Public Document Pack

| GŴYS A RHAGLEN | SUMMONS AND AGENDA |
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| ar gyfer | for a |
| CYFARFOD O<br>GYNGOR SIR<br>YNYS MÔN | MEETING OF THE<br>ISLE OF ANGLESEY<br>COUNTY COUNCIL |
| a gynhelir yn | to be held at the |
| SIAMBR Y CYNGOR<br>SWYDDFA'R SIR<br>LLANGEFNI | COUNCIL CHAMBER<br>COUNCIL OFFICES<br>LLANGEFNI |
| DYDD MERCHER<br>28 CHWEFROR 2018 | WEDNESDAY<br>28 FEBRUARY 2018 |
| ➔ am 2.00 o'r gloch yp ← | ➔ at 2.00 pm ← |

**A G E N D A**

**1. MINUTES**

To submit for confirmation, the draft minutes of the meeting of the County Council held on 12th December, 2017.

**2. DECLARATION OF INTEREST**

To receive any declaration of interest from a 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. QUESTIONS RECEIVED PURSUANT TO RULE 4.1.12.4 OF THE CONSTITUTION**

To submit the following question on notice by Councillor Peter Rogers to Councillor Robert G Parry OBE FRAgS, the Portfolio Holder for Highways, Waste & Property:-

*"When the Authority is serving Notices under Section 25 of the Land Drainage Act, 1991 on landowners with drainage running into water courses, is fencing of the ditches compulsory?"*

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

To submit the following Notices of Motion by:-

- **Councillor Robert Llewelyn Jones**

*"Holyhead Port is such an important economic business for us in Ynys Môn that we as a Council must now take a lead in trying to bring a so called SOFT BREXIT to the border between Wales and the Republic of Ireland. We as a group are calling for the following action to be taken:-*

*1. For a letter to be sent to the Leader of the Dublin City Council from this Council stressing our desire and support for a continued free border between our two countries with an invitation for them to send a delegation over for us to talk, and to demonstrate our desire to continue to work together.*

*2. For an invitation to go out to our political representatives in Westminster and Cardiff inviting them to visit us in order for us to know what they are doing to press the case for as open a border as possible between our two countries.*

*It is only by engaging the will of the people that we can achieve a decent solution to this looming crisis that could have a devastating effect on the port of Holyhead and the port of Dublin".*

- **Councillor Dafydd Rhys Thomas**

That Anglesey County Council:-

*1. promotes plastic free ventures and promotes and supports such events.*
*2. works towards reducing the use of disposable plastic used at its sites and schools.*
*3. encourages businesses to use less disposable plastic.*
*4. elects a representative on the coastal no-plastic Group.*

- **Councillor Nicola Roberts**

This Council calls:-

*1. For the UK Government to delay the introduction of Universal Credit.*
*2. For Welsh Government to insist on devolution powers to vary how Universal Credit is paid in Wales.*

**6. <u>PRESENTATION OF PETITIONS</u>**

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

**7. <u>COUNCIL TAX DISCRETIONARY RELIEF POLICY</u>**

To submit a report by the Head of Function (Resources)/Section151 Officer as presented to the Executive on 19th February, 2018.

**8. <u>MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2018/19</u>**

**a) Revenue Budget 2018/19**

To submit a report by the Head of Function (Resources)/Section 151 Officer, as presented to the Executive on 19th February, 2018.

**b) Capital Budget 2018/19**

To submit a report by the Head of Function (Resources)/Section 151 Officer, as amended by the Executive on 19th February, 2018.

**c) Treasury Management Strategy Statement 2018/19**

To submit a report by the Head of Function (Resources)/Section 151 Officer, as presented to the Executive on 19th February, 2018.

**ch) Council Tax Setting**

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

**d) Amendments to the Budget**

To submit the following amendments to the Budget proposed by the Anglesey Independents Group, of which notice has been received under Paragraph 4.3.2.2.11 of the Constitution as follows:-

*“The Anglesey Independents Group would wish to propose an increase of 3.8% in the Council Tax for the financial year 2018-19.*

*0.8% of this increase to be ring fenced for the school budget;*
*0.2% to be ring fenced for additional funds for children’s services.*

*This amendment will be balanced by taking an additional £400,000 from reserves”.*

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

**9. <u>TREASURY MANAGEMENT MID-YEAR REVIEW 2017/18</u>**

To submit a report by the Head of Function (Resources)/Section 151 Officer as presented to the Executive on 18th December, 2017.

**10. <u>AMENDMENTS TO COUNCIL'S CONSTITUTION - DELEGATION TO THE HEAD OF SERVICE (HOUSING)</u>**

To submit a report by the Head of Function (Council Business)/Monitoring Officer as presented to the Executive on 29th January, 2018.

**11. <u>PAY POLICY STATEMENT 2018</u>**

To submit a report by the Head of Profession – Human Resources.

**12. <u>TIMING OF COUNCIL MEETINGS</u>**

To submit a report by the Head of Democratic Services as presented to the Democratic Services Committee on 13th December, 2017.

# ISLE OF ANGLESEY COUNTY COUNCIL

## Minutes of the meeting held on 12 December 2017

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| **PRESENT:** | Councillor Dylan Rees – Vice-Chair in the Chair<br><br>Councillors Richard A Dew, John Griffith, Richard Griffiths, Glyn Haynes, Kenneth P Hughes, Trefor Ll Hughes MBE, Vaughan Hughes, Llinos M Huws, Aled M Jones, Carwyn Jones, Eric W Jones, Gwilym O Jones, R Ll Jones, R Meirion Jones, Alun Mummery, Bryan Owen, Bob Parry OBE FRAgS, Shaun Redmond, Alun Roberts, Dafydd Roberts, J Arwel Roberts, Margaret M Roberts, Nicola Roberts, Peter S Rogers, Dafydd R Thomas, Ieuan Williams, Robin Williams. |
| **IN ATTENDANCE:** | Chief Executive,<br>Assistant Chief Executive (Partnerships, Community & Service Improvements),<br>Head of Function (Council Business)/Monitoring Officer,<br>Head of Function (Resources)/Section 151 Officer,<br>Head of Democratic Services,<br>Head of Adults' Services,<br>Head of Regulation and Economic Development,<br>Committee Officer (MEH). |
| **ALSO PRESENT:** | None |
| **APOLOGIES:** | Councillors Lewis Davies, Richard O Jones. |

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In the absence of the Chair, the Vice-Chair, Councillor Dylan Rees chaired the meeting. Councillor G O Jones was elected Vice-Chair for this meeting only.

## 1. MINUTES

The minutes of the following meeting were confirmed as correct :-

- 26 September, 2017, subject to an amendment at Page 5 of the minutes that Councillor Aled M Jones said ' …. *that the current policy allows the Portfolio Holder (Highways, Property and Waste) and Officers to sell any smallholdings'.*

  An amendment also needs to be included to the minutes that Councillor Aled M Jones had said that he did not have an objection to sell smallholdings up to 20 acres but anything above 20 acres needs to be referred to the full Council.

- 30 October, 2017 (Extraordinary)

## 2. DECLARATION OF INTEREST

None received.

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

The Chair made the following announcements :-

- Congratulations to competitors who had enjoyed success at the Winter Fair at Mona Showground last month and also at Builth Wells recently;
- Congratulations to Anglesey's Young Farmers who had competed at the National Young Farmers Eisteddfod at Llandudno;
- He thanked the staff and service users of Blaen y Coed and Gerddi Haulfre for decorating the County Council's Christmas Tree at the Cyswllt Môn reception area;
- He wished to congratulate Mr. Fôn Williams on his recent appointment as Head of Children and Families and wished him well in his post. He wished to thank Mr Llyr Bryn Roberts for his work as Acting Head of Children and Families over the recent months;
- He wished to congratulate Ms Shan Williams, Head of Housing Services on her appointment as Chief Executive of Grŵp Cynefin and wished her well in her new post;
- He wished to thank all the staff of the County Council for their work during the recent flooding incident on the Island and he expressed his sympathy to those residents and local businesses who have been affected.

* * * *

Condolences were extended to the family of the late Mr Carl Sargeant AC.

Councillor J Arwel Roberts, as Leader of the Labour Group, paid tribute to Mr Sargeant AC.

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

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

## 4. QUESTIONS RECEIVED PURSUANT TO RULE 4.1.12.4 OF THE CONSTITUTION

- Submitted - the following question on notice by Councillor Peter S Rogers to the Leader of the Council :-

  *"Like all of us you will be fully aware of the resentment and concern that is being shown by Anglesey ratepayers following your decision to increase the Executive membership of this Authority to 9 members.*

*In these exceptional austere times how on earth can you justify this extravagance?"*

The Leader of the Council responded that Welsh Government has acknowledged the need for the increase in the membership of this Authority's Executive. She wished to reiterate that the increase to the membership of the Executive will have no financial burden to the authority only the increase in capacity of the Executive.

Councillor Rogers said that the Deputy Leader does not claim his allowance but he questioned if this situation was to change it could have a financial burden on the Authority. The Leader of the Council said that she would respond to the issue if the matter was to arise. Councillor Rogers further asked that since the Energy Island and other energy development are important to the Authority why was the County Council not represented at the 'Energy Targets for Wales Stakeholders Workshop' hosted by Welsh Government held in Cardiff in July. The Leader of the Council responded by noting that capacity was one of the reasons for not attending the Stakeholders Workshop in Cardiff which is an example why the increase in membership of the Executive was required.

- Submitted – the following question on notice by Councillors A M Jones and Bryan Owen to the Leader of the Council :-

  *"Following the decision to stop the tendering process for home care, what and how much were the costs to the Council?"*

  The Leader of the Council responded that the decision to go out to tender as regard to the home care service was taken by the previous administration of the Council. She wished to thank the members of the Opposition Groups for attending the sessions to assess the respective tenders. A decision was undertaken to stop the tendering process and to revisit the matter with the Health Authority. The costs associated to both the Authority and the Health Authority as regard to this process has been staff time only.

  Councillor Bryan Owen questioned as to why it had taken to the last minute to stop the tendering process when it had taken three days to interview the companies who had tendered for the home care services. He questioned as to the costs incurred by these companies to prepare a tender and attending the interview at the Council and that the Authority could face compensation from the companies involved. He said that the Leader had separated the Portfolio of Housing and Social Service to provide better support for both services and questioned whether she will go back to the Independent Remuneration Panel to ask for another Portfolio Member on the Executive?

  The Leader of the Council responded that as Portfolio Holder for Social Services she has always given significant time to her role as Portfolio Lead. She said that her duty is to ensure that this Authority provides the best possible service to the people of Anglesey. She confirmed that the Authority and the Health Service were of the joint opinion that the tendering process should be stopped to ensure that the correct procedure was followed.

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

Submitted – the following Notices of Motion by :-

- **Councillor Shaun Redmond**

*“Following the recent announcement to move to a policy of Welsh first language working environment with its associated financial burden and inbuilt discrimination, I move, as the Council has no mandate or sought the consensus of the electorate to change the policy from the Bilingual policy, members resolved to :*

*(a) Retain the Bilingual working environment and policy until a mandate and consensus are realised by a referendum of the electorate;*
*(b) Accept the policy of employing the best qualified candidates for all positions within the Council irrespective of their chosen first or preferred language of Welsh or English;*
*(c) Accept the policy of employing young persons and other Anglesey residents whose chosen first or preferred language is Welsh or English:*

Councillor Peter S Rogers seconded the motion.

Councillor Redmond said that as an Elected Member he has been approached by the electorate with comments querying need for such a policy of Welsh first language as the working environment of the Council. This announcement to move to this policy has raised many questions and anxiousness within communities of Anglesey and that is why Council policies need to be open and publicly debated. He stressed that his notice of motion is not an attack on the Welsh language but since we do live in a diverse society with two prime languages, which he doubted that will ever change if Anglesey wishes to prosper. Why has a bilingual policy which has been successful in increasing the numbers who can speak Welsh or choose to use Welsh as their first language has to be replaced by a policy that demands the fluency of employees in writing and speaking Welsh to do their job? Staff who are fluent Welsh speaker carry out their duty in Welsh, which is rightly so, as it is their choice and nobody should deny them that freedom of choice. He was sure that staff have the utmost respect for those whose first language is different and it is their freedom of choice to use that language. Councillor Redmond further said that the change in policy will have a detrimental effect on the employment of staff. He said that there is already a problem in recruiting for highly qualified positions; this could complicate the recruitment process. He asked the Council to reject the policy of Welsh as the first language of administration of the Council.

The Portfolio Holder for the Welsh Language outlined the Welsh language policy adopted by the full Council in May 2016 and thereafter the Welsh Language Standards. He referred that in adopting the Welsh Language Policy the Council also resolved to adopt the following amendment at paragraph 3.2.4 of the policy which states ‘… That the Council’s aim is to ensure that Welsh will be the Council’s main language for both oral and written internal communication.' In order to achieve this, the Council monitors progress annually by the issuing of a report to Scrutiny at the same time as the annual report on the operation of the Welsh Language policy. The annual report was adopted by the Partnership and Regeneration Scrutiny Committee held on 14th November, 2017. The Portfolio Holder expressed that it is not the aim to force staff to use the Welsh language for administration but to encourage and support them to use the language during their day to day work. He noted that in September 2016, the Housing Service was the first service to be selected to work intensively with the Language Co-Ordinator by establishing a baseline of the use of Welsh within the service. An Action Plan was agreed with the Housing Service Management Team in order to increase the use of Welsh in the workplace. The intention is to work with each department to promote the use of the Welsh language in their work environment. He noted that the Welsh Government policy is to have 1 million Welsh speakers by 2050.

The main issues raised were as follows :-

- Councillor Bryan Owen said that he fully supported the use of the Welsh language within the Authority and the bilingual policy of the Council. He supported the equal opportunities for every resident of the Island to be able to compete for job opportunities at the Council as it is apparent that very few applicants compete for employment at present;
- Councillor A M Jones said that he considered that the Welsh language should be encouraged rather than compelled;
- Councillor R Ll Jones said that he would support the establishment of a Panel to discuss the Welsh language policy;
- Councillor R Meirion Jones said that the Welsh Language Policy and Welsh Language Standards are already adhered to within the Council. The recent report to the Partnership and Regeneration Committee recently was an update report. He noted that a Language Task Group has been established within the Council for many years together with a Language Forum which endeavours to promote the use of the Welsh language across the Authority. He further stated that attitude towards the language is important and that the focus is on encouragement rather than compulsion.

Following deliberations Councillor R Ll Jones proposed an amendment to the Motion that a Panel be established with elected members to discuss the use the Welsh language within the Authority. Councillor Peter Rogers seconded the proposal.

Councillor Shaun Redmond said that he would withdraw his Notice of Motion so as to allow the proposal as noted above. He wished to reiterate that his Notice of Motion was not an attack on the Welsh language. He had concerns for people who are unable to speak Welsh, even though they may have tried to learn the language, to be deprived of being able to compete for employment within the Council. Members of the Council accepted the withdrawal of the Notice of Motion.

