinary local government elections.

#### 2.7.3.1 Term of office of the Leader

2.7.3.1.1 The Leader's term of office will be for the duration of the term of the Council, subject to paragraph 2.7.3.3 below.

#### 2.7.3.2 Election of the Leader

2.7.3.2.1 Each candidate who wishes to be considered to be appointed Leader must make a written presentation (manifesto) and oral presentation of his/her vision and values to the County Council. Every candidate to be Leader has to be nominated and seconded by 2 fellow elected Councillors. Each nomination and manifesto must be in writing and must be presented to the Chief Executive before 5pm on the 7th day (5th working day) after the ordinary local government elections, (which will be at least 5 working days before the first meeting).

2.7.3.2.2 At the first meeting of the Annual Meeting after the ordinary local government elections the nominated persons are asked in alphabetical order to present their proposals and programmes to the Council. They should be prepared to take questions from the newly elected membership.

2.7.3.2.3 If there are two or more nominations for Leader the decision will be made after the presentations and by secret ballot and rule of procedure paragraph 4.1.18.5 "recorded vote" will be suspended for this purpose. If there are two candidates the successful candidate must secure more than 50% of the votes cast. For elections where there are three or more candidates, then (if necessary) the candidate receiving the lowest number of votes is eliminated and a new ballot is held with the process to be repeated until one candidate receives more than 50% of the votes cast. In the event of two or more candidates receiving an equal lowest number of votes no candidate will be eliminated and a new ballot will be held. Officers are responsible for the collection and counting of votes and for declaring the result of the secret ballot(s). After the declaration(s) the ballot papers

## Appendix 1

will be kept in the custody of the Chief Executive or a specified officer on his/her behalf and after the meeting destroyed.

2.7.3.2.4 If there is only one nomination for Leader, that single candidate will make his/her presentation of his/her vision and values to the Council and the decision will be made by a show of hands.

2.7.3.2.5 If a Leader dies, resigns, is suspended, is no longer a Councillor or is removed from office, the election of a new Leader will follow a similar procedure as is detailed in 2.7.3.2.1 to 2.7.3.2.4 inclusive and take place at the next meeting of the Council, annual meeting, ordinary or extraordinary, whichever is the earliest.

### 2.7.3.3 Termination of Leader's period of office

The Leader's period of office will end if:-

2.7.3.3.1 he/she resigns from the office; or

2.7.3.3.2 he/she is suspended from being a Councillor under Part III of the Local Government Act 2000; or

2.7.3.3.3 he/she is no longer a Councillor; or

2.7.3.3.4 he/she is removed from office by resolution of the Council on an issue of confidence – provided that the Council may only so resolve on an issue of confidence by a majority of two thirds of those present and voting; or

2.7.3.3.5 if the Leader ceases to be a member of the Council for any reason, or is suspended from such membership, the Deputy Leader will assume the office of the Leader until the election of a new Leader. In the event of a vote of no confidence in the Leader being successful or when a Leader resigns, the powers of the Leader are vested in and delegated to the Deputy Leader until the election of the new Leader.

### 2.7.3.4 The Leader may share office

2.7.3.4.1 Two or more Councillors may be elected by the Council to share office as Executive Leader, [if they mutually make an arrangement to stand for election as Leader on the basis of a job sharing arrangement](#), and references in any enactment, and in this Constitution, to a Leader shall be construed as including a Leader elected by virtue of this provision.

[2.7.3.4.2 Where two or more Councillors share office as Leader, they will decide amongst themselves how the duties and responsibilities of the Leader are to be carried out.](#)

### 2.7.4 The Deputy Leader

[2.7.4.1](#) The Deputy Leader will be a Councillor ([or more than one – see paragraph 2.7.4.3 below](#)) appointed to the position of Deputy Leader by the Leader as specified in 4.1.1.2.6. He/she shall be a member of the Executive.

[2.7.4.2](#) The Deputy Leader's period of office will end if:-

## Appendix 1

2.7.4.2.1 he/she resigns from the office; or

2.7.4.2.2 he/she is suspended from being a Councillor under Part III of the Local Government Act 2000; or

2.7.4.2.3 he/she is no longer a Councillor; or

2.7.4.2.4 he/she is removed from office by the Leader who must give written notice of any removal to the Chief Executive.

### 2.7.4.3 The Deputy Leader may share office

2.7.4.3.1 Two or more Executive Members may be appointed by the Leader to share office as a Deputy Leader and references in any enactment, and in this Constitution, to a Deputy Leader shall be construed as including Deputy Leaders selected by virtue of this provision.

2.7.4.3.2 Where two or more Councillors share office as Deputy Leader, the Leader will select, on an ad hoc basis, how the role will be carried out by the Councillors. Should the Leader be indisposed, the Deputy Leaders will decide amongst themselves how the duties and responsibilities of the Deputy Leader are to be carried out.

## 2.7.5 Other Executive members

2.7.5.1 Other Executive members shall be appointed to office by the Leader and shall hold office until:

2.7.5.1.1 they resign from office; or

2.7.5.1.2 they are suspended from being Councillors under Part III of the Local Government Act 2000 (although they may resume office at the end of the period of suspension); or

2.7.5.1.3 they are no longer Councillors; or

2.7.5.1.4 they are removed from office by the Leader who must give written notice of any removal to the Chief Executive.

### 2.7.5.2 Executive Members may share office

2.7.5.2.1 Two or more Councillors may be appointed by the Leader to share office as an Executive Member and references in any enactment, and in this Constitution, to an Executive Member shall be construed as including Executive Members elected by virtue of this provision.

2.7.5.2.2 Where two or more Councillors share an office as Portfolio Holders on the Executive, the Leader will select, on an ad hoc basis, how the role will be carried out by the Councillors. Should the Leader be indisposed, the Executive Members sharing that office will decide amongst themselves how the duties and responsibilities of the Portfolio Holder are to be carried out.

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### 2.7.6 Proceedings of the Executive

Proceedings of the Executive shall take place in accordance with the Executive Procedure Rules set out in Part 4.4 of this Constitution.

### 2.7.7 Responsibility for functions

The Leader will maintain a list in Part 3 of this Constitution setting out which individual members of the Executive, Committees of the Executive or Officers are responsible for the exercise of particular executive functions.

### 2.7.8 Appointment of Assistants to the Executive

2.7.8.1 The Council authorises the appointment of no more than three Councillors to be appointed at any one time as Assistants to the Executive, to assist the Executive in discharging functions which are the responsibility of the Executive.

2.7.8.2 Assistants to the Executive are appointed by the Executive Leader.

2.7.8.3 The Executive Leader may specify

- a) the number of Assistants to the Executive that may be appointed, within the overall cap of 3 as set out by Council (this includes the possibility of not appointing any Assistants to the Executive);
- b) any appointment process for selecting Assistants to the Executive;
- c) the individuals selected as Assistants to the Executive;
- d) the term of office for any Assistant to the Executive, and
- e) the responsibilities and duties for any Assistant to the Executive.

2.7.8.4 Any Assistants to the Executive of a Council may not include the Chairman or Vice Chairman of the Council, nor any member of the Council's Scrutiny Committees;

2.7.8.5 An Assistant to the Executive of a Council is not a member of the Executive of the Council.

2.7.8.6 An Assistant to the Executive shall not be remunerated. Any application for remuneration for Assistants to the Executive shall be authorised by full Council before being submitted to the Independent Remuneration Panel for Wales (or equivalent).

2.7.9 Sharing office as The Leader or and a members of the Executive may share office.

2.7.9.1 The role of Leader and other roles on the Executive may be shared by more than one individual.

2.7.9.2 If two or more Councillors are elected to share office as Executive Leader (see paragraph 2.7.3.4 above) or are appointed to the Executive to share office (see paragraphs 2.7.4.3 and 2.7.5.2 above), the number of members of the Executive may be increased to—

- (a) 11 or 12, if at least two of the members have been elected or appointed to share office;
- or
- (b) 13, if at least three of the members have been elected or appointed to share office.



2.7.9.3 Individuals sharing an Executive role will have one vote between them in respect of any matter on which they have a right to vote because they are a member of the Executive. The vote is allocated to the job sharing arrangement and not to an individual, so the Executive members subject to the job sharing arrangement should have appropriate preparatory discussions, subject to paragraph 2.7.9.7 below.

2.7.9.4 If two or more members sharing an Executive role attend an Executive meeting, in their capacity as a member of the Executive, they should all be recorded as having attended the meeting and all may speak at the meeting. However, where a vote is required in respect of an Executive decision, they must decide between them in advance who will cast their vote and inform the Chair of the meeting.

2.7.9.5 If an individual that shares an Executive role attends a meeting of the Executive, in their capacity as a member of the Executive, and a vote is required in respect of an Executive decision, then the attending Executive member must cast their vote taking into account preparatory discussions with the member(s) with whom they share the role.

2.7.9.6 In the absence of agreement between the individuals within a job share arrangement, their vote shall not be counted.

2.7.9.7 If one of the Executive members that share an Executive role has a personal and prejudicial interest in a matter, the non-conflicted Executive member should cast the vote without having had any preparatory discussions about the matter with the other Executive member within the job-share.

2.7.9.8 Any arrangements for job-sharing will be made in accordance with the provisions of the Members' Schedule of Remuneration included in Part 6 of the Constitution.

## **4.4 Executive Procedure Rules**

### **4.4.1 How Does the Executive Operate?**

#### **4.4.1.1 Who may make executive decisions?**

The Leader may provide for executive functions to be discharged by:

- 4.4.1.1.1 the Executive as a whole
- 4.4.1.1.2 a Committee of the Executive
- 4.4.1.1.3 an individual Member of the Executive
- 4.4.1.1.4 an Officer
- 4.4.1.1.5 an Area Committee
- 4.4.1.1.6 Joint Arrangements; or
- 4.4.1.1.7 another Local Authority

#### **4.4.1.2 Delegation by the Leader**

At the Annual Meeting of the Council, the Leader will present to the Council a written record of delegations made by him/her for inclusion in the Council's scheme of delegation at Part 3 to this Constitution. The document presented by the Leader will contain the following information about executive functions in relation to the coming year:-

- 4.4.1.2.1 the names, addresses and electoral divisions of the people appointed to the Executive by the Leader;
- 4.4.1.2.2 the extent of any authority delegated to Executive Members individually, including details of the limitation on their authority;
- 4.4.1.2.3 the terms of reference and constitution of such Executive Committees as the Leader appoints and the names of Executive Members appointed to them;
- 4.4.1.2.4 the nature and extent of any delegation of executive functions to Area Committees, any other Authority or any Joint Arrangements and the names of those Executive Members appointed to any Joint Committee for the coming year; and
- 4.4.1.2.5 the nature and extent of any delegation to Officers with details of any limitation on that delegation, and the title of the Officer to whom the delegation is made.

#### **4.4.1.3 Sub-delegation of executive functions**

4.4.1.3.1 Where the Executive, a Committee of the Executive or an individual Member of the Executive is responsible for an executive function, they may delegate further to an Area Committee, Joint Arrangements or an Officer.

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4.4.1.3.2 Unless the Council directs otherwise, if the Leader delegates functions to the Executive, then the Executive may delegate further to a Committee of the Executive or to an Officer.

4.4.1.3.3 Unless the Leader directs otherwise, a Committee of the Executive to whom functions have been delegated by the Leader may delegate further to an Officer.

4.4.1.3.4 Even where executive functions have been delegated, that fact does not prevent the discharge of delegated functions by the person or body who delegated.

4.4.1.3.5 Written notice must be given to the Chief Executive and to the person, body or Committee concerned of any sub-delegation or changes to such sub-delegations. The notice must set out the extent of the sub-delegation or changes to sub-delegation. The Chief Executive will maintain a record of the extent of any sub-delegation or changes to sub-delegation.

### **4.4.1.4 The Council's scheme of delegation and executive functions**

4.4.1.4.1 Subject to 4.4.1.4.2 below the Council's scheme of delegation will be subject to adoption by the Council and may only be amended by the Council. It will contain the details required in Article 2.7 and set out in Part 3 of this Constitution.

4.4.1.4.2 The Leader may amend the scheme of delegation relating to executive functions at any time during the year. To do so, The Leader must give written notice to the Chief Executive and to the person, body or Committee concerned. The notice must set out the extent of the amendment to the scheme of delegation, and whether it entails the withdrawal of delegation from any person, body, Committee or the Executive as a whole. The Chief Executive will present a report to the next Ordinary Meeting of the Council setting out the changes made by the Leader.

4.4.1.4.3 Where the Leader seeks to withdraw delegation from a Committee, notice will be deemed to be served on that Committee when he/she has served it on its Chairperson.

### **4.4.1.5 Conflicts of Interest**

4.4.1.5.1 Where the Leader has a conflict of interest this should be dealt with as set out in the Council's Code of Conduct for Members in Part 5 of this Constitution.

4.4.1.5.2 if every Member of the Executive has a conflict of interest this should be dealt with as set out in the Council's Code of Conduct for Members in Part 5 of this Constitution.

4.4.1.5.3 If the exercise of an executive function has been delegated to a Committee of the Executive, an individual Member or an Officer, and should a conflict of interest arise, then the function will be exercised in the first instance by the person or body by whom the delegation was made and otherwise as set out in the Council's Code of Conduct for Members in Part 5 of this Constitution.

### **4.4.1.6 Executive Meetings - when and where?**

The Executive will meet at least 12 times per year at times to be agreed by the Leader.

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The Executive shall meet at the Council's main offices or another location to be agreed by the Leader.

### **4.4.1.7 Public or private Meetings of the Executive?**

The Access to Information Procedure Rules in Part 4.2 of this Constitution set out the legal requirements covering public and private Meetings.

### **4.4.1.8 Quorum**

[4.4.1.8.1](#) The quorum for a Meeting of the Executive, or a Committee of it, shall be one quarter of the total number of Members of the Executive (including the Leader), or 3 including the Leader, whichever is the larger.

[4.4.1.8.2](#) Where roles on the Executive are subject to job-share arrangements, the members within that job-share arrangement will count only as one person (in meetings of the Executive and whenever they attend meetings in their capacity as an Executive member) for the purpose of calculating if the meeting is quorate.

### **4.4.1.9 How are decisions to be taken by the Executive?**

4.4.1.9.1 Executive decisions which have been delegated to the Executive as a whole will be taken at a Meeting convened in accordance with the Access to Information Procedure Rules in Part 4 of the Constitution.

4.4.1.9.2 Where executive decisions are delegated to a Committee of the Executive, the rules applying to executive decisions taken by them shall be the same as those applying to those taken by the Executive as a whole.

[4.4.1.9.3](#) Where roles on the Executive are subject to job-share arrangements, the members within that job-share arrangement will have only one vote (in meetings of the Executive and whenever they attend meetings in their capacity as an Executive member).

### **4.4.2 How are the Executive Meetings Conducted?**

#### **4.4.2.1 Who presides?**

If ~~at~~ the Leader is present, the Leader ~~he/she~~ will preside. In the his/her absence of a Leader, a the Deputy Leader will preside. If the absence of a Leader and Deputy Leader, either is absent, then a person appointed to do so by those present shall preside.

#### **4.4.2.2 Who may attend?**

These details are set out in the Access to Information Procedure Rules in Part 4 of this Constitution.

#### **4.4.2.3 What business?**

At each meeting of the Executive the following business will be conducted:

4.4.2.3.1 consideration of the minutes of the last Meeting;

4.4.2.3.2 declarations of interest, if any;

4.4.2.3.3 matters referred to the Executive (whether by Scrutiny Committee or by the Council) for reconsideration by the Executive in accordance with the provisions contained in the Scrutiny Procedure Rules or the Budget and Policy Framework Procedure Rules set out in Part 4 of this Constitution;

4.4.2.3.4 consideration of reports from Scrutiny Committees; and

4.4.2.3.5 urgent matters certified by the Chief Executive or any other Officer appointed by him to act on his behalf.

#### **4.4.2.4 Consultation**

All reports to the Executive from any Member of the Executive or an Officer on proposals relating to the budget and policy framework must contain details of the nature and extent of consultation with stakeholders and relevant Scrutiny Committees, and the outcome of that consultation. Reports about other matters will set out the details and outcome of consultation as appropriate. The level of consultation required will be appropriate to the nature of the matter under consideration.

#### **4.4.2.5 Who can put items on the Executive agenda?**

The Leader will decide upon the schedule for the Meetings of the Executive. He/she may put on the agenda of any Executive Meeting any matter which he/she wishes, whether or not authority has been delegated to the Executive, a Committee of it or any Member or Officer in respect of that matter. The Chief Executive will comply with the Leader's requests in this respect.

#### **Referrals to the Executive:**

4.4.2.5.1 Any Member of the Executive may require the Chief Executive to make sure that an item is placed on the agenda of the next available Meeting of the Executive for consideration. If he/she receives such a request the Chief Executive will comply.

4.4.2.5.2 There will be a standing item on the agenda of each meeting of the Executive for matters referred by Scrutiny Committees or full Council. However, there may only be up to 5 such items per Executive Meeting.

4.4.2.5.3 Any Member of the Council may put an item on the agenda of an Executive Meeting for consideration. The number of such items will be limited to no more than 5 per Meeting of the Executive and will be put on the Agenda in the order received by the Chief Executive. Items will be considered whenever possible at the next available Meeting of the Executive. The notice of the Meeting will give the name of the Councillor who asked for the item to be considered. This individual Councillor will be invited to attend the Meeting, whether or not it is a public Meeting and will have a right to speak but not to vote.

4.4.2.5.4 The Chief Executive, the Monitoring Officer and/or the S151 Officer may include an item for consideration on the agenda of an Executive Meeting and may require the proper officer to call such a Meeting in pursuance of their statutory duties. In other

## Appendix 1

circumstances, where any two of the Chief Executive, the S151 Officer and the Monitoring Officer are of the opinion that a Meeting of the Executive needs to be called to consider a matter that requires a decision, they may jointly include an item on the agenda of an Executive Meeting. If there is no Meeting of the Executive soon enough to deal with the issue in question, then the person(s) entitled to include an item on the agenda may also require that a Meeting be convened at which the matter will be considered.