In accordance with paragraph 4.1.18.4 of the Constitution the required number of members requested that a recorded vote be taken on the establishment of the Panel.

The recorded vote was as follows :-

- **To establish a Panel to discuss to use of the Welsh language within the Council :-**

  **Councillors Aled M Jones, Eric W Jones, R Ll Jones, Peter S Rogers, Bryan Owen, Shaun Redmond. TOTAL 6**

- **Not to establish a Panel to discuss the use of the Welsh language within the Council :-**

  **Councillors Richard A Dew, John Griffith, Richard Griffiths, Glyn Haynes, K P Hughes, T Ll Hughes, Llinos M Huws, Carwyn Jones, Gwilym O Jones, R Meirion Jones, Margaret M Roberts, Vaughan Hughes, Alun Mummery, Bob Parry OBE, Dylan Rees, Alun Roberts, Dafydd Roberts, J Arwel Roberts, Nicola Roberts, Dafydd R Thomas, Ieuan Williams, Robin Williams. TOTAL 22**

**The motion was not carried.**

- **Councillor Aled Morris Jones**

*"I request that the County Council fly the flag of the United Kingdom outside the County Council Offices in Llangefni on a daily basis not just on certain days alongside the Ddraig Coch and the Council flag."*

Councillor Bryan Owen seconded the Motion.

Councillor Aled M Jones said that a number of civic buildings throughout North Wales and Wales fly the flag of the United Kingdom on a daily basis. He said that flying the flag of the United Kingdom is important to a number of people on the Island.

Councillor Bryan Owen said that flying the flag of the United Kingdom is a poignant reminder of the sacrifices of young people from Anglesey and Wales during the Great Wars. He supported the Notice of Motion as a mark of respect to those who had fallen during the Great Wars.

The Leader of the Council said that the County Council has adopted a Flag Policy on the 10th September, 2001 which notes the specific dates when the Union flag will fly. The Leader proposed that the Council adhere to the Flag Policy.

In accordance with paragraph 4.1.18.4 of the Constitution the required number of members requested that a recorded vote be taken on the proposed motion.

The recorded vote was as follows :-

- **To fly the flag of the United Kingdom outside the County Council Offices on a daily basis :-**

  **Councillors Aled M Jones, Eric W Jones, R Ll Jones, Peter S Rogers, Bryan Owen, Shaun Redmond. TOTAL 6**

- **Not to fly the flag of the United Kingdom outside the County Council Offices on a daily basis and to adhere to the Flag Policy adopted by the County Council on 10th September, 2001 :-**

  **Councillors Richard A Dew, John Griffith, Richard Griffiths, Glyn Haynes, K P Hughes, T Ll Hughes, Llinos M Huws, Carwyn Jones, Gwilym O Jones, R Meirion Jones, Margaret M Roberts, Vaughan Hughes, Alun Mummery, Bob Parry OBE, Dylan Rees, Alun Roberts, Dafydd Roberts, J Arwel Roberts, Nicola Roberts, Dafydd R Thomas, Ieuan Williams, Robin Williams. TOTAL 22**

**The motion was not carried.**

- **Councillor Bryan Owen**

*"In view of the devastating impact on individuals following the recent floods on the Island, would the Council agree to establish an emergency support fund to assist those affected and prioritising improvement to flood defences as part of the 2018/19 budget."*

Councillor Aled M Jones seconded the motion.

Councillor Bryan Owen wished to thank the Chief Executive and staff of the Council for their hard work during the recent flooding on the Island. He said that there has been no mention of the effects of the flooding on the Dwyran area with some houses having suffered extreme damage to their homes. Councillor Owen said that one of the reasons for the extreme flooding was the lack of cleaning and maintaining the rivers. He referred to the landslide on the A545 between Menai Bridge and Beaumaris is an important which has occurred for the second time in a short period and that Beaumaris is an important tourist destination for many visitors to the Island. Councillor Owen said whilst there are discussions taking place as regard to the third crossing over the Menai Straits, it would be much better in having an upgraded highway between Menai Bridge and Beaumaris.

Councillor Aled M Jones said that he considered that the Council could request financial assistance from the Bellwin Scheme of Emergency Financial Assistance to Local Authorities.

Councillor Shaun Redmond requested a report by Natural Resources Wales on their activities in dredging and cleaning rivers. The Portfolio Holder for Highways, Property & Waste responded that farmers in the past were paid to clear ditches on the land but now they are prohibited from doing so by Natural Resources Wales. He expressed the view that the Cefni River needs to be dredged as a matter of urgency.

Councillor T Ll Hughes MBE said that the Charitable Trust had requested the Secretary to research whether it is appropriate for the Trust to establish a fund to give assistance to residents of the Island who have experienced flooding to their homes and business recently.

Councillor Carwyn Jones also wished to thank the Council staff, DAWNUS construction and M W T Construction Ltd., during the extreme flooding which occurred recently. The Beaumaris flood defence scheme approved by the late Mr. Carl Sargeant AC., safeguarded the possible catastrophic flooding of the town of Beaumaris. The A545 road from Menai Bridge to Beaumaris has suffered landslides for the third occasion and there is a dire need for the upgrade of this highway. Councillor R Meirion Jones reiterated the statement that the highway from Menai Bridge to Beaumaris needs to be upgraded. He also asked the residents of the Island, who have experienced flooding to their properties, to forward to the Council their experiences and losses so as the Authority may contact Welsh Government for funding to make sure that such flooding does not occur again.

The Leader of the Council also wished to thank the staff of the Council for their work on the unexpected extreme flooding recently on the Island. She said that the Council needs to continue to work with Welsh Government, Natural Resources Wales and Network Rail to examine the reasons for the flooding and to put in place measure to avoid such an occurrence again.

Councillor Peter Rogers said that funding needs to be put in place in the next budget to help people who have experienced flooding and a plan needs to be put in place to make sure that such flooding does not occur again.

Councillor Bryan Owen as the proposer of the Motion said that he did not agree that the Charitable Trust should consider setting up a fund to assist residents who have experience flooding as he considered that it is a matter for the Council to deal with flooding problems and if it was the responsibility of Natural Resources Wales and Welsh Water then the Council needs to purse them to fund measures to ensure that such extreme flooding experienced recently does not happen again and that continued maintenance of the rivers shall be undertaken.

The Leader of the Council proposed an amendment to the Motion submitted by Councillor Bryan Owen to request the relevant Officers of the Council to continue to work with the Welsh Government, Natural Resources Wales and Network Rail to investigate the reasons for the extreme flooding on the Island and to put measures in place to avoid such an incident from occurring again and that a report be submit to the Executive in the New Year. The Deputy Leader seconded the proposal.

In the ensuing vote the amendment as proposed by the Leader was carried. With the consent of the meeting Councillor Bryan Owen did not pursue his original motion.

## 6. PRESENTATION OF PETITIONS

Councillor Nicola Roberts presented a petition of over 800 signature to the Chair of the Council from the residents of the Talwrn area who are opposed to the closing of their local school which is part of the modernisation of schools in the Llangefni area.

The Chair accepted the petition and said that he would forward it to the relative Committee for discussion.

## 7. TO APPOINT A CO-OPTED INDEPENDENT MEMBER TO THE STANDARDS COMMITTEE

Submitted – a report by the Chair of the Standards Committee Selection Panel in relation to the appointment of a co-opted Independent Member to the Standards Committee.

Councillor R Meirion Jones, a Member of the Standards Committee Selection Panel addressed the meeting and said that the Standards Committee currently has a casual vacancy from the Independent Members on the Committee. He noted that there has been a recruitment process recently as noted within the report and at the Standards Committee Selection Panel held on 27th November, 2017 the Panel agreed to nominate Mr John Robert Jones to the role of independent member of the Standards Committee, subject to satisfactory reference which have since been received and assessed by the Chair of the Standards Committee Selection Panel.

Councillor A M Jones said that he would abstain from voting as regard to this matter as there is no member from the Opposition Group on the Standards Committee. He said that there had been a political balance from both the Opposition and Ruling Groups during the previous administration of this Council.

Councillors Aled M Jones, Eric W Jones, Bryan Owen, Peter S Rogers and Shaun Redmond abstained from voting.

**It was RESOLVED :-**

- **To appoint Mr John Robert Jones as co-opted independent member of the Standards Committee from immediate effect;**
- **In the event that a further casual vacancy for an independent member of the Standards Committee arises during the next twelve months, to automatically appoint Ms Sarah Laing Gibbens to this role without the need for a further recruitment process, provided always that this candidate remains eligible for the role, and subject to satisfactory references being received prior to the appointment.**

## 8. TO APPOINT TWO COMMUNITY COUNCILLORS TO THE STANDARDS COMMITTEE

The report of the Head of Function (Council Business)/Monitoring Officer in relation to the nomination of Community Councils' Representatives to the Standards Committee.

Councillor Dafydd R Thomas addressed the meeting that the Standards Committee includes two Community Councillors, who participate in the general business of the Committee, but deal with referrals from the Public Services Ombudsman for Wales, and applications for dispensations, only when those matters relate to Community Councillors. There is a requirement for the Community Council Members to be collectively nominated by all the Community Councils after every local government election.

Councillor A M Jones said that he would abstain from voting as regard to this matter as there is no member from the Opposition Group on the Standards Committee and considered that the Group had been disenfranchised from the process.

Councillor Nicola Roberts asked the Monitoring Officer to explain the selection process to the Committee.

The Monitoring Officer explained that each Town/Community Councils are given the opportunity to submit nominations for no more than 1 Member of their council on the Standards Committee. Seven nominations had been received and a postal ballot was issued to all the Town/Community Councils requesting that each select a maximum of two candidates. Following the process, which was verified by the Chair of the Council and the Chair of the Standards Committee, the Monitoring Officer informed all the Town/Community Councils the outcome of the ballot and confirming the two successful candidates.

Councillors Aled M Jones, Eric W Jones, Bryan Owen, Peter S Rogers and Shaun Redmond abstained from voting.

**It was RESOLVED to ratify the collective nominations of the Community Councils by appointing the following Community Councillors as co-opted members of the Standards Committee with immediate effect :-**

**Councillor Iorwerth Roberts of Bryngwran Community Council and**

**Councillor Keith Roberts of Trearddur Community Council**

**Until the next local government elections, or until such time as the appointees are no longer Community Council members, whichever shall occur first.**

## 9. 2018/19 COUNCIL TAX REDUCTION SCHEME

The report of the Head of Function (Resources) and Section 151 Officer with regard to the requirement to adopt a Council Tax Reduction Scheme for 2018/19 was presented for the Council's consideration.

**It was RESOLVED :-**

- **That its current local Council Tax Reduction Scheme should not be revised or replaced with another scheme, apart from the Full Council using its discretion under Section 13A of the Local Government Finance Act 1992 that the Council Tax Reduction Scheme for 2018/19 onwards disregards all payments made under the Wales Infected Blood Support Scheme (WIBSS);**
- **That it formally adopts the current Council Tax Reduction Scheme (with the change as recommended above) for the financial year 208/19;**
- **That it authorises the Head of Function (Resources/Section 151 Officer to make administrative arrangements so that all annual changes for uprating of financial figures or technical revisions in any amending regulation or regulations are reflected in the Council's Council Tax Reduction Scheme and for each subsequent year as well as taking into account the necessary amendments to the council tax reduction regulations when using the additional disregard of payments made under WIBSS.**

## 10. DELEGATIONS REQUIRED FOR THE COUNCIL'S PARTICIPATION IN THE EXAMINATION OF THE WYLFA NEWYDD AND NORTH WALES CONNECTION PROJECT APPLICATION UNDER THE PLANNING ACT 2008

Submitted – a joint report by the Assistant Chief Executive (Partnerships, Community & Service Improvement) and the Head of Regulation and Economic Development as presented to the Executive on 27th November, 2017.

The Portfolio Holder (Major Projects & Economic Development) gave a background report on the delegation required for the Council's participation in the examination of the Wylfa Newydd and North Wales Connection Project which will require a Development Consent Order (DCO) from the Secretary of State for Business, Energy and Industrial Strategy on the recommendation of the Planning Inspectorate.

The following questions were raised by Members :-

- Councillor Nicola Roberts questioned whether there where examples of statutory and non-statutory requirements of this project. The Head of Regulation and Economic Development responded that Officers had collaborated closely with individuals involved with the consenting processes for the Hinkley Point C development in Somerset to take advantage of their experiences and knowledge. He noted that once the Examination process commences, issues will move swiftly with Officers having only days to response to matters raised at the Inquiry. He further said that Officers (on behalf of the County Council) may also wish to respond to questions submitted by other organisations. He also noted that a draft DCO and Section 106 legal agreement will be discussed with the full Council thereafter.

- Councillor Aled M Jones expressed that he would have expected more specific examples within the report as regard to documentation that will be addressed within the DCO process. Whilst accepting that matters within the Enquiry will need to be addressed and responded to urgently; he questioned as to whether Officers or Elected Members were given delegated authority to deal with documentation during the Hinkley Point C development. The Portfolio Holder (Major Projects & Economic Development) responded that such a scheme of delegation needs to be established within this Council which is similar to the experiences of the Hinkey Point C development. He noted that this Council was fortunate that the Staff within the Regulation & Economic Development Service are experienced but the Elected Members will continue to have the decision making powers. Councillor Aled M Jones gave an example as regard to the possible scenario that the National Grid may offer i.e. to underground the power line in one area and not in others; therefore would the authorisation to make such a decision be for an Officer to decide. Councillor Jones considered that this was unfair and unacceptable and should be a political decision.

The Monitoring Officer referred to the Local Government Act 1972, Section 101, Paragraph 1 (a)(b) which is relevant to the delegation of authority to Officers as regard to this matter ' ….. *local authority may arrange for the discharge of any of their functions by an Officer of the Local Authority or by a Committee or Sub-Committee.'* She said that delegated power may not be discharged to one Elected Member although it could be delegated to a Committee or Sub-Committee but this would not overcome the issue of urgency/timing as it would still take a week to call a Committee.

The Head of Regulation and Economic Development said that during the consenting process Hickley Point C, a Mr Andrew Goodchild was leading the process on behalf of the local authorities in Somerset. He suggested that Mr Goodchild could be invited to attend a Members Briefing Session in the future to explain his experiences. Members agreed to ask Mr Goodchild to attend a Members Briefing Session.

- Councillor K P Hughes questioned whether Welsh Government had a role within the DCO process. The Portfolio Holder (Economic Development) responded that Welsh Government, Natural Resources Wales and the Local Authority would be the main stakeholders with regular meetings and dialogue taking place. It was stressed that this Authority has an important role to play as it is the north of the Island and Anglesey that will be affected mostly by the Wylfa Newydd Project.