<b>Isle of Anglesey County Council</b>	
Report to:	ISLE OF ANGLESEY COUNTY COUNCIL
Date:	9 <sup>th</sup> MARCH 2023
Subject:	COUNCIL PLAN 2023-28
Portfolio Holder(s):	COUNCILLOR ROBIN W WILLIAMS
Head of Service / Director:	CARYS EDWARDS
Report Author:	GETHIN MORGAN
Tel:	01248 752111
E-mail:	<a href="mailto:GethinMorgan@anglesey.gov.uk">GethinMorgan@anglesey.gov.uk</a>
Local Members:	n/a

**A –Recommendation/s and reason/s**

- 1.1. The related report is the culmination of 12 months of preparation.
- 1.2. During this time, we have gained an understanding of what staff, councillors and the residents of Anglesey would like to see the Council focusing on over the next five years, during the period of the Council Plan.
- 1.3. The consultation process was designed to generate an interest and encourage as many responses as possible. To that end, easy read materials were produced highlighting the issues involved.
- 1.4. As noted in 1.2, staff were consulted on the six strategic objectives and related work streams. In light of staff responses, improvements were made and further consideration was given to their views before the ‘public’ consultation.
- 1.5. The original timetable for the consultation was extended to 8 weeks following discussions and guidance from the Town and Community Councils at their meeting on the 8th of September. The consultation was opened following a period of mourning as a result of the death of Her Majesty, the Queen.  
  
It was launched on the 20th of September until the 14th of November.
- 1.6. In consultation with others, the Council tried to make the consultation as accessible as possible.  
  
Evidence of this can be seen in the collective effort to target every ward on the island in one way or another.
- 1.7. Hard copies of the survey, general and ‘easy read’ versions, along with posters and leaflets with direct links to the online consultation, were distributed to –
  - the island’s leisure centres
  - libraries
  - Oriel Môn
  - Council offices.

**A –Recommendation/s and reason/s**

1.8. They were also distributed to community hubs where face to face engagement sessions and forums were held. These sessions included a panel of officers who were there to meet the public and discuss the associated pressures and work streams relevant to the strategic objectives

- Face to face sessions were held at:
- Llangefni Town Hall
- Gwelfor, Caergybi
- Llaingoch Hall
- The Iorwerth Arms, Bryngwran
- Llanfairpwll Hall
- Beaumaris Centre
- Caffi Mechell, Llanfechell

1.9. The mobile library was used to distribute hard copies of the 'east read' version to those who are confined to their homes.

1.10. School age children (3-18) were targeted and invited to participate through school councils.

1.11. This targeting resulted in the following responses –

- 538 members of staff responded prior to the consultation
- In terms of on-line responses – there were 1620 interactions and 1098 fully or partly completed surveys
- 61% of the responses were from people of working age
- 79 hard copies were received
- In terms of young people – 27 school councils responded to the democratic consultation, representing approximately 3,500 - 4000 children from primary and secondary schools
- 91% of the respondents responded in English, with 9% responding in Welsh.

1.12. The results of this engagement work and consultation were addressed in the 'Developing the Council's Strategic Aims 2023-28' report which was considered by this Committee at its meeting on the 24th of January.

1.13. The findings of the engagement and consultation on the six strategic objectives mentioned above were positive. The above data informs us that the Council received 2,500 responses for all types of activity.

1.14. As a result of this work and previous considerations, the current 'draft' Council Plan 2023-28 is presented for the attention of the Committee in Appendix A. This plan includes the corporate wellbeing aims, along with strategic objectives and associated work streams.

1.15. The Council is requested to:

**R1 Adopt the Council Plan 2023-28**



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

n/a

C – Why is this a decision for the Executive?

This matter is delegated to the Executive

Ch – Is this decision consistent with policy approved by the full Council?

Yes

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

Yes

Dd – Assessing the potential impact (if relevant):

1	How does this decision impact on our long term needs as an Island?	The Council Plan identifies the Council's Strategic Objectives for the period up until March 2028.
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	<p>The Council's draft Plan for 2023 – 28 recognises 6 strategic priorities which the Council will want to achieve over the next five years. Associated work-streams have been recognized to enable the Council to achieve these priorities.</p> <p>It is acknowledged that a number of those work-streams are preventative in nature from –</p> <ol style="list-style-type: none"> <li>a. Ensuring that everyone has a right to call somewhere home</li> <li>b. Prioritising the decarbonisation agenda across the Council</li> </ol>
3	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom.	Partner organisations as well as local town and community councils were involved in the public consultation prior to the development of the Council Plan
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	In excess of 2500 responses have been received following the public consultation prior to the development of the Council Plan
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	<p>Due to the complexity and varied content of the draft Council Plan 2023 - 28, it is recommended and advised that the different work-streams and associated projects related to the draft Plan, undertake separate individual Equality Impact Assessments in order to assess the impacts of the associated work.</p> <p>It is proposed that these assessments are tabled to the either, or a combination of, the</p> <ul style="list-style-type: none"> <li>• Leadership Team</li> </ul>

Dd – Assessing the potential impact (if relevant):		
		<ul style="list-style-type: none"> <li>• Corporate Programme Boards</li> <li>• Scrutiny / Executive Committees</li> </ul> (Dependent on content) in advance of the progression of work.
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	As above
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	As above

E – Who did you consult?		What did they say?
1	Chief Executive / Senior Leadership Team (SLT) (mandatory)	This was considered by the Leadership Team and their comments are reflected in the report
2	Finance / Section 151 (mandatory)	Comments reflected in the report
3	Legal / Monitoring Officer (mandatory)	Comments reflected in the report
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Procurement	
8	Scrutiny	Was considered by Corporate Scrutiny on the 28/2. The Committee Chairman will feedback in this meeting.
9	Local Members	

F - Appendices:
Appendix A – Council Plan (2023-2028)

Ff - Background papers (please contact the author of the Report for any further information):
<ul style="list-style-type: none"> <li>• Transitional Plan 2022-23</li> <li>• Engagement and Consultation Report: Draft Council Plan (2023-2028)</li> </ul>



CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

## **Council Plan 2023 - 2028**

**February 2023**

**Status of report – Official**

**Prepared by:**

Transformation Team within HR & Transformation  
Service

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

## Foreword

The pandemic was a challenging and uncertain time for the Council but, without doubt, staff, partners and communities all worked together for the benefit of the island's residents.

It is now time to plan for the future, which will bring many different challenges and opportunities. We will continue to act and modernise to provide the best possible services.

This Plan, the Isle of Anglesey Council Plan (2023 – 2028), is our principal strategy document.

It will influence and inform strategies and plans for the provision of services over the next five years. Your views have helped us to identify the current and future needs of the island's children, young people, families, older people, communities, businesses and its environment in order to set six strategic objectives.

The economic situation and cost of living crisis are challenging and have far-reaching and significant impacts on the Island's communities, businesses and organisations. Despite the uncertainty and increasing demand for essential services, we, and the Council, will be resolute in our commitment to delivering the best possible services to all Anglesey residents. During this challenging period, our staff and elected members will focus on supporting our residents' welfare, well-being and quality of life, whilst striving to create a better future.

We will need to continue to prioritise, collaborate and endeavour to protect and care for vulnerable members of our society whilst fulfilling the vision set out in this Plan, which is to:

**“Create an Anglesey that is healthy and prosperous where people can thrive.”**



Llinos Medi  
Council Leader



Dylan Williams  
Chief Executive

## Introduction

The Council's vision is **to create an Anglesey that is healthy and prosperous where people can thrive.**

Collaboration is key to realising our vision. We will be a respectful Council that is considerate of others, we will collaborate honestly and we are committed to high standards of behaviour and integrity to present the Island and its communities in the best light possible.

To realise this vision, we will need to continue modernising and transforming our services and our way of working. An integral part of modernising will be listening to what our residents, service users and businesses think – and being ready to act.

To create this Plan, we carried out our most far-reaching consultation work ever as a Council. During the engagement and consultation exercises conducted by us in 2022, we asked residents for their views on their most important priorities. The response played a central role in setting our strategic objectives.

Across all age groups and the different engagement and consultation methods that we used, the consistent strategic objectives were:

- The Welsh Language - increasing opportunities to learn and use the language
- Social Care and Well-being – providing the right support at the right time
- Education – ensuring an effective provision for today and for future generations
- Housing – ensuring that everyone has the right to call somewhere home
- Economy – promoting opportunities to develop the Island's economy
- Climate Change – responding to the crisis, tackling change and working towards becoming a net zero organisation by 2030

The Plan focuses on these objectives.

Like all other Councils, we will face significant financial pressure and further savings will have to be identified. We will have to control increased costs when setting budgets and respond to increasing demands due to demographic and social changes.

To work in this challenging and changing period, we are adopting a strategic approach to managing our resources. Pressures have been identified in the mid-term financial forecasts. Based on the forecasts for inflation, the cost of living and growth pressure, together with an annual council tax increase of 5%, we predict that challenging times lie ahead of us.

Consequently, this is an ambitious Plan. As delivering services will be challenging, our residents' experiences and feedback will be an important measure of success. We will produce an annual delivery document and will formally report on progress, success and outcomes.

By 2028, there will be a significant change in the way services are delivered, success will be celebrated and we will have progressed on the journey of creating an Anglesey that is healthy and prosperous where people can thrive.

## The Council's Vision

“Creating an Anglesey that is healthy and prosperous where people can thrive.”

## Strategic Objectives

- The Welsh Language - increasing opportunities to learn and use the language
- Social Care and Well-being – providing the right support at the right time
- Education – ensuring an effective provision for today and for future generations
- Housing – ensuring that everyone has the right to call somewhere home
- Economy – promoting opportunities to develop the Island's economy
- Climate Change – responding to the crisis, tackling change and working towards becoming a net zero organisation by 2030

## Values and General Principles

The Council's values define who we are and our direction as an organisation.

We will use the values identified below to develop and guide our vision, strategic plans and services into the future:

Values			
Respect	Collaborate	Honesty	Champion the Council and the Island
We are respectful and considerate towards others regardless of our differences	We work as a team, with our communities and partners to deliver the best outcomes for the people of Anglesey	We are committed to high standards of conduct and integrity	We create a sense of pride in working for the Council and present a positive image of the Council and the Island

These are the six general principles that we will use to help us deliver our objectives:

General Principles		
Sustainable Development	Equality and Diversity	Prevention and Safeguarding
Sustainability must be the cornerstone of the Council's strategic and operational direction in policy development and service delivery, partnership work and the way in which the organisation is run.	The Council is committed to equality, securing better outcomes for those facing socio-economic disadvantage. As an employer and service provider, we will work to eliminate unfair and unlawful discrimination in all our policies, procedures and practices.	Safeguarding is everyone's responsibility. All Council services and employees, regardless of their role or title, have a responsibility to safeguard people. The Council believes that every child and adult has the right to be safe from harm.

<b>Commitment and Accountability</b>	<b>Communication</b>	<b>Modernisation</b>
<p>The Council and its employees work together to plan, monitor and review our priorities through corporate objectives, service objectives and individual objectives, within allocated resources. This process demonstrates the Council's commitment to be open, transparent and accountable for the delivery of the Council Plan.</p>	<p>Communication is a two-way process. The Council takes an inclusive approach, using various channels to reach the maximum number of residents and stakeholders. By ensuring effective communication (internally and externally), we can ensure that we interact and foster a stronger relationship with others and conduct more productive discussions.</p>	<p>Through a modernisation agenda, the Council will be looking to make better use of available data to inform new services and ensure that customer needs are met through digital channels where appropriate.</p>

## The Strategic Cycle



The strategic cycle shown above identifies the plans that are in place to ensure that we can deliver our priorities and objectives. It identifies what needs to be achieved, how we will achieve it and why.

This Plan and the related strategic plans set out:

- The Council's Vision
- Values and cross-cutting themes
- Strategic objectives, and
- Key actions to be realised and delivered.



**\*\*\*\* DATA INFOGRAPHICS \*\*\*\***

### **COUNCIL DATA**

**The Council's net Revenue Budget - £174m**

**Council Staff – over 2500**

**Number of County Council buildings (excluding schools) - 68**

**Number of schools - 46**

**Length of roads serviced – 1,187km / 738 miles**

**Size of the Island (area) – 712km<sup>2</sup> / 275 square miles**

**125 miles / 201km of coastal path**

**Number of social houses – 3,948**

**Number of Councillors – 35 (8 female / 27 male)**

**Multi-member Wards - 14**

### **ONS / NOMIS DATA**

**Population – 68,900 2021 Census – 33,700 (male) / 35,200 (female)**

**Breakdown of Anglesey's population according to country of birth – 67% Wales / 29% England / 1% Scotland / 3.5% Other Countries**

**56.5% of working age / 26.5% older (65+) / 20.1% <18**

**92% satisfied with where they live**

**55.8% can speak Welsh**

**14% feel lonely – lowest rate in Wales**

**Average Age – 48 Anglesey / 42 Wales**

**76% of working age people are economically active**

**74% of working age people are in work**

**Average gross pay for people in full-time employment – £589 per week / Wales Average, £603**

**21,500 hectares designated as an Area of Outstanding Natural Beauty**

## Strategic Objectives and

### Key Actions

#### **The Welsh Language - increasing opportunities to learn and use the language**

The Welsh language is an integral part of our identity, culture and heritage and we have a responsibility to ensure that it continues to develop and thrive. Welsh is widely spoken in our communities and the percentage of the population who can speak Welsh on Anglesey is the second highest in Wales. We want to see an increase in the number of people on Anglesey who can speak Welsh and an increase in the number of people who use the language on a daily basis.

Our aim is to ensure that our local efforts make a positive contribution towards achieving the Welsh Government's national vision of a million Welsh speakers by 2050.

Language and communication is also a vital part of delivering many of our services such as education, health and social care. Being able to use Welsh has an effect on our residents' well-being and it is often a matter of necessity rather than just choice.

- ***Thriving heritage and Welsh language***
  - i. Increase the number of children and young people studying through the medium of Welsh by implementing the Welsh in Education Strategic Plan
  - ii. Ensuring that parents and carers understand the value and benefits of the Welsh language by working with the Anglesey Welsh for Children and Families Partnership
  - iii. Continue to provide opportunities for children and young people to use the Welsh language socially, outside the classroom, by working with local partners
  - iv. Raise the status of the Welsh language in the workplace by offering development opportunities, improving confidence and practical support
  - v. Provide high quality Welsh medium services and comply with statutory requirements
  - vi. Ensure that opportunities are available for residents to learn Welsh and develop Welsh language skills in their communities by working with learning and training providers
  - vii. Develop the economy to support the Welsh language by capitalising on grant programmes and working with local businesses

**We are committed to –**

- offering high quality Welsh language services
- implementing our Welsh Language Promotion Strategy
- working with local and national partners to create more opportunities to use the Welsh language in social settings
- supporting our staff and councillors to improve their confidence and use Welsh more often in their work

**By 2028 we will have –**

- Ensured that when our Welsh Language Promotion Strategy is revised in 2026, it is appropriate to respond to the results of the last census
- Updated our Welsh language policy and developed a new policy on the use of Welsh in the workplace
- Used grant programmes to develop the Welsh language in the economy and with businesses
- Expanded our training offer to create increased opportunities for our staff, councillors, partners and the island's residents to develop their Welsh language skills

## **Social Care and Well-being – providing the right service at the right time**

The health, well-being and safety of residents is vital to achieving a better quality of life and promoting independence on Anglesey. Therefore, continuing to deliver healthier, safer and fairer communities through a range of preventative, curative and supportive services in partnership with other likeminded stakeholders therefore continues to be a cornerstone of our agenda.

Building on the good practice of working together with our partners, the Council will aim to ensure that the most vulnerable residents are protected and receive joined up services from health and social care. This will be an important priority, and will require continued collaboration across all sectors and areas of the community.

- ***Protecting and supporting the vulnerable***
  - i. Strengthen the provision of day opportunities for adults with learning disabilities by enhancing and encouraging access to community resources
  - ii. Reduce the impacts felt by people in poverty and utilise UK and Welsh Government mitigations in response to increasing costs of living
  - iii. Ensure that the early intervention and prevention programme improves quality of life
  - iv. Ensure Community Hubs are accessible and provide services to enable independence, minimise loneliness and improve people's health and well-being
  - v. Work with communities, partners and 3rd sector organisations to increase, where appropriate, social and inter-generational opportunities
  - vi. Invest in Leisure facilities to increase enjoyment, attendance, and participation levels to improve community health
  - vii. Modernise Supported Living provision for individuals
  - viii. Continue to work with residents and communities through the Place Shaping agenda to support and enhance community resilience
  - ix. Modernise the Council's Youth Service and work with partners to ensure the service is fit for the future
  - x. Provide looked after children with opportunities to identify what matters to them so that they can influence their own care
  - xi. Continue with our development of more *Cartrefi Clyd* (small group homes)
  - xii. Educate partners and communities about the effect of trauma

**We are committed to –**

- supporting people to remain as independent as possible in the community
- collaborating with users and partners, focusing on “what matters”
- protecting the standard of services and tailoring a response in line with expectations
- listening to people who receive services and giving them the opportunity to express their views
- simplifying and improving operational arrangements in order to respond appropriately and consistently

**By 2028 we will have:**

- Reviewed and modernised the way we provide care and support
- Improved and extended the supported housing provision
- Extended opportunities for people to receive care closer to their local communities
- Developed additional internal provision for looked after children, *Cartrefi Clyd* and foster carers

## **Education – ensuring an effective provision for today and for future generations**

Our aim is to deliver our Communities for Learning Modernisation strategy and our Welsh Language Strategy by investing in leaders, staff, buildings and facilities that are fit for current and future generations.

By continuing to work with stakeholders, we will improve the educational attainment and achievement of children and young people, by supporting their well-being, together with securing wider opportunities to learn and thrive.

We will ensure that local heritage thrives in an increasingly multi-cultural and multi-lingual community, and that greater use is made of the Welsh language.