**It was RESOLVED :-**

- **To delegate to the Assistant Chief Executive (Partnerships, Community and Service Improvement) in consultation with the Deputy Leader, the authority to carry out all non-statutory community benefit negotiations and, where (in her opinion) time is of the essence, to make any and all decisions relevant to such negotiations in connection with, or arising from, either or both of the National Grid North Wales Connection Project and the Wylfa Newydd Nuclear Build Project;**
- **Departs from the bilingual policy for documents, representations and submissions made as part of the Development Consent Order process**

**where it is important or where due to timescales it is impossible for Officers to comply with the Council's Welsh Language Policy and where the Chief Executive approves such a departure. To note however that all documentation will be made available in the Welsh language;**

- **Delegates to the Head of Regulation and Economic Development in consultation with the Portfolio Member for Major Projects and Economic Development, the carrying out of all the statutory functions within the Council under the Planning Act 2008 as both Local Authority and Planning Authority in connection with or arising from either or both of the National Grid North Wales Connection Project and the Wylfa Newydd Nuclear New Build project;**
- **Approves that both the delegations proposed above and any action to be taken under them may be further delegated to any Officer of the Council by the Officers to whom the powers are delegated.**

## 11. 2018 REVIEW OF PARLIAMENTARY CONSTITUENCIES

Submitted - the report of the Head of Democratic Services in respect of the review of the parliamentary constituencies and revised proposals 2018.

As the Boundary Commission will not accept observations after the 11th December, 2017 and view of the fact that the County Council is meeting on the 12th December a response has been prepared in consultation with Group Leaders reiterating this Councils opposition to the revised proposal. A copy of the correspondence was distributed at the meeting and will also be published on the Councils website.

**It was RESOLVED to reaffirm the County Councils opposition to proposals to change the Parliamentary constituency of Ynys Môn.**

The meeting concluded at 4.30 p.m.

**COUNCILLOR DYLAN REES**
**VICE-CHAIR IN THE CHAIR**

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| ISLE OF ANGLESEY COUNTY COUNCIL | |
|---|---|
| **REPORT TO:** | **COUNTY COUNCIL** |
| **DATE:** | **28 FEBRUARY 2018** |
| **SUBJECT:** | **COUNCIL TAX DISCRETIONARY RELIEF POLICY** |
| **PORTFFOLIO HOLDER (S) :** | **CLLR. JOHN GRIFFITH** |
| **LEAD OFFICER(S)** | **MARC JONES - HEAD OF FUNCTION (RESOURCES) & SECTION 151 OFFICER** |
| **CONTACT OFFICER** | **GERAINT JONES – REVENUES AND BENEFITS SERVICES MANAGER (EXT. 2651)** |
| **ACTION :** | **TO ADOPT A COUNCIL TAX RELIEF POLICY FRAMEWORK AND DELEGATE POWERS TO THE EXECUTIVE AND HEAD OF FUNCTION (RESOURCES) & SECTION 151 OFFICER** |

## 1. PURPOSE OF THE REPORT

The report asks the Isle of Anglesey County Council (full Council) to adopt a policy framework in respect of Council Tax Discretionary Relief.

The Executive in its meeting on 19 February 2018, recommended that the full Council accepted the recommendations below as regards a Council Tax Discreitonary Relief policy framework –

- *“The Executive recommends to the Isle of Anglesey County Council (full Council) in its meeting on 28 February 2018 that it approves a Council Tax Discretionary Relief Policy under section 13A (1) (c) of the Local Government Finance Act 1992 (LGFA 1992) – as detailed in **Appendix A**.*

- *The Executive recommends to the full Council in its meeting on 28 February 2018, that it delegates to the Executive the power to revoke, re-enact and/or amend its Council Tax Discretionary Relief Policy.*

- *The Executive recommends to the full Council in its meeting on 28 February 2018, that it delegates powers to the Head of Function (Resources),Section 151 Officer to determine applications made under section 13A (1) (c) of the LGFA 1992 and any amendment or re-enactment thereof, taking account of any policy guideline adopted by the National Assembly/Welsh Government, the full Council or the Executive.”*

## 2. REASONS AND BACKGROUND

Section 13A, subsections (1) (c); (6) and (7), of the LGFA 1992 (as inserted by Section 10 of the Local Government Act 2012) gives power to a billing authority to reduce the amount of tax payable as follows:-

**(1) (c)** in any case, may be reduced to such extent (or, if the amount has been reduced under paragraph (a) or (b), such further extent) as the billing authority for the area in which the dwelling is situated thinks fit;

**(6)** The power under subsection (1) (c) includes power to reduce an amount to nil; and

**(7)** The power under subsection (1) (c) may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by the determination.

This means that the full Council can apply a discretionary relief in respect of any amount of council tax liability that is owed, even if the Council has already awarded a reduction under its Council Tax Reduction Scheme by virtue of Section 13A, subsection (1) (b).

There is currently no such Council Tax Discretionary Relief Policy adopted by the full Council and, as such, no delegated executive arrangements have been approved by the full Council to consider such requests. Any application would currently have to be considered on a case by case basis by the full Council. The full Council to date has not been asked to consider an individual case or to consider the introduction of particular classes under which the discretionary relief could be provided.

In recent months, however, representations have been made by taxpayers and organisations that the full Council should, under certain circumstances, adopt a policy to award Council Tax Discretionary Relief for classes of individuals or dwelling – in particular with regard to care leavers, certain classes of dwelling subject to the Council Tax premium and for individual dwellings affected by the recent adverse weather conditions.

It is therefore proposed to introduce such a policy having as its purpose:-

**a)** Section 1 of the proposed policy detailing classes of cases which may be entitled to a reduction in accordance with Section 13A (1) (c);

**b)** Section 2 of the proposed policy outlining the conditions that should be satisfied in order for the Council to consider relief under Section 13A (1) (c) for all other cases not covered in Section 1.

The policy is intended, ultimately, to enable the Council to provide relief to those in the most extreme financial hardship.

The full Council already provides a Council Tax Reduction Scheme in accordance with Section 13A (1) (b) of the LGFA 1992 and the proposed Council Tax Discretionary Relief Policy is separate and independent of the Council’s Council Tax Reduction Scheme.

**A. <u>To be included in Section 1 of the proposed policy: the case for all care leavers in the county to be exempt or have their Council Tax reduced.</u>**

This report considers the approach that can be taken to provide care leavers with financial assistance towards their council tax liability that they may have.

Corporate parenting is a statutory function of the Council. The underlying principle is that every local authority will seek the same outcomes for children and young people in care that every good parent would want for their own children.

Children and young people who are looked after by the local authority rather than their parents are amongst the most vulnerable groups in our community. Outcomes for this group are generally poor and, as corporate parents, the Council has responsibility to keep them safe, make sure their experiences in care are positive and improve their on-going life chances.

A 2015 report by The Children’s Society (The Wolf at the Door. How council tax debt collection is harming children) suggests that care leavers are a particularly vulnerable group for council tax debt. It found that when care leavers move into independent accommodation and they begin to manage their own budget fully for the first time that this is challenging time for care leavers, particularly if they are falling behind with their council tax. The Children’s Society report made a number of recommendations, including making care leavers eligible for council tax discount. This would help relieve some of the initial pressure and would sit alongside a number of other financial support arrangements available to care leavers.

There is currently no specific exemption class for care leavers in Council Tax legislation. Consequently, the only way to achieve an exemption is a discretionary discount under Section 13A (1) (c). As mentioned earlier, a discretionary reduction can either be considered on a case by case basis or by means of a scheme adopted by the full Council or the Executive which can decide to create a class of discount/reduction to apply to care leavers as a group. Under each option the cost will be borne by the Council Tax payers of the Isle of Anglesey.

It is anticipated that the actual number of individuals that will qualify is relatively small and currently only one individual have been identified who would be eligible. This is because a large number of care leavers live in supported accommodation or houses in multiple occupation or are receiving a Council Tax Reduction (that fully meet their housing costs) and therefore, either not personally liable for Council Tax or having an amount to pay. Others have placements out of the Authority area.

The proposed policy has been drafted with specific details as regards the eligibility criteria for care leavers, specifying treatment in cases of joint and several liability and the level of discount to be granted in such cases.

**B. <u>To be included in Section 1 of the proposed policy: the case to extend the period where the Council Tax premium does not apply under certain circumstances i.e. where it is a long-term empty property and structural work is actually on-going to render the dwelling habitable.</u>**

This report considers the approach that can be taken to provide certain class of dwellings with exemption from the Council Tax premium for longer than is currently allowed under council tax legislation.

The full Council on 10 March 2016 used its discretionary powers, under Section 12A and 12B of the LGFA 1992 as inserted by the Housing (Wales) Act 2014, to disapply any discount(s) granted on long-term empty dwellings and apply a higher amount of council tax (called a Council Tax Premium) to come into effect from 1 April 2017. That the Council Tax Premium be set at 25% of the standard rate of council tax for long-term empty dwellings.

The full Council went on to resolve:-

*“That the full Council, also instructs and authorises the Head of Function (Resources) and Section 151 Officer, that before the Executive calculates the Council Tax Base for 2017/18 and the Full Council sets its Council Tax requirement for 2017/18, the Executive and the Full Council (as a billing authority in Wales), is advised whether it needs to determine under section 13A of the 1992 Act to use its discretionary powers to reduce council tax liability resulting from a Council Tax premium being charged, to such extent it thinks fit. For fairness and transparency, should such a determination be required, advice is to be provided if the Full Council should adopt a clear policy on whether and how these powers will be used, with appropriate delegated decision making authority being provided for in the Council’s Constitution but also recognising that each case is considered on its merits having taken into account the circumstances of each case.”*

Before the setting of the Council Tax requirement for 2017/18 no cases or circumstances were identified for the full Council to use its discretionary powers to reduce council tax liability resulting from the Council Tax premium but, since 1 April 2017 (when the premium was introduced) a case type has emerged where the person liable for Council Tax is seeking to bring the property back into use but is being charged the premium i.e. the person is carrying out the Council’s intention under the policy of bringing long-term property back into use. Before it sets its Council Tax requirement for 2018/19, the Council is asked whether it wishes to use its discretionary power to extend the period before the premium can be charged for this class of property. The cost of such a policy would be borne by the Council Tax payers of the Isle of Anglesey.

At present under Council Tax legislation, an empty property requiring structural work or substantial renovation work is exempted from Council Tax for up to 12 months and, after 12 months, the Council decided that up to 31 March 2017, the full standard council tax was payable. From 1 April 2017, full Council decided that a 25% premium would also apply after 12 months. The aim being to bring such long-term empty property back into use. The Authority has received representation from taxpayers who have purchased long-term empty property (that have been empty for over 12 months already) and have started to undertake work to bring the property back into use as their future home but are now subject to the premium. The full Council is asked to consider providing discretionary relief from the premium in the circumstances described in the policy i.e. the premium will not be applied for a 24 months period from the date it was deemed the property required such work and, also, that work is currently being undertaken.

**C.** **To be included in Section 2 of the proposed policy: the case for the full Council to agree a policy for applying for council tax discretionary relief, delegating future changes to the policy to the Executive and agreeing administrative arrangements for the Head of Function (Resources)/Section 151 Officer to deal with applications on a case by case basis.**

Currently, as the full Council has not agreed a policy or delegated the function to determine Council Tax discretionary relief applications under Section 13A (1) (c) of the LGFA 1992, such applications will have to be determined by the full Council itself. Regulations made by Welsh Ministers in respect of the Council Tax Reduction Scheme under Section 13A (1) (b) of the LGFA 1992 specifically reserved this function to determine or revoke the scheme to the full Council. No such specification has been made with regard to Section 13 (1) (c) in respect of a discretionary council tax relief scheme.

The full Council has, for previous applications for discretionary relief, decided that for the full Council to deal with them is not the most efficient and effective way and has delegated to the Head of Function (Resources)/Section 151 Officer the delegated power to determine such discretionary applications. This is part 3.5.3.5.19 of the Constitution which delegates to the Head of Function (Resources)/Section 151 Officer the power to determine applications under Sections 44A, 47 and 49 of the Local Government Finance Act 1988 and any amendment or re-enactment thereof, taking account of any policy guideline adopted by the National Assembly, the Council or the Executive.

This primarily applies to discretionary relief under Business Rates in respect of part occupancy relief (Section 44A), charities and non-profit making organisations Section 47) and hardship relief (Section 49). The Head of Function (Resources)/Section 151 Officer has set up administrative arrangements to deal with such requests which take account of the full Council, the Executive or National Assembly/Welsh Government guidelines. The same arrangement is now being proposed under Section 13A (1) (c) of the LGFA 1992 and this is detailed in the proposed policy in **Appendix A**.

## 3. FINANCIAL AND RISK IMPLICATIONS

Within the current budget there is £60k to meet the cost that falls on the Council regarding the discretionary relief schemes with regard to business rates with current expenditure estimated to be at budget for the year. The proposed budget for 2018/19 would, therefore, have to be increased to meet the estimated cost of the proposed Council Tax discretionary relief scheme. It is estimated that **£8k** should be added to the budget to meet the costs of discretionary reliefs with regard to local taxation i.e. the proposed council tax discretionary relief scheme, if approved. This is based on the following projected numbers and successful applications:-

**Section 1**
Care Leavers **£3k** (100% awards being made equivalent to 2 average council tax for Band D per annum);

Premium **£1k** (25% awards approximately equivalent to 3 or 4 average council tax for Band D per annum).

**Section 2**
Case by Case **£4k** (based on average of actual write offs approved under the heading "poor financial circumstances").

The approved budget may not be sufficient and, to mitigate the risk, there will be quarterly monitoring of expenditure.

## 4. LEGAL IMPLICATIONS

The Council can adopt and make administrative arrangements with regard to a Council Tax Discretionary Relief Scheme. Decisions made under Section 13A (1) (c) of the LGFA 1992 can be delegated by the full Council to the Executive or to officers.

It is recommended that, as such applications may have to be dealt with as a matter of urgency and reports could include detailed and personal information, the timetable of meetings would not be conducive to effective and efficient administration of applications. Therefore, the full Council could make such administrative arrangements to deal with applications as detailed in the policy framework. Otherwise, each case would have to be considered on an individual basis by the full Council.

## 5. EQUALITIES IMPLICATIONS

A local equalities impact assessment has been carried out with regard to the policy framework.

## 6. WELSH LANGUAGE IMPLICATIONS

The proposed policy framework is bilingual. The application forms, whether by electronic means or paper, are also bilingual.

All Decision Notices are bilingual and the service can speak and communicate with customers in the language of their choice. Despite this, the software administering the Scheme is only in English (there is no other market choice).

## 7. WELL-BEING OF FUTURE GENERATIONS (WALES) ACT 2015

In the drafting of the Council Tax Discretionary Relief Policy, the Well-being of Future Generations (Wales) Act 2015 was taken into consideration and how the policy framework supports the well-being goals. The purpose of the Council Tax Discretionary Relief Policy is ultimately for the full Council to provide relief to those in the most extreme financial hardship with regard to Council Tax.

The Scheme contributes to the well-being goals of a prosperous Wales, a healthier Wales, a more equal Wales and a Wales of cohesive communities.

## 8. BACKGROUND DOCUMENTS

The Children's Society – Council Tax exemption for care leavers in Wales.

## 9. RECOMMENDATIONS

That the full Council formally adopts a Council Tax Discretionary Relief Framework under Section 13A (1) (c) of the LGFA 1992, as detailed in **Appendix A**;

- That the full Council delegates to the Executive the power to revoke, re-enact and /or amend its Council Tax Discreitonary Relief Policy; and

- That the full Council delegates powers to the Head of Function (Resources)/Section 151 Officer to determine applications made under Section 13A (1) (c) of the LGFA 1992 and any amendment or re-enactment thereof, taking account of any policy guideline adopted by the Welsh Assembly/Welsh Government, the full Council or the Executive.

## 10. APPENDICES

- **Appendix A** - proposed Council Tax Discretionary Relief Policy

**GERAINT JONES**
**REVENUES AND BENEFITS SERVICE MANAGER** **19 FEBRUARY 2018**

APPENDIX A

CYNGOR SIR YNYS MÔN ISLE OF ANGLESEY COUNTY COUNCIL

# COUNCIL TAX DISCRETIONARY RELIEF POLICY

## Background

Section 13A, subsections (1) (c); (6) and (7), of the Local Government Finance Act (LGFA 1992) (as inserted by Section 10 of the Local Government Act 2012) gives power to a billing authority to reduce the amount of tax payable as follows:

**(1)(c)** in any case, may be reduced to such extent (or, if the amount has been reduced under paragraph (a) or (b), such further extent) as the billing authority for the area in which the dwelling is situated thinks fit;

**(6)** The power under subsection (1) (c) includes power to reduce an amount to nil; and

**(7)** The power under subsection (1) (c) may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by the determination.

This means, that the Isle of Anglesey County Council can apply a discretionary relief in respect of any amount of council tax liability, even if the Council has already awarded a reduction under its Council Tax Reduction Scheme by virtue of Section 13A (1) (b).

This policy sets out how the Isle of Anglesey County Council will consider and apply relief under Section 13A (1) (c).

## Purpose of the policy

**a)** Section 1 of the proposed policy detailing classes of cases which may be entitled to a reduction in accordance with section 13A (1) (c);

**b)** Section 2 of the proposed policy outlining the conditions that should be satisfied in order for the Council to consider relief under section 13A (1) (c) for all other cases not covered in Section 1.

The policy is intended ultimately to enable the Council to provide relief to those in the most extreme financial hardship in respect of Council Tax costs.

The Council already provides a Council Tax Reduction Scheme in accordance with Section 13A (1) (b) of the LGFA 1992. The Council's Council Tax Reduction Scheme can be downloaded at:-

http://www.anglesey.gov.uk/advice-and-benefits/council-tax/reduce-your-council-tax/council-tax-reduction-scheme/

This discretionary relief policy is separate and independent of the Council's Council Tax Reduction Scheme.

## Section 1

### A. Section 13A (1) (c) discretionary relief for class of persons

#### 1. Eligible person(s) - care leavers

The Council may reduce to nil the council tax liability of care leavers who satisfy all of the following criteria:

- The person is a former relevant care leaver as defined within The Children (Leaving Care) Act 2000;
- The person is someone for whom the Isle of Anglesey County Council has acted previously as a corporate parent;
- The person has left care and is aged between 18 and 21. The person resides in the Isle of Anglesey County Council area and is liable to pay council tax to the Isle of Anglesey County Council.

Where the care leaver is liable for more than one dwelling the discretionary relief will be awarded in respect of only one property – that being the person's sole or main residence.

Where the care leaver is the sole resident at a dwelling, and is over 18 years of age, the council tax liability on the dwelling will be reduced to nil.

Where the care leaver resides with another person at the property but by virtue of Section 6 (2) of the LGFA 1992 "hierarchy of liability", the care leaver is solely responsible for payment of the council tax (and joint and several liability does not apply), a 25% reduction will apply to the council tax liability on the dwelling.

Where the care leaver is jointly and severally liable with another care leaver as husband or wife or as a partner, for a dwelling (and they are the only occupants 18 years of age or over), the council tax liability on the dwelling will be reduced to nil.

Where the care leaver is jointly and severally liable with a husband or wife or partner who is not a care leaver (and they are the only occupants 18 years of age or over), a 25% reduction will apply to the council tax liability on the dwelling.

Where a care leaver has a joint tenancy with another tenant (who is not a care leaver) and they are the only occupants 18 years of age or over, a 25% reduction will apply to the council tax liability on the dwelling.

Where a care leaver has a joint tenancy with another tenant (who is a care leaver) and they are the only occupants 18 years of age or over, the council tax liability on the dwelling will be reduced to nil.

#### 2. Requesting relief

Requests for a reduction will normally be made by the Council's Children's Service. In which case, requests will:-

- Be submitted by email to the council tax team;
- Confirm that the care leaver has been informed of the intention to submit the request on their behalf and that information will be shared with the council tax team for this purpose and has not objected to this;
- Confirm that the care leaver satisfies the requirements of entitlement;
- Confirm the care leaver's name, address and date of birth.

Eligible care leavers may submit requests in writing directly to the council tax team. Requests should include supporting evidence from the Council's Children's Service that the care leaver satisfies the requirements. Alternatively requests should confirm the applicant's consent for the council tax team to obtain information directly from the Children's Service.

When making the decision the following will be assessed:-

- Whether the care leaver has applied for any national reliefs, exemptions or discounts they would be entitled to. These must be assessed before Care Leaver discretionary relief is awarded;
- Whether the care leaver applied for any Council Tax Reduction they would be entitled to. This should be assessed before Care Leaver relief is awarded;
- The date of the day before the care leaver's 21st birthday determines the last day of the period of award.
- Whether the Council's Children's Service or other public body or professional organisation have confirmed that the care leaver was in the care (being 'looked) after').
- Which Council is the council tax billing authority to whom the care leaver is liable to make council tax payments?

The process of making a decision and requests for decisions to be reconsidered will be considered in accordance with the provisions in the section headed **J. "Decision making and appeals"** later on in this policy.

## B. Section 13A (1) (c) discretionary relief for class of dwelling

### 1. Eligible dwelling(s) – unoccupied long-term dwellings that are undergoing structural work to render them habitable

The Council may not charge the Council Tax premium (as determined for the relevant period by the Council) for designated dwellings who meet the following criteria:-

- The dwelling is being treated as an Exempt Class A dwelling under The Council Tax (Exempt Dwelling) Order 1992 SI 558 as amended by The Council Tax (Exempt Dwellings) (Amendment) (Wales) Order 2000 SI 1025 (W.61);
- The dwelling is undergoing major repair work to render it habitable which are structural in nature;
- The dwelling has been vacant i.e. not occupied as a sole or main residence, for a period of not more than 24 months.

### 2. Requesting relief

The owner of the designated dwelling may submit a request in writing directly to the council tax team. Requests should include supporting evidence of major structural repair work that is being undertaken to render the dwelling habitable. The council tax team will carry out an inspection of the property to verify the current state of the property and the work being undertaking, confirming whether it is structural in nature or not.

The process of making a decision and requests for decisions to be reconsidered will be considered in accordance with the provisions in the section headed **G. "Decision making and appeals"** later on in this policy.

## Section 2

### C. Section 13a (1) (c) discretionary relief for persons or class of dwelling other than those designated in Section 1 of this policy

#### 1. Discretionary relief scheme

Section 13A (1) (c) allows the Council the discretion to provide assistance to council taxpayers where either the existing legislation does not provide a discount, exemption or reduction or in such circumstances where the Council feels that the level of discount, exemption or reduction is insufficient given the circumstances. When deciding on whether to grant a discretionary award, the Council will consider each application on its merits (apart from persons or dwelling meeting the criteria set out in Section 1 of this policy). Principles of reasonableness will apply in all cases with the Authority deciding each case on relevant merits.

Any decision made will be without reference to any budgetary considerations notwithstanding the fact that any awards must be balanced against the needs of local taxpayers who will ultimately, pay for a reduction in Council Tax income. Likewise, the period of any reduced liability will be considered in conjunction with the circumstances of the Council Taxpayer or dwelling. For the purposes of administration, the Council proposes that the discretionary power to grant any reduction in liability for Council Tax shall be considered within the following categories:-

**a) Exceptional financial hardship**

In accordance with Section 13A (1) (b) of the LGFA 1992, this Council has a Council Tax Reduction Scheme which provides support, through a reduction, to those who need assistance to meet their Council Tax costs. The scheme is designed to take account of the financial and specific circumstances of individuals through the use of applicable amounts, premiums and income disregards.

Applications will be accepted under the Council Tax Discretionary Relief Policy for people who have qualified for support under the Council Tax Reduction Scheme. All taxpayers can, however, apply but, initially, the Council will normally expect a taxpayer to ascertain if eligibility for a Council Tax Reduction will apply.

As part of the process of applying for a discretionary reduction in Council Tax, all applicants must be willing to undertake **all** of the following:-

- Make a separate application for assistance;
- Provide full details of their income and expenditure (a form will be provided for the purpose);
- The taxpayer is able to satisfy the Council that they are not able to meet their full council tax liability or part of their liability;
- Identify potential changes in payment methods and arrangements to assist the applicant;
- The taxpayer to assist the Council to minimise his/her liability by ensuring that all discounts, exemptions and reductions are properly been applied and granted; and
- The taxpayer has no access to assets that could be realised and used to pay the Council Tax.

The following factors will be considered when assessing the application under this policy:-

- Current household composition and specific circumstances including disability or caring responsibilities;
- Current financial circumstances;
- Determine what action(s) the applicant has taken to alleviate the situation;
- Consider alternative means of support that may be available to the applicant by:-

i. Re-profiling council tax debts or other debts;
ii. Applying for a Discretionary Housing Payment to meet rent costs (if applicable);
iii. Maximising other benefits (by referring to welfare advice);
iv. Determining whether, in the opinion of the decision maker, the spending priorities of the applicant should be re-arranged having regard that Council Tax is a priority debt.

The process of making a decision and requests for decisions to be reconsidered will be considered in accordance with the provisions in the section headed **G. "Decision making and appeals"** later on in this policy.

**b) Crisis – flood, fire etc.**

The Council will consider requests for assistance from council taxpayers who, through no fault of their own, have experienced a crisis or event that has made their dwelling uninhabitable e.g. due to fire or flooding, where they remain liable to pay council tax and for which they have no recourse for compensation nor have recourse to any statutory exemptions or discounts.

All such requests must be made in writing detailing the **exact** circumstances of any reduction in the liability required and specifying when the situation is expected to be resolved.

The Council will consider applications on a case by case basis in consultation with other services or organisations as appropriate. Any reduction will be applied where they remain liable to pay council tax and for which they have no recourse for compensation not to any statutory exemptions or discounts or where the crisis or event is not covered by any insurance policy. The Council will not consider requests from taxpayers where devolved government guidance or policy provides for a reduction in liability in specific circumstances for example, flood relief schemes.

**c) Other circumstances**

The Council will consider requests from Council Taxpayers for a reduction in their liability based on other circumstances not specifically mentioned within this policy. However, the Council must be of the opinion that the circumstances relating to the application warrant further reduction in their liability for council tax having regard to the effect on other Council Taxpayers.

No reduction in liability will be granted where the statutory exemption or discount could be granted. No reduction in liability will be granted where it would conflict with any resolution, core priority or objective of the Council.

## CH. Changes in circumstances

The Council may revise any discretionary reduction in liability granted under Section 1 and Section 2 where the applicant's circumstances have changed.

The taxpayer agrees that he/she must inform the Council immediately either by telephone, email or in writing about any changes in their circumstances which might affect the claim under this policy. Failure to do so may result in the withdrawal of the reduction granted for the year and the requirement to repay any outstanding amount to the Council. All changes in circumstances should be notified 21 days.

**D. Duties of the applicant and the applicant's household**

A person claiming any discretionary reduction in liability must:-

- Provide the Council with such information as it may require to make a decision;
- Tell the Council of any changes in circumstances that may be relevant to their ongoing claim; and
- Provide the Council with such other information as it may require in connection with their claim.

**DD. The award and duration of the reduction in liability**

Both the amount and the duration of the award will be determined at the discretion of the Council and will be done so on the basis of the evidence supplied and the circumstances of the claim.

The start date of such a payment and the duration of any payment will be determined by the Council. In any event, the maximum length of the award will not exceed the end of the financial year in which the award is given unless specific cases in Section 1 of this policy state otherwise.

**E. Payment**

In line with legislation, any award shall be granted as a reduction in the liability of the Council Taxpayer and shown on their bill, thereby reducing the amount of council tax payable.

**F. Reductions in Council Tax liability granted in error or incorrectly**

Where a reduction in liability has been granted incorrectly or in error, either due to a failure to provide the correct or inaccurate information to the Council or some other circumstances, the amount will be recovered from the Council Taxpayer's account in the normal way.

**FF. Notification of a reduction in liability**

The Council will notify the outcome of each application in writing. The notification will include the reason for the decision and advise the applicant of their appeal rights.

**G. Responsibility for decision making and appeals**

Any relief granted in accordance Section 1 of this policy will be approved by an officer of Team Leader grade or above within Council Tax.

Any relief granted in accordance with Section 2 of this policy will be approved by the Head of Function (Resources)/Section 151 Officer or Revenues and Benefits Service Manager and an officer of Team Leader grade or above within Council Tax will submit a report to the Head of Function (Resources)/Section 151 Officer or Revenues and Benefits Service Manager for consideration when making the decision.

Taxpayers can request that the Council reviews a decision in respect of a discretionary relief. Requests for reconsideration should be made in writing within 21 days of notification of the original decision and should detail the reasons for the request.

Upon receipt of a request for reconsideration, decisions made with regard to Section 1 of the policy will be reviewed by a more senior officer within Council Tax/Resources. For decisions made with regard to Section 2 of the policy, dependant on who made the decision, this can be reviewed by the Head of Function (Resources)/Section 151 Officer or by any one of the Assistant Chief Executives. The Council will notify the taxpayer of its decision within 21 days of the request for reconsideration.

The Valuation Tribunal does not have jurisdiction to investigate a Council's decision in respect of Section 13A discretionary relief decisions under Section 2 of the policy in respect of individual cases. In such instances, the Valuation Tribunal's opinion is that the council taxpayer should make an application before the High Court for a judicial review.

Where the council taxpayer is aggrieved by the Council's refusal to abide by its own resolution to award a reduction regarding specific classes, further appeal may be made to a Valuation Tribunal.