- ***Raising educational attainment and achievement***
  - i. Secure the best possible education for each child and young person by investing in our workforce, developing good quality learning communities and implementing the Curriculum for Wales
  - ii. Support children and young people to manage their mental health and improve their well-being
  - iii. Continue to support children and young people to develop their key skills and digital skills
  - iv. Work with the Children’s and Families Services to offer support and guidance to Anglesey’s young people in an inclusive and innovative way
  - v. Provide ‘second-chance learning’ opportunities, so that Anglesey residents can continue to develop personally throughout their lives
- ***Providing sustainable communities for learning***
  - i. Implement a revised communities for learning modernisation programme, ensuring that schools are fit for purpose and are working towards a carbon neutral status
  - ii. Continue with our investment in our workforce to develop leadership and teaching across the Island
  - iii. Support children and their families to access education and community based activities outside of traditional school hours
  - iv. Working to become a Trauma Informed Island, taking a community approach to have a positive impact on our children, young people and the wider community
  - v. Promote and collaborate to secure work-based training opportunities for young people
  - vi. Improve participation amongst children and young people, enabling them to play a part in decision making processes
  - vii. Adopt and deliver a new strategy for Modernising Communities for Learning and Developing the Welsh Language

- viii. Modernise and develop post-16 learning provision and training opportunities
- ix. Continue to offer good quality libraries, effective archives and an innovative art gallery and museum, which are fully accessible and contribute to the lives of Anglesey residents

**We are committed to –**

- supporting children and young people to be:
  - ambitious and capable learners ready to learn throughout their lives
  - enterprising, creative contributors ready to play a full part in life and work
  - ethical and informed citizens ready to be citizens of Wales and the world
  - healthy, confident individuals ready to lead fulfilling lives as valued members of society
- ensuring that children and young people are able to achieve their full potential
- supporting the emotional and mental well-being of the Island's children and young people
- supporting learning communities to become learning organisations with the capacity for self-improvement
- providing a quality libraries and archives service, together with the *Oriel*, which inspire and meet the needs of our customers, corporate aims and associated standards

**By 2028 we will have:**

- Ensured that the communities for learning modernisation strategy creates effective schools with strong leadership and an appropriate teaching environment
- Developed the Welsh language across all learning settings by realising the aims, objectives and outcomes set in the Welsh in Education Strategic Plan
- Ensured the best possible experiences and progress for children and young people by delivering the Curriculum for Wales in all learning communities across the Island
- Increased educational opportunities for adults so that Anglesey's residents can continue to develop personally throughout their lives
- Ensured that the archives, libraries and gallery services are of the highest standard and provide the best value for money by making an effective contribution to learning

## **Housing – ensuring that everyone has the right to call somewhere home**

A strong community ethos exists in rural areas, villages and towns, and loneliness rates are amongst the lowest in Wales. The fact that Anglesey is a safe place is appreciated and the majority of residents feel safe and are very satisfied with where they live.

We remain committed to working with the Welsh Government and partners, such as registered housing associations, to respond to local housing challenges. We will work together to identify the Island's housing needs so that we can provide for the recognised need and the required tenures.

- ***Quality, affordable and accessible homes***
  - i. Collaborate with key partners to maintain the quality and range of accommodation options available in the care sector
  - ii. Develop a further extra-care facility in Menai Bridge
  - iii. Increase respite and day care services for children with disabilities
  - iv. Build new energy efficient homes, with A rated energy performance, to reduce our carbon footprint
  - v. Continue to invest in our housing stock by remodelling property that is no longer suitable and work towards achieving the Welsh Housing Quality Standards II
  - vi. Continue to invest in new technology to improve access to digital services for our tenants and customers
  - vii. Reduce the requirement for emergency accommodation units by increasing the number of permanent homes developed
  - viii. Using the council tax premium collected to provide financial support to first time buyers unable to afford to buy a home on the open market
  - ix. Continue to bring empty homes back into use across the Island
  - x. Work in partnership to help support any refugees coming to live on the Island



**We are committed to –**

- focusing on our customers' needs and being responsive to them
- supporting our customers, tenants, colleagues and key partners to enable us to support our communities
- innovating to improve our housing provision by taking advantage of legislative changes and seeking to reduce waste associated with the development process
- innovating to improve services and secure value for money for our tenants and residents

**By 2028 we will have:**

- Addressed the energy efficiency / fuel poverty agenda and will be working towards achieving the Welsh Housing Quality Standards II
- Opened a third Extra-Care Housing scheme with plans in place for a fourth
- Increased the choice and number of homes available for the Island's residents, together with assisting households to purchase their first homes
- Conducted a housing market needs assessment, together with an annual housing prospectus, allowing us to report on the increase in the supply of affordable housing
- Agreed the priorities for tenant participation activities and the allocation of resources to include the voice of our tenants in our services

## **Economy – promoting opportunities to develop the Island’s economy**

Half of Anglesey’s population is of working age and we recognise the need to improve job opportunities on the Island. Residents are eager to see greater opportunities in the computing & technology, energy, manufacturing, tourism and health sectors.

Our continuous aim is to support existing businesses, attract appropriate new investment, increase the number of new businesses and ensure that the Island continues to have one of the lowest business closure rates across Wales.

- ***Regeneration and Economic Development –***
  - i. Explore opportunities to construct new business units across the Island enabling new and existing businesses to grow
  - ii. Working together with landowners to redevelop former industrial sites
  - iii. Continue to deliver a green, sustainable recovery and improve the vitality and viability of town centres
  - iv. Maximise opportunities for local companies to benefit from public sector contracts and opportunities
  - v. Collaborate to deliver the North Anglesey Economic Regeneration Action Plan
  - vi. Collaborate with key stakeholders and partners to strengthen the role of Holyhead and the Port as a key International ‘Gateway’
  - vii. Continue to work in partnership through the North Wales Economic Ambition Board to create new local and regional opportunities
  - viii. Continue to capitalise on external funding opportunities to ensure that the Island’s economic needs are addressed.
  - ix. Maintain, retain and develop our key infrastructure
- ***The Visitor Economy -***
  - i. Implement new Destination and Area of Outstanding Natural Beauty (AONB) Management Plans
  - ii. Continue to invest in core infrastructure to provide safe and sustainable experiences to allow residents and visitors to enjoy the Island’s coast and countryside
  - iii. Support and welcome cruise ship visits to Anglesey and North Wales
  - iv. Influence visitor behaviour and ensure that everybody appreciates the Island’s qualities

**We are committed to –**

- stimulating economic and community regeneration
- supporting the economy and local businesses to grow and prosper
- increasing and encouraging the development of low carbon projects
- working with the tourism sector to capitalise on the Island's popularity as a destination

**By 2028 we will have:**

- Supported low carbon energy production schemes
- Worked together to realize circular economy objectives
- Developed new business units to help local businesses grow and develop
- Capitalised on additional investment for the benefit of the local economy
- Grown and promoted the visitor economy in a respectful and sustainable manner to secure benefits for our communities and visitors
- Redeveloped redundant industrial sites and brownfields

## **Climate Change – responding to the crisis, tackling change and working towards becoming a net zero organisation by 2030**

It is time step up and take decisive action on the climate emergency declared by the Council in 2020. It is an important issue for children and young people on the Island. The need to act for the benefit of the climate and our environment has never been more vital.

By working with local, regional and national partners, our aim is to respond to these challenges and opportunities positively, bravely and innovatively so that we can continue the journey to become a net zero Council and country by 2030.

- **Key Infrastructure & Planning for Climate Change**
  - i. Continue on our journey to reduce carbon emissions from the Council's land and assets and change the way we operate and deliver services
  - ii. Establish a household waste recycling rate of 70%
  - iii. Develop and deliver sustainable transport plans such as decarbonising transport, active travel, cycle routes
  - iv. Encourage the development of local renewable energy schemes
  - v. Continue to manage our countryside sites effectively to support the regeneration of nature and decarbonisation
  - vi. Consider climate change and biodiversity when making decisions across the Council
  - vii. Develop and deliver schemes for tree planting and locking up carbon
  - viii. Continue to minimise flood risk in areas of concern
  - ix. Adopt a new Local Development Plan
  
- **Energy Island Programme -**
  - i. Continue to influence major energy developments to secure long-term local and community support and benefits and minimise potential negative impacts
  - ii. Support and facilitate potential low carbon energy developments e.g. wind, tidal, solar, hydrogen and nuclear, together with suitable associated grid infrastructure

**We are committed to –**

- working towards achieving net zero carbon status
- supporting communities to reduce carbon emissions and their effect on the environment
- managing our land efficiently to support the regeneration of nature, biodiversity and lock up carbon where possible
- responding to global warming and climate change and supporting society to adapt the way it works, lives and uses land
- working with all key stakeholders to influence new energy developments and capitalise on opportunities to invest in low carbon energy
- supporting sustainable and green opportunities in our communities

**By 2028 we will have:**

- Minimised our direct carbon emissions to ensure that the net zero 2030 target is achievable
- Increased recycling rates
- Ensured that services consider climate change and biodiversity as fundamental issues when reaching decisions
- Creating extensive low carbon travel options for the Island's residents and visitors

## The Council's Well-being Objectives

All the above strategic objectives have been produced to support the Council's duty to meet our well-being objectives for the benefit of current and future generations. Our well-being objectives:

- a. The people of Anglesey are educated to reach and fulfil their long-term potential
- b. The people of Anglesey are safe, healthy and as independent as possible
- c. The people of Anglesey and its communities enjoy, protect and enhance their built and natural environment for future generations

The table below shows how our well-being objectives align with the Welsh Government's national well-being objectives:

Linkages to the Council Well-being Objectives & National Well-being Goals		Prosperous	Resilient	Healthier	More Equal	Cohesive Communities	Vibrant Culture and Thriving Welsh Language	Globally Responsive
	Wellbeing Objective 1 - Ensure that the people of Anglesey can thrive and realise their long-term potential	✓	✓	✓	✓	✓	✓	✓
	Wellbeing Objective 2 - Support vulnerable adults and families to keep them safe, healthy and as independent as possible		✓	✓	✓	✓	✓	
	Wellbeing Objective 3 - Work in partnership with our communities to ensure that they can cope effectively with change and developments whilst protecting our natural environment	✓	✓	✓	✓	✓	✓	✓

- A prosperous Wales - An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change)
- A resilient Wales - A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example climate change)
- A healthier Wales - a society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood
- A more equal Wales – a society that enables people to fulfil their potential no matter what their background or circumstances (including their socio economic background and circumstances).
- A Wales of cohesive communities - Attractive, viable, safe and well-connected communities