## Section 3

### NG. Policy Review

This policy will be reviewed on a regular basis and updated as appropriate to ensure it remains fit for purpose. However, a review may take place sooner should there be any significant changes in legislation.

| ISLE OF ANGLESEY COUNTY COUNCIL | |
|---|---|
| **REPORT TO:** | **EXECUTIVE COMMITTEE** |
| **DATE:** | **19 FEBRUARY 2018** |
| **SUBJECT:** | **MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2018/19** |
| **PORTFOLIO HOLDER(S):** | **COUNCILLOR J GRIFFITH** |
| **HEAD OF SERVICE:** | **MARC JONES** |
| **REPORT AUTHOR:**<br>TEL:<br>E-MAIL: | **MARC JONES**<br>01248 752601<br>rmjfi@ynysmon.gov.uk |
| **LOCAL MEMBERS:** | **n/a** |

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

## 1. MEDIUM TERM FINANCIAL STRATEGY AND 2018/19 REVENUE BUDGET

### 1.1 Purpose

The Executive is required to agree a number of key matters in respect of the 2018/19 budget. This will then allow the final recommendations to be presented to the full Council at its meeting on 28 February 2018. The matters requiring agreement are:-

- The Council's Revenue Budget and resulting Council Tax for 2018/19;
- 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 2018/19 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 ecomony and the proposed future local government financial settlement may be clearer.

## 2. 2018/19 REVENUE BUDGET AND COUNCIL TAX RECOMMENDATIONS

The Executive is requested :-

- To note the formal consultation meetings on the budget and consider the resulting feedback as outlined in Section 2 of Appendix 1 and Appendix 2;
- To note the equalities impact assessment summary on the budget proposals as outlined in Section 11 and Appendix 5;

- To agree the final details of the Council's proposed budget including the revised funding in response to budget pressures and the proposed savings as shown in Section 10 of Appendix 1 and Appendix 3;
- To determine how the savings on the delegated schools budget, deferred from 2017/18, is to be allocated across the 3 sectors;
- To note the Section 151 Officer's recommendation that a minimum of £6.5m general balances is maintained for 2018/19;
- To note the comments made by the Section 151 Officer on the robustness of the estimates made as set out in Section 8 of Appendix 1;
- To recommend a net budget for the County Council and resulting increase in the level of Council Tax 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 28 February 2018;
- To authorise the Section 151 Officer to make such changes as may be necessary before the submission of the final proposals to the Council;
- To agree that any unforeseen pressures on demand led budgets during the financial year will be able to draw upon funding from the general contingencies budget;
- To request the Council to authorise the Executive to release up to £250k from general balances if the general contingencies budget is fully committed during the year;
- To delegate to the Section 151 Officer the power to release funding from the general contingency up to £50k for any single item. Any item in excess of £50k not to be approved without the prior consent of the Executive;
- To recommend to the Council a 4.8% increase in level of the Council Tax.

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

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

**C - Why is this a decision for the Executive?**

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

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

N/A

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

N/A

| DD - | Who did you consult? | What did they say? |
|---|---|---|
| 1 | **Chief Executive / Strategic Leadership Team (SLT)** (mandatory) | The Chief Executive and Senior Leadership Team have been part of the budget setting Process throughout and and are in agreement with the report and support the final budget proposal |
| 2 | **Finance / Section 151** (mandatory) | n/a– this is the Section 151 Officer's report |
| 3 | **Legal / Monitoring Officer** (mandatory) | The Monitoring Officer is part of the SLT and as such the Officer's comments have been taken into account. |
| 4 | **Human Resources (HR)** | - |
| 5 | **Property** | - |
| 6 | **Information Communication Technology (ICT)** | - |
| 7 | **Scrutiny** | Final budget proposals were considered by the Scrutiny Committee at its meeting on 5 February 2018. An update is provided in paragraph 9 of Appendix 1. |
| 8 | **Local Members** | |
| 9 | **Any external bodies / other/s** | |

| E - | Risks and any mitigation (if relevant) | |
|---|---|---|
| 1 | **Economic** | |
| 2 | **Anti-poverty** | |
| 3 | **Crime and Disorder** | |
| 4 | **Environmental** | |
| 5 | **Equalities** | See Section 11 of Appendix 1 & Appendix 5 |
| 6 | **Outcome Agreements** | |
| 7 | **Other** | |

**F - Appendices:**

- Appendix 1 – Detailed report on the Budget Proposals
- Appendix 2 – Summary of the Results of the Consultation Process
- Appendix 3(a) & (b) – Breakdown of the Proposed Savings
- Appendix 4 – Summary of the Proposed Revenue Budget 2017/18 by Service
- Appendix 5 – Individual Equality Impact Assessments (EIA1 – EIA10)

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

**APPENDIX 1**

## 1. INTRODUCTION AND BACKGROUND

**1.1.** The following report sets out the 2018/19 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, the Council's Treasury Management Strategy, Fees and Charges and the Use of Council Reserves.

**1.2.** The revenue budget and the continued need to identify revenue savings has been driven by the Medium Term Financial Strategy as approved by the Executive Committee in September 2017 and can be summarised as follows:-

**Table 1**
**Medium Term Financial Plan 2018/19 to 2020/21**

| | 2018/19 £'m | 2019/20 £'m | 2020/21 £'m |
|---|---|---|---|
| Net Revenue Budget B/F | 126.16 | 125.64 | 125.77 |
| Budget Pressures and Inflation | 3.66 | 2.64 | 2.99 |
| **Revised Budget** | **129.82** | **128.28** | **128.76** |
| Aggregate External Finance (AEF) | 90.80 | 89.53 | 89.08 |
| Council Tax | 34.84 | 36.24 | 37.69 |
| **Total Funding** | **125.64** | **125.77** | **126.77** |
| | | | |
| **Savings Required** | **4.18** | **2.51** | **1.99** |
| | | | |
| **Main Assumptions** | | | |
| Pay Awards | 1.5% | 1.5% | 2.0% |
| General Inflation | 2.6% | 2.4% | 2.2% |
| Reduction in AEF | -2.0% | -1.4% | -0.5% |
| Increase in Council Tax | 4.0% | 4.0% | 4.0% |

**1.3.** The Executive considered its initial budget proposals at its meeting on 6 November 2017 and approved the initial Standstill Budget at £132.337m and, based on the provisional settlement and a Council Tax rise of 5%, the budget gap of £1.99m was identified. The 5% rise in Council Tax included a 1% increase, which would be ring-fenced for Social Care. This additional 1% increase in Council Tax was to be consulted upon and, if not implemented, there would be an equivalent reduction in the standstill budget. The draft proposals identified potential revenue savings of £3.296m.

## 2. THE COUNCIL'S CONSULTATION

**2.1.** The Council published its budget proposals on 7 November 2017 and the consultation period closed on 29 December 2017. Citizens, partners, stakeholders and staff were asked to respond to the consultation by various means including:-

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

**2.2.** In addition, the Council also undertook :-

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

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

## 3. REVISED STANDSTILL BUDGET 2018/19 AND THE BUDGET GAP

**3.1.** Since the completion of the initial budget proposals, further work has been undertaken to review and revise the standstill budget for 2018/19. This has resulted in a number of changes which are detailed in Table 2 below:-

**Table 2**
**Adjustments to Standstill Budget**

| | | £'m | £'m |
|---|---|---|---|
| **Standstill Budget as at 6 November 2017** | | | **132.337** |
| Removal of additional funding for Social Care funded by additional 1% increase in Council Tax | | (0.338) | |
| Fire Service Levy – increase set at 1% | | (0.018) | |
| Correction of ICT staffing budget | | 0.021 | |
| Reduction in HB Admin Grant | | 0.022 | |
| Loss of Recharge to Charitable Trust | | 0.016 | |
| Correction of Resources staffing budget | | (0.034) | |
| Correction of NDR budgets – 2018/19 multiplier now confirmed | | (0.014) | |
| Correction of Inflation assumptions on specific budgets | | 0.020 | |
| Additional funding for pay offer above the 2% allowed for in the standstill budget | | 0.485 | |
| Correction of Grant Budgets to reflect the higher pay offer | | 0.015 | |
| Additional funding in settlement to compensate for the loss of income following the increase in savings threshold for clients in residential / nursing care | | 0.173 | |
| | | | 0.348 |
| **Revised Standstill Budget as at 19 February 2018** | | | **132.685** |

**3.2.** The most significant change that has arisen since the initial budget proposals were considered relates to the pay offer to NJC staff (non teaching). In the initial standstill budget, 1% was allowed for in service budgets to fund the pay award with an additional 1% held as a contingency (£450k) as it was anticipated that the pay offer would be higher than 1%. The Employers have now published their pay offer to the Unions, which includes a 2% pay increase for all staff on salary point 20 and above but higher pay awards for staff on points 6 – 19, ranging from 9.19% for staff on point 6 to 3.73% for staff on point 19. The higher pay awards for the staff on the lower pay scales takes account of the increases in the National Living Wage and the need to maintain pay differentials between the pay scales. The Employers estimated that the overall pay costs would increase by 2.7%.

**3.3.** The true cost of the pay offer has now been modelled into the staffing budgets and this increases the pay costs by £485k more than the 1% allowed for in the service budgets and the 1% included in the contingency budget. The total increase in pay budgets as a result of the pay offer to Anglesey is 3.08%. It should be noted that the Teaching pay award runs from September to September each year and we have no indication yet as to the level of the pay award. £150k remains as a contingency budget to fund the cost above the 1% allowed for in the Service budget.

**3.4.** The final settlement figures were published by the Welsh Government on 20 December 2017. Across Wales, the Standard Spending Assessment increased by £38.884m, however, the anticipated Council Tax also increased by £10.10m. As a result, the overall AEF for Wales increased by £28.784m from the provisional settlement figure and this, in turn, changed the Council's Aggregate External Finance, with the final figure set at £95.812m, an increase of £0.888m from the provisional figure.

**3.5.** The Council has resolved to set a premium of 25% on homes designated as empty (in excess of the exemption period) and homes designated as the Council's taxpayers second home. This premium, along with a Council Tax rise of 4%, would generate £34.867m. Therefore, the total funding income for the Council would amount to £130.679m, a shortfall of £2.009m.

To bridge the funding gap with Council Tax alone would require an increase of 10.0% in the Council Tax.

## 4. REVENUE BUDGET SAVINGS

**4.1.** In the initial budget proposal, a total of £3.296m of revenue savings were identified and consulted upon. The individual savings proposals have been subject to a further review by the Accountancy Team and the Service Managers. The review identified that it would be possible to implement all of the proposals during 2018/19 although some may not be delivered by April 2018. This has reduced the overall potential savings by £78k.

**4.2.** The total of the final savings proposals put forward is £3.318m. A summary by service is shown in Table 3 below and a summary by category is shown in Table 4.

**Table 3**
**Summary of Savings Proposals by Service**

| Service | Initial Proposal £'000 | Revised Proposal £'000 | Difference £'000 |
|---|---|---|---|
| Adults | 450 | 450 | 0 |
| Children | 0 | 0 | 0 |
| Housing | 23 | 23 | 0 |
| Education - Central | 336 | 325 | -11 |
| Education – Delegated Schools | 663 | 663 | 0 |
| Culture | 65 | 63 | -2 |
| Regulation and Economic | 125 | 125 | 0 |
| Highways & Transport | 200 | 196 | -4 |
| Property | 140 | 140 | 0 |
| Waste | 30 | 30 | 0 |
| Council Business | 0 | 0 | 0 |
| Transformation | 44 | 40 | -4 |
| Resources | 24 | 24 | 0 |
| Corporate | 296 | 236 | -60 |
| Capital Financing | 1,000 | 1,000 | 0 |
| **Total** | **3,396** | **3,315** | **-81** |

**Table 4**
**Savings Proposals by Category**

| Savings Category | Initial Proposal £'000 | Revised Proposal £'000 | Difference £'000 |
|---|---|---|---|
| Cessation / Transfer of Service | 51 | 47 | -4 |
| Delete Vacant / Unrequired Posts | 305 | 271 | -34 |
| Staff Restructure | 137 | 111 | -26 |
| General Efficiency Savings | 317 | 287 | -30 |
| Procurement Savings | 150 | 150 | 0 |
| Reduction in School Budgets | 663 | 663 | 0 |
| Reduction in Grants | 20 | 20 | 0 |
| Income Generation | 142 | 164 | 22 |
| Service Transformation | 611 | 602 | -9 |
| Reduction in Capital Financing Costs | 1,000 | 1,000 | 0 |
| **Total** | **3,396** | **3,315** | **-81** |

**4.3** The proposed budget includes a £300k contingency which will meet any redundancy costs arising from the restructure of staffing structures or reductions in teaching staff. Any proposal to restructure staffing structures which result in the payment of redundancy payments will have to demonstrate that it results in permanent budget savings which exceed the cost of the redundancy over an agreed period of time.

**4.3.** Taking into account the revised level of savings, the revised budget position is shown in Table 5 below:-

**Table 5**
**Revised Budget Position After Savings**

| | **£'m** |
|---|---:|
| Standstill Budget as at 19 February 2018 | 132.688 |
| Identified Savings | (3.315) |
| **Revised Revenue Budget after Savings** | **129.373** |
| Aggregate External Finance | (95.812) |
| **Budget Requirement to be Funded by Council Tax** | **33.561** |

## 5. PRESSURES AND GROWTH

**5.1.** The Council's monitoring report to the end of quarter 3 shows that budget pressures are being felt in Children's Services and Adult Services and also in the Out of County Education budget. Although there is an expectation for every service to maintain their costs within the budget, this is difficult in services which are demand led. The estimated overspend amounts to around £1.8m in Children's Services and £700k in Education. Work is ongoing to find ways to reduce costs but this will only partly offset the overspend and unless demand reduces the ongoing budget will be insufficient to meet future costs.

**5.2.** In addition to normal demand led budget pressures, decisions which are partly outside the control of the Council have also resulted in additional budget pressures. These include:-

- Deprivation of Liberty Safeguards (DOLS) – The requirement on the Council to undertake DOLS assessments annually will increase costs considerably. It is estimated that an additional £172k per annum will be required. See Executive Committee 29 January 2018.
- Regional Growth Bid – In line with the other 5 North Wales authorities, the Council agreed to contribute up to £50k in 2017/18 to meet the costs of preparing the bid. As the bid moves ahead, further funding at a similar level will be required.
- STEM Project – The STEM project is a 4½ year project which is partly funded from EU grant funding, part funded by the private sector and partly funded by the 3 North West Wales local authorities. The project will require the Council to contribute up to £37,500 over the next 4 years, although this may reduce if the private sector contribution increases.
- Single Environment Grant – A large part of the Single Environment Grant, which is mostly used to fund the costs of recycling, was transferred into the settlement and the £920k relating to the Isle of Anglesey has been included in the standstill budget. The remaining £26.8m of this grant across Wales will be cut to £20.79m in 2018/19 (a reduction of 22%). It is estimated that this will reduce the Council's grant by approximately £180k (final figures to be confirmed).

- Education Improvement Grant – This grant has been reduced by 11.4% across Wales and Anglesey's allocation has fallen by £268k. In addition the majority of the costs funded by the grant are staffing costs and the pay offer (see para 3.2) will increase the costs of grant funded posts by £95k.

**5.3.** Funding these budget pressures will increase the Council's net budget requirement and widen the gap between that figure and the total of funding available.

## 6. COUNCIL TAX

**6.1.** The Council's Band D Council Tax charge for 2017/18 was £1,088.01, which is the 5th lowest in Wales and is lower than the Welsh Average of £1,184. More importantly for Anglesey is the comparison to the 5 other North Wales authorities. This is shown in Table 6 below:-

**Table 6**
**Comparison of Council Tax Band Charges for North Wales Authorities**

| Authority | Band D Charge 2017/18 £ | Amount Above / Below Anglesey £ | Percentage Above / Below Anglesey % |
|---|---|---|---|
| Anglesey | 1,088 | | |
| Gwynedd | 1,241 | + 153 | + 14.1% |
| Conwy | 1,113 | + 25 | + 2.3% |
| Denbighshire | 1,191 | + 103 | + 9.5% |
| Flintshire | 1,104 | + 16 | + 1.5% |
| Wrexham | 1,052 | - 36 | - 3.3% |

**6.2.** The Council Tax budget for 2017/18 (after adjusting for the change in the Council Tax Base) was £33.526m. Therefore, each 1% increase generates an additional £335k. The Executive Committee's initial budget proposal was to increase the Council Tax by 4%, which would generate an additional £1.34m and give a Band D charge of £1,131.57, an increase of £43.56 (£0.84 per week).

**6.3.** The impact of each 0.5% rise from 1% to 5% is shown in Table 7 below. It should be noted that the level of Council Tax rise is not only important in setting the 2018/19 budget but will also have an impact for 2019/20, as the starting point for the Council Tax will be determined by the rise applied in 2018/19 and this will impact on the rise required in 2019/20.

**Table 7**
**Impact of Varying Increases in the Level of Council Tax for 2018/19**

| Percentage Increase | Change in Overall Council Funding £ | Funding Above 2018/19 Revised Standstill Budget £ | Band D Charge 2018/19 £ | Increase from 2017/18 Charge £ | Weekly Increase from 2017/18 Charge £ |
|---|---|---|---|---|---|
| 5.0% | + 1.676m | + 1.641m | 1,142.37 | + 54.36 | + 1.05 |
| 4.5% | + 1.509m | + 1.474m | 1,136.97 | + 48.96 | + 0.94 |
| 4.0% | + 1.341m | + 1.305m | 1,131.57 | + 43.56 | + 0.84 |
| 3.5% | + 1.173m | + 1.138m | 1,126.08 | + 38.07 | + 0.73 |
| 3.0% | + 1.006m | + 0.970m | 1,120.68 | + 32.67 | + 0.63 |
| 2.5% | + 0.838m | + 0.803m | 1,115.19 | + 27.18 | + 0.52 |
| 2.0% | + 0.671m | + 0.635m | 1,109.79 | + 21.78 | + 0.42 |
| 1.5% | + 0.503m | + 0.468m | 1,104.30 | + 16.29 | + 0.31 |
| 1.0% | + 0.335m | + 0.300m | 1,098.90 | + 10.89 | + 0.21 |

**6.4.** Any increase in Council Tax would provide more funding than is required to fund the Revised Standstill budget of £129.373m. The surplus funding can be utilised to as follows:-

- To fund the budget pressures identified in paragraph 5 above.
- To allow some of the £3.315m of proposed savings to be deferred.
- To increase contingency budgets, thereby reducing the risk of overspending in 2018/19.

**6.5.** It should be noted that the Cabinet Secretary for Finance and Local Government made no specific reference in his statement on the settlement regarding the level of increase in Council Tax that individual authorities should consider. There is no official cap on the level of the Council Tax increase, but for a number of years Councils have aimed to keep the increase below 5%. Some Councils are seriously considering increasing their Council Tax by more than 5% in 2018/19.

**6.6.** In the final settlement, the standard tax element for the Council i.e. the standard Council Tax figure across Wales which is used to determine the AEF for each Council, was set at £1,170.48 which is 3.4% higher than the 2017/18 figure.

## 7. GENERAL AND SPECIFIC RESERVES, CONTINGENCIES AND FINANCIAL RISK

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

- Any projected overspend in 2017/18 has direct implications for the 2018/19 budget, i.e. will services which are currently overspending face the same budget pressures in 2018/19 and, as a result, will they be able to deliver services within the proposed budget in 2018/19. In addition, any overspend in 2017/18 will impact on the Council's level of general reserves moving forward. A net overspend on Service budgets (excluding corporate budgets and capital financing costs) of £3.05m is currently being forecast for 2017/18 and this is an important factor to take into consideration;

- The revised standstill budget for 2018/19 includes savings proposals of £3.315m. If implemented, they will need to be delivered in order to achieve a balanced budget for 2018/19. Allowance has been made, where appropriate, for implementation costs, but there is an element of financial risk around full delivery of all savings, with the risks varying considerably between individual proposals. Realistic part year assumptions have been made where implementation cannot be immediate, but there is an inherent financial risk around achieving changes in time to deliver this type of planned saving;

- An inflationary increase of 2.6% has been allowed for across all of the non pay expenditure (unless the contractual inflationary increase is known). Although most forecasts suggest that inflation has reached its peak and will begin to fall in 2018, the uncertainty over Brexit and its impact on the UK economy may result in inflation continuing to rise above the figure allowed for in the budget;
- Non statutory fees and charges have been raised by an average of 3% in each service. No adjustment has been made for a change in the demand for the services and, should the increase in fees and charges result in a reduction in demand, then there is a risk that income budgets will not be achieved.

**7.2.** 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.

**7.3.** 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.

**7.4.** 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.

**7.5.** As at 31 March 2017, the Council's general reserves stood at £8.355m, which is equivalent to 6.6% of the Council's net revenue budget for 2017/18, 10.2% if the delegated schools' budget is excluded. The level of general reserves held is a matter for the Council to decide based on a recommendation from the Section 151 Officer but, as a general rule of thumb, 5% of the net revenue budget is considered to be an acceptable level. Based on the 2018/19 standstill revenue budget, this would require a level of general reserves of approximately £6.5m. This takes into account that the majority of secondary schools no longer have any reserves to fall back on and that primary schools are increasingly relying on their service reserves to balance their budgets.

**7.6.** During 2017/18, a number of items will have to be funded from the general reserves or the Executive have agreed to fund the cost from the general reserves. These include:-

- Funding of voluntary redundancy costs - £0.25m – approved by the Executive 17 July 2017;
- 2017/18 revenue budget overspend of £1.7m estimate at end of quarter 3;
- The cost of repairs arising from the recent flooding, above the sum which is funded through the Welsh Government's emergency assistance scheme – estimated at £0.4m but we are awaiting final confirmation of the exact value of the Welsh Government grant. If it is lower than anticipated it may require some repair work to be deferred;
- Removal costs of the Rovacabin building and making good the car park - £0.028m – approved by the Executive 29 January 2018;
- Funding the design of improvement works on the A545 Menai Bridge to Beaumaris - £0.095m – approved by the Executive 29 January 2018.

Following these adjustments, the revised level of general balances falls to £5.882m which is below the minimum value of £6.5m.

**7.7.** The Council also holds £13.357m as earmarked and restricted reserves. The majority of these reserves are necessary and are identified to fund specific projects, relate to the balance of unallocated grants or are available to fund potential risks should they materialise into an issue. However, included in the earmarked reserves is £996k which was held to part fund the cost of Equal Pay Claims. The vast majority of claims have been settled and the Welsh Government has authorised the capitalisation of this expenditure, which will allow the Council to borrow to meet the cost. Some work is required to finalise the remainder of the claims and to pay any fees incurred, however, it is likely that that over £700k of this reserve will not be required and can be added to the general balances of the Council. This increases the balance to £6.56m which is at the minimum value.

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

**7.9.** In my professional opinion, the balance of £6.56m is an adequate level of general reserve to carry, taking into account the size of the Council's revenue budget and the potential risks it faces but this position needs to be reviewed and, should the level of reserves fall below this level, it may be necessary to make provision in future budgets to bring the general balances back up to the minimum figure.

**7.10.** There may be scope to release other earmarked reserves and a full report on General and Earmarked Reserves is included as a separate item on the Committee Agenda.

**7.11.** The standstill revenue budget for 2018/19 includes £1.687m of earmarked and general contingencies. Items included under this heading include a general contingency £280k, apprenticeship levy contingency £330k, salary and grading contingency £300k, fixed term funding for Adult Social Care and Children's Services £335k, Pay Inflation contingency £150k and a New Responsibilities transferred into the Settlement contingency £292k. Contingency budgets provide a level of mitigation against the risk of the Council experiencing unforeseen or increased costs during the year. Reducing the level of general contingency budgets would result in unforeseen or increased costs having to be funded from general balances.

## 8. ROBUSTNESS OF ESTIMATES

**8.1.** 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.

**8.2.** 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.

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

- **Inflation Risk –** This is the risk that actual inflation could turn out to be significantly different to the assumption made in the budget. For 2018/19, inflation has been included in the budget as follows: pay awards as per the Employer's pay offer for NJC staff and 2% for Teachers, price inflation (2.6%). Following the result of the EU referendum, inflation has risen and currently stands at 3.1% (CPI – November 2017), although many forecasts expect inflation to begin to fall back towards the Government's 2% target during 2018 and the level of inflation allowed for in the budget should be sufficient. Approximately £65m of the Council's budget is for supplies and services where the price will increase as inflation increases. A 1% rise in inflation may add £650k to the Council's costs (around 0.5% of the net budget). Although inflation is still a risk, the Council has sufficient reserves to fund a sudden and sharp rise in inflation;

- **Interest Rate Risk** - Interest rates affect a single year's revenue budget through the interest earned - i.e. an interest rate rise is beneficial. The Authority's Treasury Management Strategy requires investments to be made on the grounds of security and liquidity of the investment as the first consideration with investment returns being a lower priority, therefore, the budget is not reliant on high investment returns. Interest rates continue to be very low and, although they may begin to rise during 2018, they will not rise significantly. The majority of the interest paid by the Council relate to fixed rate loans which will not change should the interest rate rise. Therefore, the interest rate risk is considered low and, as in previous years, this is a compensating risk for inflation risk, because if one increases the other is likely to increase also;

- **Grants Risk -** These are risks attached to the large number of specific grants from WG, Europe or other bodies which support a good proportion of Council spending. Some of these may be reduced substantially or cut altogether; we do not have a complete picture of all these and we will not even have one as the financial year begins. While the immediate response is to say that when the grant ceases, so must the associated expenditure, there is a risk that this may not always be possible. It may not be possible when contract terms mean the expenditure cannot be cut as quickly as the income, or involves unfunded severance costs. It may not be possible if the activity funded turns out to be so important to the delivery of the Council's own Priorities that the Council decided it must continue the expenditure. Efforts to mitigate this risk are to ensure we have the best information available on each grant, but significant changes during the year cannot be entirely ruled out;

- **Income Risks –** The budget is based on securing an overall 3% increase in fees, and a number of services have assumed rises up to 3%. If the elasticity of demand for Council Services is such that volume falls, and income targets are not achieved, that may cause overspending on net budgets. This will require close monitoring of the net budget position and, if necessary, cutting back on spending to match reduced income;

- **Optimum Risk –** 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. If these projects should run into difficulties and fail to achieve the savings taken out of the budget, significant overspendings could occur;

- **Over-caution Risk –** This is the opposite of optimum risk: the danger that our budgets have been drawn up with too much caution and, so, are more than is required;

- **Savings Risks –** The standstill revenue budget includes £3.315m of revenue savings and, although each proposal has been assessed and the saving sum adjusted to take account of the proposed implementation date, there is a risk that not all proposals will achieve the planned date. This is particularly the case for the proposals that involve significant service transformation, staff redundancies, income generation or changes to existing contracts. Any delay from the planned start date will cause pressure on the revenue budget; some reassurance can be gained from the Council's previous performance in delivering savings, where the majority of savings proposals have been delivered;

- **Salary and Grading Risks –** Following completion of the job evaluation process, all staffing budgets are based on the new pay grades. All regrading appeals arising from the job evaluation process have been dealt with and any changes to pay grades or staffing structures must now be funded from within existing service budgets;

- **Staff Redundancy Costs –** A number of services have restructured their staff and have already allowed a number of staff to be released through voluntary redundancy. The cost of redundancies is funded from a central contingency budget and £300k has been set aside in the 2017/18 standstill budget to cover any redundancy costs that arise during the year in order to mitigate this risk. The same sum was initially set aside in 2017/18 but an additional £250k was released from general balances to meet the costs. Although the numbers of administrative staff that are being released through voluntary redundancy has reduced, the pressure on schools to reduce costs is increasing which is leading to an increase in the number of school staff leaving the Council's employment. It is again a significant risk that the £300k contingency will be insufficient to meet the costs;

- **Council Tax Premium –** In the first year of the premium, the taxbase was set at 70% of the listed properties. During 2017/18; the number of empty homes attracting a premium has fallen but the number of second homes attracting the premium has not. In light of this, the percentage of properties included in the taxbase has been increased to 80%. There is a risk that taxpayers may take action to ensure that they are no longer liable for the premium and that the number of actual properties paying the premium falls below the figure included in the taxbase. However it would require the equivalent of over 500 Band D properties to stop being charged the premium for the Council's income to fall below the budget and, as a result, this risk is considered to be very low.

**8.4.** 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.

## 9. SCRUTINY COMMITTEE

**9.1.** The 2018/19 budget setting was given further consideration by the Corporate Scrutiny Committee at its meeting of 5 February, 2018.

**9.2.** The report of the Scrutiny Manager was presented which outlined the context to the 2018/19 budget setting process along with the key issues and questions for Scrutiny in evaluating the final budget proposals in light of the outcome of the recent public consultation. This report also incorporated the following documentation:

- Report of the Head of Resources on the Medium Term Financial Plan and the proposed revenue budget for 2018/19. It provided a position statement on the key financial considerations which had influenced how the final budget proposals had been shaped.

- Report of the Programme, Business Planning and Performance Manager summarising the key messages from the recent public consultation exercise on the Authority's 2018/19 budget proposals.

- Report of the Citizens' Panel and Youth Council (Llais Ni) on their involvement with regard to improving public engagement with Scrutiny

**9.3.** Having considered and deliberated on the information presented both in written form and orally at the meeting, and having regard to the views presented by respondents to the public consultation on the 2018/19 budget proposals on citizens, the Corporate Scrutiny Committee RESOLVED: To support and to recommend to the Executive at its meeting on 19th February 2018 the revenue budget proposals presented based on a Council tax rise of 5% to include a 1% increase ring-fenced for Social Care.

## 10. PROPOSED BUDGET AND COUNCIL TAX LEVEL

**10.1** Having considered the funding available and the increase in the AEF since the initial budget proposals were drawn up, having considered the results of the consultation process and the response of the Scrutiny Committee, the Executive has revised its final budget proposal and includes the following changes:-

- That the standstill budget for 2018/19, after allowing for £3.315m of proposed savings, is set at £129.373m.