- A Wales of vibrant culture and thriving Welsh language - a society that promotes and protects culture, heritage and the Welsh language, and which encourages people to participate in the arts, and sports and recreation
- A globally responsible Wales - a nation which, when doing anything to improve the economic, social, environmental and cultural well-being of Wales, takes account of whether doing such a thing may make a positive contribution to global well-being

## Corporate Support Services

The corporate support services within the Isle of Anglesey County Council are integral to the success of front line services. Resources, people, and technology are essential as the Council strives to modernise and improve performance. Being a public sector organisations, there are also legislative processes which must be complied with fully. Some of the key responsibilities of these services include:

- HR: responsible for collaborating with front line services to attract, retain and develop the council's workforce.
- Corporate Performance: provides an independent view of performance, advising on improvement opportunities and promoting a culture of continuous improvement.
- Corporate Programme and Project Management: ensures that council projects are delivered effectively and efficiently, delivering value for money.
- IT: provides reliable and secure digital systems and services to support the council's work.
- Resources (Finance): provides financial management and support, ensuring that the council's finances are effectively managed and controlled.
- Legal: provides legal advice and support to the council, ensuring that it is complying with relevant laws and regulations.
- Democratic Services: manage the council's democratic processes, including the holding of elections.
- Complaints and Information Governance: responsible for managing and resolving complaints, ensuring that the council is transparent and open, whilst complying with data management and privacy expectations.
- Procurement: responsible for advising and supporting the procurement of goods and services, ensuring that the Council complies with regulations and achieves best value for money.
- Internal Audit: provides an independent view of the Council's financial and operational systems, identifying risks and making recommendations for improvement.
- Communications: responsible for the council's internal and external communication, information sharing, and engagement activities.
- Health and Safety: responsible for ensuring the council's compliance with health and safety regulations, managing risk, and promoting a safe working environment.
- Policy, equality, translation and Welsh language: responsible for ensuring the council's compliance with associated legislation and standards.
- Chief Executive's Office: The Office supports and drives forward the overarching strategic direction, coordination and organisational leadership of the Council.



## How we measure and analyse our performance

### What is Performance Management?

Performance Management is a process in which the council and its staff work together to plan, monitor and review our corporate priorities through corporate objectives, service objectives and individual objectives, within allocated resources.

The figure below demonstrates this process:



Further information can be found in appendix 2.

## Appendix 1

### **SUPPORTING STRATEGIES / PLANS**

- Digital strategy for Schools
- Welsh in Education Strategic Plan
- Oriel Môn Forward Plan
- North Wales Skills Strategy
- Welsh Language Promotion Strategy 2021-26
- Strategic Equality Plan
- Market Stability Report 2022
- Population Needs Assessment 2022

### **Capital and Treasury Management Strategy**

- Destination Management Plan
  - Public Toilets Management Plan
  - AONB Management Plan
  - British Energy Security Strategy
  - Levelling Up the United Kingdom
  - SoNaRR: The State of Natural Resources Report (2016)
  - Future Wales: The National Plan 2040
  - Planning Policy Wales – Edition 11 February 2021
  - National Strategy for Flood and Coastal Erosion Risk Management in Wales
- 
- Housing Strategy 2022-2027
  - Ynys Môn Housing Support Programme Strategy 2022-2026
- 
- Joint Local Development Plan
  - Highways Asset Management Plan
  - Towards Net Zero
  - Electric Vehicle Charging Plan
  - Asset Management Strategy / Plan
  - Llwybr Newydd: the Wales transport strategy

## **Council Plan – National and Regional Strategic Context**

### **National Strategies / Plans**

- *Programme for Government*
- *The Co-operation Agreement*
- *Energy Efficiency Strategy for Wales 2016-2026*
- *North Wales Growth Strategy (Dec 2020)*
- *North Wales Ambition Board – Covid Recovery Prospectus (Feb 2021)*
- *Gwynedd & Anglesey Public Services Board Well-being Plan*
- *Welcome to Wales: priorities for the visitor economy 2020-2025*
- *Prosperity for All - Economic Action Plan*
- *Low Carbon Delivery Plan 2*
- *Social House Building Strategy 2021*

### **Legislation**

- Local Government & Elections (Wales) Act 2021
- Well-being of Future Generations (Wales) Act 2015
- Social Services and Well-being (Wales) Act 2014
- Environment (Wales) Act 2016
- Sustainable Communities for Learning (Dec 2021)
- Welsh Language (Wales) Measure 2011
- Equality Act 2010

## Appendix 2

### How we measure and analyse our performance

#### **What is Performance Management?**

Performance Management is a process in which the council and its staff work together to plan, monitor and review our corporate priorities through corporate objectives, service objectives and individual objectives, within allocated resources.

#### **The Council Plan**

The Council Plan has set out the Council's strategic Aims and Objectives for the electoral term. It informs the decision-making process at all levels in the Council and:

- sets the framework we use to plan, drive and deliver our services
- influences how we shape our budget annually, and
- helps to monitor progress and assess what we achieve annually.

#### **How and when is it monitored?**

The Plan will be delivered by realising the annual delivery document (April – March). It is created at the beginning of each financial year and sets out the Council's specific plans for the next 12 months against the Council Plan. At the end of the financial year, we will prepare an annual performance report to report on progress against the annual delivery document over the last 12 months.

The Council Plan is monitored through a variety of different channels, including:

- quarterly transformation programme boards;
- quarterly corporate scorecard report; and
- annual service reviews;

Reports produced using information from these sources are then considered by our corporate scrutiny committee followed by the Executive. This ensures that all members are aware of our progress against our priorities.

#### **Transformation Programme Boards**

The Programme Boards have a remit to engender and enable strategic discussions related to specific themes. They provide councillors and senior leaders with the assurance and confidence that anticipated benefits to the Council and communities are being delivered.

#### **Service Reviews**

Each Service is expected to conduct two Service Reviews per year, which are conducted and managed corporately:

1. Financial Service Review

Undertaken to forecast service savings and transformation work, which can be used to assist the process of setting the annual Council budget.

2. Service Performance and Risk Review

Services are requested to complete a service self-assessment to identify how they are performing against key objectives. It is used to provide assurance to the Senior

Leadership Team and The Executive that service direction is aligned to that of the wider Council direction and that resources are used effectively.

### **Corporate Scorecard Reports**

The scorecard was developed to identify and inform Council leaders of progress against indicators which demonstrates the successful implementation of the Council's day-to-day activities. It assists in providing the evidential indicator base from which the annual performance report is drafted. It portrays the position of the Council against its operational objectives.

The quarterly scorecard monitoring report outlines mitigating actions the Leadership Team have identified to drive and secure improvements.

### **Corporate Self-Assessment**

The corporate self-assessment reflects the output of the corporate planning and performance management framework and provides an evidential basis of how the Council has performed using its available resources whilst managing and mitigating associated risks.

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>MEETING:</b>	County Council
<b>DATE:</b>	09/03/2023
<b>TITLE OF REPORT:</b>	Pay Policy Statement 2023
<b>REPORT BY:</b>	Councillor Robin Wyn Williams
<b>PURPOSE OF REPORT:</b>	To ensure that the Authority satisfies its statutory obligations under the Localism Act 2011 to have a published Pay Policy by 31.3.23

## INTRODUCTION

Under Section 112 of the Local Government Act 1972 the Council has the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit”. The Localism Act of 2011, Section 38, requires English and Welsh local authorities to produce and publish a pay policy statement for each financial year.

## SCOPE OF THE POLICY

The Localism Act 2011 requires authorities to develop and make public their pay policy on all aspects of Chief Officer Remuneration. In the interest of transparency and accountability the Council has chosen to take a broader approach and produce a policy statement covering all employee groups, with the exception of school teachers as their remuneration is not within local authority control. Welsh Government guidelines have been incorporated into the statement.

## RECOMMENDATION

It is recommended that the Council endorse the Pay Policy Statement attached to this report as its Pay Policy Statement for 2023/24.

Appendix 1 Pay Policy Statement

# ISLE OF ANGLESEY COUNTY COUNCIL

## PAY POLICY STATEMENT

FEBRUARY 2023

### 1. Introduction and Purpose

Under section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit”. This Pay Policy Statement (the ‘statement’) sets out the Council’s approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011, requiring English and Welsh local authorities to produce and publish a pay policy statement for each financial year. The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees (excluding those teaching in local authority schools) by identifying;

- the methods by which salaries of employees are determined;
- the level and elements of remuneration of its chief officers as defined by the relevant legislation;
- the level of remuneration of its lowest paid employees;

Local authorities are large complex organisations with multi-million pound budgets. They have a very wide range of functions and provide and/or commission a wide range of essential services. The general approach to remuneration levels may therefore differ from one group of employees to another to reflect specific circumstances at a local, Welsh or UK national level. It also needs to be flexible when required to address a variety of changing circumstances and aligned to business objectives.

### 2. Legislative Framework

In determining the pay and remuneration of its employees, the Council will comply with all relevant employment legislation. This includes (but not exhaustively) the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations 2006.

### 3. Scope of the Pay Policy Statement

The Localism Act 2011 requires authorities to develop and make public their pay policy on all aspects of Chief Officer Remuneration (including on ceasing to hold office), and that pertaining to the ‘lowest paid’ in the authority, explaining their policy on the relationship between remuneration for senior management and other employees, with the exception of school teachers as their remuneration is not within local authority control. .

Nothing within the provisions of the Localism Act 2011 detracts from councils’ autonomy in making decisions on pay that are appropriate to local circumstances and which deliver value for money for local tax payers. However, this policy statement will be complied with in setting remuneration levels for all groups within its scope.