- That the following adjustments are made to the savings proposals:-

  **1.** The reduction in the delegated schools' budget of £563k is not implemented in 2018/19. The budget will be cut by the £490k which was agreed as part of the 2017/18 budget but funded from reserves and schools will also face a reduction of £100k in the additional learning needs budget and a reduction of £275k in the Education Improvement Grant. The Executive Committee consider that an additional cut of £563k will be difficult for schools to implement in the short term.

  **2.** The proposed increase of £10 per annum for the vacant seat scheme will not be implemented at this time. Further work is required to improve the payment process and allow parents more flexibility in how the fee is paid.

  **3.** No reduction is to be made in the level of grant funding for community groups. The impact of the reduction will be significant to the groups affected compared to the overall saving for the Council.

  **4.** The reduction of £100k in the schools repair and maintenance budget is not implemented. The Property Section is working to reduce costs by employing in house staff to undertake the work rather than employing external contractors. The impact of these changes need to be assessed before making any further reductions in the budget.

  **5.** The closure of the 2 kitchens in the Council's residential homes is to be deferred pending further work to determine the set up costs of the proposal.

- This reduces the total value of the savings proposals to £2.522m (a full list is attached as Appendix 3).

- That additional funding to meet budget pressures is allocated as follows:-

1. That the funding generated by a 0.8% increase in Council Tax (i.e. above the initial 4% proposal) is allocated to Children's Services as a contribution towards the increasing costs faced by the Service due to an increase in the number of looked after children. This increases the budget by £268k.

2. £172k is allocated to fund the cost of undertaking Deprivation of Liberty Safeguards in accordance with the Executive Committee's decision on 29 January 2018.

3. £50k is allocated for 2018/19 only to fund the costs of preparing the North Wales Regional Growth bid. The need for further funding will be assessed during 2018/19.

4. £37k is allocated to the STEM project for the period 2018/19 to 2021/22, in accordance with the decision taken by the Executive on 29 January 2018.

5. An additional £180k is allocated to the Waste budget to make up for the reduction in the Single Environment Grant. This sum will be adjusted if the reduction in the grant is less than £180k.

- That the Council Tax is increased by 4.8% in 2018/19 which raises the Band D Council Tax by £52.20 to £1,140.21..

- That any remaining balance required to balance the budget fully is added back to the general contingency.

**10.2** Table 8 below summarises the movement in the 2018/19 budget taking into account the proposals set out in paragraph 10.1 above.

**Table 8**
**Proposed Budget Requirement and Funding 2018/19**

| Budget Requirement | £'m | £'m |
|---|---|---|
| Final Budget 2017/18 | | 126.157 |
| Committed Charges and Inflation | | 6.180 |
| **Standstill Budget as at 6 November 2017** | | **132.337** |
| Adjustments to Standstill Budget – see Table 2 | | 0.348 |
| **Standstill Budget as at 19 February 2018** | | **132.685** |
| Final Possible Savings Proposals – see Table 3 & 4 | | (3.315) |
| **Revised Budget Requirement After Savings** | | **129.370** |
| | | |
| **Final Budget Proposals – paragraph 10.1** | | |
| Adjustment to final savings proposals | 0.793 | |
| Funding for additional budget pressures | 0.707 | |
| | | 1.500 |
| **Final Proposed Budget Requirement** | | **130.870** |
| **Funded By:** | | |
| Revenue Support Grant | 73.238 | |
| Non Domestic Rate | 22.574 | |
| Total AEF | | 95.812 |
| Council Tax (incl Premium) | | 35.133 |
| **Total Funding** | | **130.945** |
| | | |
| **Balance to General Contingency** | | **0.075** |

**10.3.** As part of the 2017/18 budget, £490k of budget savings from the delegated schools budget was deferred for one year, along with the decision as to how to allocate the savings across the three school sectors. The Executive are asked to consider how to allocate the savings. The following allocation options are available:-

- Based on the 2018/19 delegated schools' budget. This would allocate the saving as follows:- £257,640 to the Primary Sector, £212,320 to the Secondary Sector, £20,040 to the Special Sector.
- Based on the level of school balances as at 31 March 2017 (the last known figure). This would allocate the savings as follows:- £399,940 to the Primary Sector, £53,460 to the Secondary Sector, £36,600 to the Special Sector.
- An average of the 2 methods shown above. This would allocate the savings as follows:- £328,790 to the Primary Sector, £132,890 to the Secondary Sector and £28,320 to the Special Sector.
- Allocate all the saving to the Primary Sector, given that the financial situation of a majority of the schools in this sector is healthier than the Secondary Sector.

## 11. EQUALITIES IMPACT ASSESSMENT

**11.1.** 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.

**11.2.** As part of the 2018/19 budget setting process, services were requested to carry out an initial equality impact assessment on those proposals which may impact on those covered by the Regulations. The Equality Impact Assessment is undertaken using a standard template which ensures consistency of approach across the Council. Proposals which are likely to have significant impact will need to be monitored closely by the service.

**11.3.** The Equality Impact Assessments for the main savings proposals that impact on customers and clients are attached as Appendix 5 (referenced as EIA 1 to EIA 10).

## 12. UPDATING THE MEDIUM TERM FINANCIAL STRATEGY

**12.1.** The initial budget proposals to the Executive on 6 November 2017 was based on the Medium Term Financial Strategy approved by the Executive in September 2017 (see Table 1). This estimated that the total AEF would reduce by 2% in 2018/19 and that Council Tax would rise by 4%.

**12.2.** The actual settlement increased the AEF by 0.7% and this has had a significant impact on the Medium Term Financial Strategy. The situation is not unique to Anglesey and a majority of Welsh Councils had planned for a significant cut in the AEF, when the AEF for 13 of the 22 Councils actually increased in cash terms.

**12.3.** Estimating future changes in the AEF is difficult and much will depend on the performance of the UK economy post Brexit. The UK Government has revised their fiscal policy and it is no longer a target to clear the UK budget deficit by 2020 but, if economic growth is lower than anticipated, then this may result in further cuts to the Welsh Government's overall budget. The protection that the Welsh Government gives to other areas of spending compared to local government will also have a significant impact on the level of future local government settlements.

**12.4.** The provisional settlement indicated that the local government settlement in 2019/20 could be reduced by up to -1.5%, although this is not restated in the final settlement. The final settlement does state an additional £20m will be made available in 2019/20 but whether this is after the reduction of 1.5% or that it replaces the intention to reduce the funding by 1.5% is unclear.

Table 9 shows the worst case scenario with significant cuts in the AEF for 2019/20, no change in AEF in 2020/21 and a 0.5% increase in 2020/21. Pay costs are estimated to increase by 3% in 2019/20 and then 2% in the subsequent 2 years. Price inflation is estimated at around 2% in each of the 3 years. This model assumes that Council Tax will increase by 4% per annum.

**Table 9**
**Medium Term Financial Strategy 2019/20 – 2021/22 (Worst Case Scenario)**

| | **2019/20 £'m** | **2020/21 £'m** | **2021/22 £'m** |
|---|---|---|---|
| **Net Revenue Budget B/F (after adjusting for use of reserves)** | **130.95** | **131.26** | **133.11** |
| Budget Pressures and Inflation | 3.25 | 3.31 | 3.27 |
| **Revised Budget** | **134.20** | **134.57** | **136.38** |
| Aggregate External Finance (AEF) | (94.37) | (94.37) | (94.85) |
| Council Tax | (36.89) | (38.74) | (40.67) |
| **Total Funding** | **(131.26)** | **(133.11)** | **(135.52)** |
| | | | |
| **Savings Required** | **2.94** | **1.46** | **0.86** |

**12.5.** Table 10 shows a more optimistic scenario where the AEF increases by 0.5% for the three year period. All other assumptions remain the same.

**Table 10**
**Medium Term Financial Strategy 2019/20 – 2021/22 (Optimistic Scenario)**

| | **2019/20 £'m** | **2020/21 £'m** | **2021/22 £'m** |
|---|---|---|---|
| **Net Revenue Budget B/F (after adjusting for use of reserves)** | **130.95** | **133.18** | **135.51** |
| Budget Pressures and Inflation | 3.25 | 3.31 | 3.26 |
| **Revised Budget** | **134.20** | **136.49** | **138.77** |
| Aggregate External Finance (AEF) | (96.29) | (96.77) | (97.26) |
| Council Tax | (36.89) | (38.74) | (40.67) |
| **Total Funding** | **(133.18)** | **(135.51)** | **(137.93)** |
| | | | |
| **Savings Required** | **1.02** | **0.98** | **0.84** |

**12.6.** An updated Medium Term Financial Strategy will be presented to the Executive as information on future settlements becomes clearer.

## 13. RECOMMENDATIONS

**13.1.** The Executive is recommended to approve the final budget proposal as set out in Paragraph 10 to the full Council meeting on 28 February 2018.

APPENDIX 2

**Response to the Executive Committee's Initial Budget Proposals – 2018/19**

**ISLE OF ANGLESEY COUNTY COUNCIL**

**January 2018**

**Analyst – Alwyn Williams, Performance Analyst**

**Author – Gethin Morgan, Business Planning, Programme and Transformation Manager**

**Head of Service – Scott Rowley, Head of Corporate Transformation**

## 1. *Introduction*

1.1. The Council recently undertook a consultation exercise on the initial budget proposals by the Executive Committee between 7 November and 29 December, 2017. The 7 week consultation period focused on approximately 40 proposals.

1.2. These proposals were the result of the annual budgetary process. They were presented by the services during the autumn where they were also challenged and agreed upon for the purposes of consultation by the Elected Members of every political group in the Council.

1.3. The proposals were split into the following themes as outlined below, namely:

- Cessation or transfer services
- Transform a Service or alternative provision
- General Efficiency Savings
- Charging more for some of the services we provide
- Reduce and rationalise staff numbers
- A reduction in school costs
- What is your view on the proposed 4% increase in Council tax and are you willing to pay an additional 1% to be used to protect social services

1.4. Consideration was given to a broad range of savings where the internal challenge and consensus had led to proposals that varied from matters such as closing Plas Penlan residential home after opening Hafan Cefni, cuts to the culture grants, increasing school bus fees and increasing some parking fees across the Island.

1.5. These proposals were publicised in various ways;

1.5.1. A briefing session for the local press

1.5.2. Statements and articles in the press

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

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

1.5.5. Relevant e-mails drawing attention to, and inviting residents to attend discussions on the proposals

1.5.6. An interview by the Leader on MônFM promoting the consultation and its contents

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

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

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

1.7. As well as the above, the Council held:

- Focus group session for young people under 25 years old in the Council Chamber and further ones in David Hughes, Amlwch, Bodedern, and Holyhead secondary schools
- A session in the Council for a number of partners such as the Police, the Fire Service, Health, Town and Community Councils, 3rd Sector organisations and other agencies.
- A session with the Head teachers and Senior Managers of schools on the Island on 26th October 2017, and subsequently on 17th January, 2018
- A Town and Community Councils Forum on 21st November, 2017

The consultation this year followed the same pattern as similar consultation events that have been held in recent years, but greater emphasis was placed this year on promoting an electronic response through our extensive use of social media.

Also, and contrary to last year, for the first time this year we sought our residents' views on where we could increase our income or make further savings over the years to come. The purpose of this was to spark a discussion with our residents and communities on the issues under consideration.

We have received a wide range of ideas in response to this question and most are included as Appendix A to this report.

**It is recommended** that these ideas are considered further by the Scrutiny Finance Panel as a supplementary part of the current process to see whether they can be accepted as genuine ideas for the years ahead.

## ***2. <u>Findings</u>***

2.1. The response to the initial budget proposals for 18/19 over a period of 7 weeks was fairly positive. Around 700 responses have been received again this year through the various channels outlined above, with respondents using all methods available to them to engage.

2.2. The most successful method of collecting responses again this year was the online survey – around 47% responded through this channel. This is lower than the corresponding percentage last year, but this year saw an increase in the numbers responding via letter and e-mail. These responses related to two particular matters.

2.3. Responses were received from bodies such as town councils, school governing bodies, older people and disabled people, young people, teachers, and other residents that could not be included in any particular group.

2.4. Like last year, we have been able to capture the 'reach' and engagement we made as a Council through social media. By promoting the consultation through these media we reached approximately 57,000+ people. (6,000+ through Welsh-medium posts and 51,000+ people through our English posts).

2.5. We posted the consultation on social media several times over the relevant period (7 weeks).

2.6. The fact that we managed to reach so many does not confirm that they visited the consultation page itself on the web, but the figures undoubtedly show that these numbers were aware of the consultation that was underway.

2.7. Indeed, from the analytical information we have, we can see that the reach of the marketing drive on social media this year has meant a strong engagement with around 1,600 individuals who visited the consultation on our website.

2.8. This figure is reiterated by the numbers who visited our corporate website during the 7 week period, and the geographical origin of those individuals who visited the survey from countries such as –

2.8.1. USA
2.8.2. Spain
2.8.3. UAE
2.8.4. Turkey
2.8.5. South Africa.

2.9. Nonetheless, the majority of visits to our website were by UK citizens (over 1,500).

2.10. Notable this year is the fact that we reached households in the following towns and villages as part of the consultation – Holyhead, Llangefni, Amlwch, Menai Bridge, Newborough, Valley, Gaerwen, Beaumaris, Benllech, Llandegfan, Bodedern, Pentraeth, Gwalchmai, Rhosneigr, Moelfre, Bodorgan, Caergeiliog, Llanfachraeth, Llanddona, Llangoed, Llangristiolus, Llanfaelog, Llanfechell, Aberffraw, Marian-glas.

2.11. This is encouraging to note and if we could use this statistic to assume that the responses received have come from this cross-section, we could say that the response has been cross-county where the views of the various communities have been received.

*3. **The Results of the Consultation***

3.1. The results of the consultation this year have been positive and balanced on the whole, with viewpoints in favour of and against a number of proposals. There were three specific fields where a clear opinion was offered and these fields will become evident as part of this report. (see below)


3.2. As a result, the remainder of this report addresses the formal responses that were received through the various methods outlined in 1.6 and 1.7 above. It is drawn up to address / follow the relevant topics / themes.

3.3. ***Reduction in Schools' costs***. There were 2 recommendations to consider as part of the consultation -

- Maintain the schools' budgets at the same level as 2017/18 by asking the schools to fund the costs of pay awards and inflation from their existing budgets - £563,000

- Devolve more of the maintenance budgets to the schools allowing them to manage repair work - £100,000

The total of the 2 recommendations above was - £663,000.

*3.3.1.* From the responses received it appears that there were two general mind-sets. One mind-set by those who are involved with education regularly (namely teachers / parents and governors) and another by individuals who (seemingly) have no obvious connection with the world of education.