This pay policy does not apply to teaching staff in the local authority's schools, who will have their own pay policy.

#### **4. Development of Pay and Reward Strategy**

The primary aim of a reward strategy is to attract, retain and motivate suitably skilled staff so that the organisation can perform at its best. One of the biggest challenges for the Council is to maximise productivity and efficiency within current resources. Pay policy is a matter of striking a sometimes difficult balance between setting remuneration at appropriate levels to facilitate a sufficient supply of appropriately skilled individuals to fill the authority's very wide range of posts, and ensuring that the burden on the taxpayer does not become greater than can be fully and objectively justified.

In this context it does need to be recognised that at the more senior levels in particular, remuneration levels need to enable the attraction of a suitably wide pool of talent and the retention of suitably skilled and qualified individuals once in post. It should be recognised that the Council will often be seeking to recruit in competition with other good public and private sector employers.

The Council is a major employer in the area and, as such, must have regard to its role in improving the economic well-being of the people of Anglesey. The availability of good quality employment on reasonable terms and conditions and fair rates of pay has a beneficial impact on the quality of life in the community as well as on the local economy. The Council also has a role in setting a benchmark example on pay and conditions to other employers in the area for the same reasons.

In designing, developing and reviewing pay and reward strategy the Council will seek to balance these factors appropriately to maximise outcomes for the organisation and the community it serves, whilst managing costs appropriately and maintaining sufficient flexibility to meet future needs. This Pay Policy Statement will be reviewed and approved on an annual basis by the Full Council.

#### **5. Pay Structure**

The Council uses the nationally negotiated NJC pay spine as the basis for its local grading structure. This determines the salaries of the large majority of the non-teaching workforce, together with the use of other nationally defined rates where relevant. A pay award for NJC employees covering the period from 1 April 2022 to 31 March 2023 was agreed in November 2022 and has been implemented. The Council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine. The Council is committed to fairly determining pay in accordance with equal pay legislation and has, from 1 December 2015, implemented a Single Status pay and grading structure. The Council's NJC grading structure runs from Grade 1 (scp 3) to Grade 10 (max scp 50) with current minimum and maximum hourly rates of pay being £10.79 and £30.45 respectively. This Pay Policy Statement will be subsequently revised if a further pay award from 1 April 2023 is agreed.

Once a post has been evaluated, the score will determine into which pay grade or band the post will be assimilated. New appointments will normally be made at the minimum of the

relevant grade, although this can be varied where necessary to secure the best candidate, with the agreement of the Head of Service – HR & Transformation. Salaries are then subject to an incremental increase each year until the maximum rate of the grade is reached (normally within 3 years).

All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy.

The Council does not generally utilise the practice of applying market supplements to take account of the external pay market in the attraction and retention of employees with particular experience, skills and capacity. However, a Market Supplement Policy exists and, in implementing this, the Council will ensure that any application for market supplements will be objectively justified by reference to clear and transparent evidence of successive failure to recruit to a particular post and evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector. The Council, through its Secondments and Honoraria Policy, can also apply temporary honoraria to individuals who, for various reasons, are acting up to a higher level of responsibility for a period of time.

The Council expects high levels of performance from all employees and has an Annual Appraisal Scheme in place to monitor, evaluate and manage performance on an ongoing basis. However, the Council does not operate any performance related pay arrangements. The Council's Appraisal process forms the basis of the approach to talent management and succession planning. Based on the analysis of the performance and potential of employees, managers can plan relevant talent actions, considering everyone as an individual, the development they need, making them feel rewarded and enabling them to be effective in their role within the Council. The main part of the process is the open, honest and constructive conversation between the manager and the employee to establish where they are now, where they want to be and how they can be supported to get there.

## **6. Other Benefits**

Subject to qualifying conditions, all employees have a right to join the Local Government Pension Scheme. The employee contribution rates, which are defined by statute, currently vary between 5.8% - 11.4% of salary, dependent upon defined pay bands relating to whole-time equivalent salary. The Employer contribution rates are set by Actuaries advising the Gwynedd Pension Fund and reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The rate from 1.4.2023 will be 20.1% and is applicable until 31.3.2026.

The Council has a range of other terms and conditions applicable to its employees, based largely upon National Joint Council terms and conditions, supplemented by locally negotiated conditions and policies. Certain of these terms and conditions result in monetary payments, including car loans, payment of professional fees and honoraria payments for undertaking additional responsibilities. No bonuses are paid. For relevant 'additions to salary of Chief Officers', see paragraph 10 below. Staff terms and conditions are reviewed on a regular basis in consultation and negotiation with our recognised trade unions.

## **7. Equal Pay and Gender Pay Gap Reporting**

The Council is committed to the principle of equal opportunities and equal treatment for all employees. It has a clear policy of paying employees equally for the same or equivalent work, regardless of their sex and evaluates job roles and pay grades as necessary to ensure a fair structure. The Council reports its gender pay gap figure annually to the Office for National Statistics. While the Council does have a negative gender pay gap, it is confident that this pay gap does not stem from paying men and women differently for the same or equivalent work and is pleased to report that its mean gender pay gap is still below the national average.

The Council's gender pay gap is the result of the roles in which men and women work within the organisation and the salaries that these roles attract. While the Council employs more women than men overall, they are not evenly spread across the grades. The majority of staff at lower grades are women. Any pay awards are implemented at all grades therefore will not reduce the gender pay gap significantly. However, the Council is committed to addressing its gender pay gap by supporting women at all levels of the organisation to develop and further their careers.

## **8. Senior Management Remuneration**

For the purposes of this statement, senior management means 'chief officers' as defined within S43 of the Localism Act. The following posts are identified as falling within the statutory definition of 'senior management' in the context of this statement:-

- a) Chief Executive (who is also the Head of Paid Service) – the senior officer who leads and takes responsibility for the Authority, working closely with elected members to deliver the Authority's aims and objectives.
- b) Senior Leadership Team - Deputy Chief Executive, Director of Function (Resources)/Section 151 Officer, Director of Function (Council Business)/Monitoring Officer, Director of Social Services and Director of Education, Skills & Young People
- c) Heads of Service – Children & Families/Deputy Director of Social Services, Adult Services, HR & Transformation, Housing, Highways, Waste & Property and Regulation & Economic Development

In 2019 all job descriptions within the Senior Management structure were evaluated in accordance with the Local Government Association (LGA) Job Evaluation Scheme for senior officers and externally validated by the LGA. The scores were then translated into a salary structure (again reviewed by the LGA and shown below) prior to submission to the Independent Remuneration Panel for Wales (IRP) who confirmed their full support for the proposed grading and salary structure.

**LGA Salary structure Senior Management Team –**

LGA Grade	Post	Salary 01/04/2023
LGA 1		
LGA 2	Heads of Service	£82,219
LGA 2A	Director of Function Monitoring Officer	£83,668
LGA 3	Directors / Director of Function S151 Officer	£92,345
LGA 4	Deputy Chief Executive	£102,983
LGA 5	Chief Executive	£124,259

Senior management basic remuneration as at **1<sup>st</sup> April 2023**, (and subject to the agreement of any pay awards for 2023/24) is therefore as follows:

<u>Senior Officer</u>	<u>Remuneration</u>
Chief Executive – LGA5	£124,259 per annum (non-incremental) This officer is as also the Head of Paid Service and will also receive additional fees for Returning Officer duties
Senior Leadership – LGA2A-LGA4 -	£83,668 - £102,983 per annum
Heads of Service – LGA2	£82,219 per annum

No other additional special allowances, increments or bonuses are included in the remuneration arrangements.

The Council’s Appointments Committee convenes to consider and provide recommendations to the Council on levels of pay and reward for the above three tiers of senior officers. The scope of the Committee is to:-

- Make recommendations on senior pay and reward issues to Council, ensuring consistency, transparency and accessibility.
- Make recommendations on the management of and structure of senior pay and reward, and grounds for pay progression
- Make recommendations to the full Council on the appointment of senior management

Section 143A of the Local Government (Wales) Measure 2011 gives the Independent Remuneration Panel for Wales (“the IRP”) powers to make recommendations in relation to

the salary of the Chief Executive (who is also the Head of Paid Service), or any proposed changes to the salary of the Chief Executive. The Council will consider any recommendations received from the IRP in relation to remuneration for its Chief Executive.

## **9. Recruitment of Chief Officers**

The Council's policy and procedures with regard to recruitment of Chief Officers is set out within the Officer Employment Procedure Rules as set out in Part 4.10 of the Constitution. When recruiting to all posts the Council will take full and proper account of its own Equal Opportunities, Recruitment and Selection, and Redeployment Policies. The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the agreed pay structure and relevant policies in place at the time of recruitment.

Where the Council is unable to recruit Chief Officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive Chief Officer post, the Council will, where necessary, consider engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process, ensuring the council is able to demonstrate the maximum value for money benefits from competition, in securing the relevant service.

In line with Welsh Government regulations, it is the Council's policy that the full Council is offered the opportunity to vote on remuneration and any restructures at senior management level, regardless of salary levels. Welsh Government regulations also specify that all posts attracting a salary of £100,000 or higher must be advertised externally if the duration of the post is expected to be for 12 months or more.

## **10. Pay Awards**

The Council employs its Chief Executive and Chief Officers under JNC terms and conditions which are incorporated in their contracts. The JNC for Chief Executives and Chief Officers negotiates on national (UK) annual cost of living pay increases for this group, and any award of same is determined on this basis. The Chief Executive and Chief Officers employed under JNC terms and conditions are contractually entitled to any national JNC determined pay rises and this council will therefore pay these as and when determined in accordance with current contractual requirements.

## **11. Additions to Salary of Chief Executive & Chief Officers**

The Chief Executive and Chief Officers are subject to the same qualifying criteria and arrangements as other employees with regard to receipt of additional monetary-based terms and conditions, including mileage payments and reimbursement of professional fees.

## **12. Payments on Termination**

The Council's approach to statutory and discretionary payments on termination of employment of its Chief Executive and Chief Officers and all employees falling within the scope of this statement, prior to reaching normal retirement age, is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and

Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007. Any enhancements provided within the Council's policy are applied to all staff, irrespective of grade or status.

Full Council will have an opportunity to vote on all severance packages over £100,000, the total amount to include severance pay, salary paid in lieu of notice and the cost to the Council of the strain on the pension fund arising from providing early access to pension. Any other severance payments falling outside the provisions of contractual terms shall be subject to a formal decision made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments. The Council will have due regard to Best Value in considering whether it is appropriate to make any special severance payments, and whether such a payment would be a proper use of public money.

The Council does not currently have any instances of re-engagement of retired Chief Officers. If circumstances arose where this needed to be considered for business-critical reasons, any such decision would be made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such arrangements, and be in line with the Council's Restructuring & Redundancy Policy as noted below.

The Council's Restructuring & Redundancy Policy states that any employee who leaves the employment of the Council on voluntary redundancy terms will not be re-employed by the Council for the duration of the redundancy compensation payment period received, e.g. if a member of staff receives 45 weeks' redundancy payment, they cannot be re-employed by the Council for 45 weeks after the termination date. This period will be extended to 12 months if the employee is also in receipt of a pension for which the Council has incurred additional costs. Any re-employment sooner than that noted above would have to be with the express authorisation of the Senior Leadership Team and the Head of Service – HR & Transformation who would consider each case on its merits.

### **13. Lowest Paid Employees**

The lowest paid persons employed under a contract of employment with the Council are employed on full time 37 hours equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1 April 2023, and subject to any future pay offer for 2023/24 being agreed, this point is the current nationally agreed scale point 3 of £20,812 per annum, or £10.79 per hour, compared with the National Living Wage of £10.42 per hour at 1 April 2023 and the current Real Living Wage (set in October 2022) of £10.90 per hour.

The relationship between the rate of pay for the lowest paid and chief officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more

than 20 times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the Council's workforce.

As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate. When expressed as a multiplier of pay, the Chief Executive's salary is 6:1 greater than that of the Council's lowest earner.

#### **14. External Contractors**

The Council will utilise its procurement processes to ensure that fair and ethical pay practices are adopted by external contractors commissioned to deliver services.

#### **15. Publication**

Upon approval by the full Council, this statement will be published on the Council's Website. In addition, for posts where the full time equivalent salary is at least £60,000, the Council's [Annual Statement of Accounts](#) will include a note setting out the total amount of

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above.

#### **16. Accountability & Decision Making**

Section 54 of the Local Government & Elections (Wales) 2021 Act 1 requires the Chief Executive to keep continuously under review the arrangements for the recruitment, pay and grading of the Council's staff.

#### **17. Monitoring**

This Pay Policy Statement will be reviewed annually and presented annually to a meeting of the full Council either in February or March, following which it will be published on the Council's website.

The Council has considered all current guidance in the development of this pay policy but should further amended guidance be received, or subsequent pay awards agreed, the Council may decide to amend its policy with full Council approval. The revised version will be published on the website.

*February 2023*

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	<b>Full Council</b>
<b>Date:</b>	<b>9<sup>th</sup> March 2023</b>
<b>Subject:</b>	<b>Establishing a new Planning Policy Committee for the Isle of Anglesey County Council.</b>
<b>Portfolio Holder(s):</b>	<b>Cllr. Nicola Roberts</b>
<b>Head of Service / Director:</b>	<b>Christian Branch, Head of Service, Regulation and Economic Development.</b>
<b>Report Author:</b> Tel: E-mail:	<b>Dewi Francis Jones.</b> <b>01248 752420</b> <b>dewijones@ynysmon.gov.uk</b>
<b>Local Members:</b>	<b>It applies to all members</b>

<b>A –Recommendation/s and reason/s</b>
<p>The full Council is requested to consider the following recommendations made by the Executive Committee at its meeting on 14 February 2023:</p> <ol style="list-style-type: none"> <li><b>1. Establish a new Planning Policy Committee for Anglesey County Council.</b></li> <li><b>2. Amend the Constitution to dissolve the Joint Planning Policy Committee and delegate powers to the Monitoring Officer to implement these changes.</b></li> </ol> <p><b>Background:</b> A decision was made by Anglesey County Council and Cyngor Gwynedd to terminate the collaboration agreement on planning policy issues on 31 March 2023.</p> <p>This means that the existing Joint Planning Policy Committee will have to be dissolved and new arrangements will need to be made by the respective authorities to contribute towards the creation of a new Local Development Plan and associated planning policy work.</p> <p>The intention, therefore, is to create a “Planning Policy Committee” (the Committee) for Anglesey County Council.</p> <p>The Committee will have the same functions as the Joint Committee, namely:-</p> <ol style="list-style-type: none"> <li>1. To be responsible for preparing and offering advice on the Local Development Plan before it is presented to Council.</li> <li>2. To present a delivery agreement for the preparation of the Local Development Plan to be agreed by the Council.</li> </ol>

3. To accept the Annual Monitoring Report for the Local Development Plan and offer advice before it is presented to council.
4. To accept the Annual Monitoring Report for the Joint Local Development Plant (until 2026) and offer advice before it is presented to Council.
5. To adopt Supplementary Planning Guidance for the Local Development Plan.
6. To be responsible for reviewing the Local Development Plant to be agreed by the Council.
7. To accept and offer advice on the draft levy charge list for public examination and on the Inspector's recommendations before it is submitted to the Executive for a decision.
8. To accept and agree on an annual report regarding governance and funding procedures.
9. To appoint any panel or working group in order to assist the Committee to execute its functions.

**Committee Membership:**

11 members with political balance. Subject to the rules on political balance.

The quorum will be at least half of the committee's membership rounded off to the nearest whole number (which is 5).

**Voting Rights:**

Only appropriately appointed members of the Committee will have voting rights and they will be referred to as "Planning Policy Committee Members".

Those appointed to sit on the Committee will not be able to appoint a delegate.

**Committee Meetings**

The committee will operate in line with the Council's standing orders.

Please note that the Service is currently recruiting a new Planning Policy Team following the decision to terminate the existing collaboration arrangements with Cyngor Gwynedd.

The Services recognises the need to ensure that it has sufficient capacity to undertake its planning policy duties effectively. The operation and administration of the Committee will be dependant therefore on the continuous recruitment processes having a a successful outcome.

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

The Executive has already agreed to terminate the collaboration on policy planning issues (July 2022), to dissolve the existing Joint Planning Policy Committee and to have separate arrangements for the respective authorities.

There is no option other than to set up a new Planning Policy Committee to deliver and decide on matters as part of the process of preparing and implementing a local development plan.

**C – Why is this a decision for the Executive?**

This is a decision of the Full Council

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

The Executive agreed to terminate the collaboration on policy planning issues (July 2022), to dissolve the existing Joint Planning Policy Committee and to have separate arrangements for the respective authorities. The purpose of the report therefore is for the Council to decide and approve.

**D – Is this decision within the budget approved by the Council?**

The Service already has a budget for undertaking its planning policy duties.

**E – Impact on our Future Generations(if relevant)**

1	<b>How does this decision impact on our long term needs as an Island</b>	The creation of a new Planning Policy Team means that Anglesey will have 100% ownership of planning issues, and will allow the Council to concentrate on the needs of residents within Anglesey's planning authority. Having a Planning Policy Committee will ensure that appropriate governance arrangements are in place for the above.
2	<b>Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority. If</b>	No additional costs are foreseen.

	<b>so, how:-</b>	
3	<b>Have we been working collaboratively with other organisations to come to this decision, if so, please advise whom:</b>	N/A
4	<b>Have Anglesey citizens played a part in drafting this way forward? Please explain how:-</b>	The governance arrangements for planning policy issues is a matter for the Council.
5	<b>Outline what impact does this decision have on the Equalities agenda and the Welsh language</b>	N/A
6	<b>If this is a strategic decision, identify any potential impact the decision would have on those experiencing socio-economic disadvantage.</b>	N/A
7	<b>Note any potential impact this decision would have on opportunities for people to use Welsh and on not treating Welsh less favourably than English.</b>	The new committee will act, and be managed, through full compliance with the Council's Welsh policy.

<b>DD – Who did you consult?</b>		<b>What did they say?</b>
1	<b>Chief Executive / Senior Leadership Team (SLT)</b> (mandatory)	The need to note the continuous recruitment process to establish the new Planning Policy Team.
2	<b>Finance / Section 151</b> (mandatory)	
3	<b>Legal / Monitoring Officer</b> (mandatory)	
4	<b>Human Resources (HR)</b>	
5	<b>Property</b>	
6	<b>Information Communication Technology (ICT)</b>	
7	<b>Procurement</b>	
8	<b>Scrutiny</b>	
9	<b>Local Members</b>	

<b>F - Appendices:</b>

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

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