*3.3.2. With regard to the response from those involved with education, it became clear that the first recommendation (1) was completely unacceptable. Points similar to the following were noted–*

- Education should be the number one concern for any authority and should be protected as a priority.
- Absolutely not. Do you not think schools have taken enough of a beating? Have you ever worked as a teacher?......scrap this idea now, unethical and immoral
- This is simply a textbook 'pass the buck' move that will see schools enter a new period of severe crisis. I do not support it.
- The description of a saving for option 1 is misleading for lay people – it is essentially a cut …….we are in a crisis. Facing additional costs is completely impossible. Standards and the nature of the support are already suffering.
- The Schools are stretched as it is……..schools should most definitely not be facing additional costs from their slim budgets.
- The first saving is utterly disgraceful! You may as well close all the schools on Anglesey, shameful!

*3.3.3. But with respect to the positive aspects of the proposals, we received responses similar to the following –*

- ……the schools reduction in cost should be much more radical and there should be a real emphasis on transforming schools across the island, which should extend to secondary schools……
- Both are sensible
- Seems fair perhaps more PTA's could encourage parents to volunteer their time to help with school repairs (depending on their skills)
- Hardly anyone is getting pay awards these days so the school budget should be maintained at existing levels. The school service isn't improving therefore it's only natural that pay awards should be frozen……

3.3.4. Therefore roughly, while some are against such a change / reduction, there are some who are also in favour. With regard to the response from young people, it was obvious that there was a feeling of frustration – many of the focus groups recognised that schools were not being treated fairly, that the existing budgets should not be cut, and an example was put forward by one group that they had had to paint the school on weekends in the past. It was noted that investment was needed in technology in secondary schools, not cuts.

3.3.5. As you will realise, this is not a black and white matter and it appears from the replies that the response is fairly wide-ranging.

3.3.6. With regard to the second point and the recommendation to devolve more money to the schools – this was also an issue that drew frank responses and differing opinions. Please note at this point that this recommendation was made jointly between the Authority and the Schools Finance Panel which includes Head teachers.

3.3.7. We received responses such as these –

- If there is money in the budget for repairs etc then I agree with pt 2
- Agree with more devolution ……to the schools since we can obtain fairer prices that are not inflated because the companies know that it is the Council paying
- This may have merit, but only where schools are genuinely free to choose the contractors / materials that meet best-value criteria…….
- This sounds good but would be totally ineffective as the schools do not have the in-house skills to do this task properly.
- Could would – with parents from schools communities fundraising for repairs.
- Devolution would be abdication of responsibility……as a Head teacher I work over 60 hours…..will there be more funding for us to employ business managers??
- Use Education and school reserves for maintenance, surely that's what it's there for?
- If you are of the view that £100,000 can be saved by devolving the maintenance funding to schools in one year, there has been gross maladministration for years…..

3.3.8. In addition to what has already been noted, we note as well that the Authority has received a letter from the Anglesey region of the National Education Union. The response states and reminds us of our responsibilities to implement a salary increase for teachers and it draws attention to the fact / tension that some schools will be in a stronger position than others to do this as part of the discussions. They draw attention to wider points in the budget papers which recognise those responsibilities and they also highlight the point that if investment can be provided to those schools that might be in financial difficulties to be able to deal with the matter, then they may feel that they could support the saving.

3.3.9. Therefore, to close on the proposal on schools' costs, it seems that there is an obvious split with some in favour and some against. The discussion above demonstrates some of those tensions.

3.4. **Reduce Staff numbers** – 6 proposals were being recommended and they varied from

- combining posts in the different departments to create one post,
- reducing the number of posts in the Property department, to
- eliminating posts completely in the Resources and Transformation services

3.4.1. This reduction gave a total of £347,000

3.4.2. The responses to this theme were more positive than the rest, with perhaps greater emphasis being placed on agreement with the cuts rather than disagreement, although some questioned the impact of such changes.

3.4.3. Responses such as the following were received –

- Very surprised that there are not substantially more opps for staff reductions
- If the Council is to be run as a business, all the above must be implemented
- This makes economic sense as if posts are not filled they why do we need the specific role
- Certainly manager posts should be amalgamated and salaries capped.

3.4.4. Despite this positive response, there was a feeling that there is a need to monitor the pressure on staff who had to take on the additional burden / questioned whether such a reduction was short-sighted' especially in Highways / Planning bearing in mind the additional pressures that will come our way with the Wylfa developments etc., and questioned whether specific financial targets could be given to some to enable an increase in income and the continuation of specific posts.

3.5. **The next theme is charging more for some of the services we provide** – 9 recommendations were proposed and they varied from –

- Increasing income for Oriel Môn by focusing more on marketing it
- Increase bus fees by 10% (£12) for bus passes and the empty seats scheme
- Increase some parking fees across the Island
- Increase the price of the morning childcare club from 75p to £1

3.5.1. This theme gave a total of £142,000 and the response was more balanced than what had been anticipated originally, although many conveyed frustration. We received responses that were similar to the following –

- Value for money should be considered if intending to increase fees
- Proposals seem fair and wouldn't overtly affect my family
- These proposals seem very unfair to the poor
- I believe that the cost of secondary transport is already expensive. Young people who go to their catchment school and live within 3 miles of their school should not be penalised.

3.5.2. Despite this, some noted that the increase in bus fees was not fair and this feeling was acknowledged in the various meetings that were held as part of the process this year. This increase did not come across as sparking strong feelings in those forums but it was acknowledged that families would fight back against such an increase should it be realised, and that this should be expected if the Executive Committee / Council agreed to the proposal.

3.5.3. This view was reflected by the young people as well, and this group noted that the service is not currently 'up to scratch' – they felt that the buses were old, were often running late, and neither the school nor the drivers had an understanding of how this affected them if they were late. However, a small group of these young people saw that there may be advantages to using direct debit to pay the cost so that the cost was spread out over the year rather than having to make one large payment. The general feeling at present was that the process is not being managed or monitored effectively enough.

3.5.4. In addition to this, there was some dissatisfaction with the idea of increasing parking fees across the Island as people felt that this would kill our towns and would make it difficult for many to be able to visit the towns regularly. There was a minority view as well which acknowledged that parking prices on Anglesey did not correspond to those in other tourism areas around the United Kingdom and that the prices should be increased to correspond with those prices.

3.6. **General Efficiency Savings** is the next theme which includes 5 proposals with a value of £1,135,000.

3.6.1. This theme drew a different response to the previous ones where the responses were quite balance and two-sided.

3.6.2. Indeed, the response to this theme was quite firm against the proposal of further cuts to culture grants which would affect organisations such as Ucheldre, area newspapers and Cwmni'r Frân Wen.

3.6.3. There were many responses to this, almost a hundred (100) e-mails were received over the Christmas period rejecting this proposal, and several noted the importance of these grants to the culture of the area and our language and the need to not only protect them but also to take advantage of opportunities to increase them.

3.6.4. The youth groups acknowledged that such a cut would impact on the older generation.

3.6.5. Feelings have been so clear against this proposal that the Leader has replied on e-mail to most of the respondents to inform them of the next steps, and the fact that the Scrutiny Committee, as well as the Executive Committee, will be discussing the matter before a decision will be made by the full Council at the end of February.

3.6.6. There isn't a strong feeling for or against the remaining proposals but it was encouraging to hear from the partnerships focus group that there should be further opportunities to collaborate on associated matters which would consequently benefit the Council and other organisations.

3.7. **Service Transformation or change of provision** was a theme which attracted a number of responses objecting to one of the relevant proposals.

3.7.1. The proposals under this theme varied from employing an in-house plumber to reducing subcontractor costs, to reducing the budget for street lighting maintenance costs, to improving the management of and making more effective use of various functions together with collaboration with the current music providers so as to provide lessons in a way that would reduce the management costs.

3.7.2. The total proposed savings here was - £326,000.

3.7.3. The responses to most of the proposals in question here were also well-balanced with many supportive while others questioned them more. For example, partners acknowledged that it was a good idea to highlight the aim and the need to ensure that more clients are able to stay in their own homes, but in making these decisions it should be analysed what impact this aim would have on Health and the emergency services.

3.7.4. Most, if not all of the responses, agreed with the aspiration to reduce the street lighting costs, with many identifying further ideas in terms of how we could make further savings in this field.

3.7.5. The element of improving the management and making more efficient use of beach wardens was also acknowledged as an area where we could collaborate further with other organisations for everyone's benefit. Natural Resources Wales's willingness to partake in this discussion regarding partnership working was noted.

3.7.6. The one proposal that stood out from those proposed under this theme was the proposal with regard to changing the current music provision in order to reduce management costs. A large number of responses (around 100) were received objecting to this proposal, and the greatest concern in each of the responses was the uncertainty regarding the impact this change would have on the provision for the children of the island. Correspondence was received from parents, the Gwynedd and Anglesey Schools Music Service, and young people who had benefitted from the provision in the past.

3.7.7. It appears from this response that the Council has a lot of work to do if we are to continue with this change and convince the associated individuals and organisations of our aim to ensure that such a change will not lead to an adverse impact on the provision.

**3.8.** ***Cessation or Transfer of Services –*** this theme included 6 proposals that varied from closing Plas Penlan Home, to no longer attending the Anglesey County Show, to reducing public transport costs and transferring public toilets to others to run.

3.8.1. The total proposed savings here as they stand are - £276,000.

3.8.2. There was a fairly positive response to these savings and the responses agreed with most of them.

3.8.3. The one area where concerns were raised was the proposal for transferring public toilets to others – several noted that it is essential that these are kept open and that charging for their use could be one way of doing this. The general feeling noted (by everyone including young people) with regard to this proposal is how important these facilities are to us as a tourism destination.

3.8.4. The proposal with regard to ending the Council's attendance at the Anglesey Show drew a balanced response, with some noting that it is a good idea and should have been done a long time ago, whilst others noted that it is important that the Council has a strong presence in the Show every year.

***3.9. Council Tax – a further 4% increase or an additional 1% for protecting social services***

*3.9.1.* As part of the consultation this year, the residents were asked whether they would be happy or willing to see a 4% increase in their Council tax charges and if they were willing, would they be happy to see an additional increase of 1% for the purposes of protecting social services.

*3.9.2.* The response to this question was to be expected, with the majority (72%) against the 4% increase on the basis that living costs are already tough and that any increase in associated costs would make it very difficult for them in their day to day lives. The response also questioned the basis for the increase and what would they receive as a service that is different or new compared to the service they currently receive.

*3.9.3.* Whilst this response was expected, around 28% of the responses noted that they would be happy with the increase and would see it as beneficial if it meant that services were protected. The Llanfairpwll Community Council agreed with this stance.

## *4. Final Conclusion*

*4.1.* To close therefore, it seems from the responses to the types of savings proposed in respect of the 2018/19 budget, that there is an obvious balance, with some respondents against and some in favour. The above demonstrates some of these tensions and identifies the three most controversial areas, which are:

*4.1.1.1. A Council tax increase*
*4.1.1.2. A change in the Music provision*
*4.1.1.3. A reduction in the cultural grants*

*4.1.2.* It is also noted here the feeling of frustration felt by the young students towards the proposal of maintaining school costs at the same rate as last year which will mean that schools will have to shoulder the increased costs of £563,000. This is noted in the conclusion on the basis that it is one of the largest saving proposals identified as part of the consultation.

***4.1.3.*** **Based on these conclusions, it is recommended that the Scrutiny Committee and Executive Committee consider the response as part of their discussions before making final recommendations, and that the Corporate Scrutiny Committee's Finance Panel considers further the areas of savings that have been proposed by our citizens as the first part of the process for setting the 2019/20 budget.**

**Appendix 3a**

**2018 / 19 Revenue Budget Savings to be Implemented**

| Service | Budget | Savings Proposal | Equality Impact Assessment Reference | Savings to be Implemented £ |
|---|---|---|---|---|
| Highways, Waste & Property | Administration & Works Staffing | Reduce staffing within the Highways Service as posts become vacant. | Not Required | 116 |
| Highways, Waste & Property | Public Transport : Contract Costs | Reduce public transport costs by removing one service between Beaumaris & Bangor. | EIA1 | 15 |
| Highways, Waste & Property | Car Parks : Income | Increase the car park fee at Llanfair PG Park & Ride from 20p per day to 50p per day. | Not Required | 5 |
| Highways, Waste & Property | Street Lighting : Maintenance | Reduce the street lighting repairs and maintenance budget as a result of the increased investment in LED lighting. | Not Required | 20 |
| Highways, Waste & Property | Fleet : Transport | Reduce vehicle / transport costs through the increased use of electric and LPG vehicles and by making greater use of contract hire vehicles. | Not Required | 40 |
| Highways, Waste & Property | Smallholdings : Income | Increase the income from the Smallholdings estate by changing the tenancy agreement for new tenants. | Not Required | 25 |
| Highways, Waste & Property | Admin Buildings : Supplies & Services | Reduce cleaning material costs across Council buildings. | Not Required | 25 |
| Highways, Waste & Property | Industrial Unit : Rents | Increase the income from the Council's Industrial Units when renewing contracts and lease agreements. | Not Required | 35 |
| Highways, Waste & Property | Admin Buildings : Repairs & Maintenance | Employ an in-house plumber to undertake routine maintenance work instead of using sub-contractors. | Not Required | 20 |
| Highways, Waste & Property | Property Administration : Staffing | Reduce staffing within the Property Service. | Not Required | 35 |
| Highways, Waste & Property | Public Conveniences : Running Costs | Transfer public conveniences to other organisations. | Not Required | 30 |
| **Total for Highways, Waste & Property** | | | | **366** |

**Appendix 3a**

**2018 / 19 Revenue Budget Savings to be Implemented**

| Service | Budget | Savings Proposal | Equality Impact Assessment Reference | Savings to be Implemented £ |
|---|---|---|---|---|
| Adult Services | Residential Care : Running Costs / Contract Payments | Following the opening of the Hafan Cefni Extra Care scheme, close Plas Penlan. Savings generated from both the closure of the home and the fact that residents who would previously have been placed in a residential / nursing home are placed at Hafan Cefni where the care cost per head is lower. | EIA2 | 190 |
| Adult Services | Client Care : Contract payments | Increase the number of clients purchasing care via direct payments by 10 clients. | Not Required | 30 |
| Adult Services | Residential Care : Contract Payments | Change the service provision with the aim of allowing more clients to be supported in their own homes or in extra care provision rather than being placed into residential care. | EIA3 | 92 |
| Adult Services | Homecare : Contract Payments | Manage the demand for homecare service by promoting greater community and personal support networks to enable people to remain independent. Aim of reducing the overall care hours by %. | EIA4 | 38 |
| **Total for Adult Services** | | | | **350** |
| Learning & Culture | Oriel Ynys Môn : Income | Increase the Oriel Ynys Môn income through a greater emphasis on marketing. | Not Required | 15 |
| Learning & Culture | Central Education : Contract Payments | Reduce the management costs for the music tuition service by reviewing the commissioning arrangements in cooperation with current tutors whilst maintaining the current service to children. | EIA6 | 79 |
| Learning & Culture | Central Education : Staffing | Reduce central staffing costs within the Learning Service. | Not Required | 30 |
| Learning & Culture | Libraries : Running Costs | Transform the Library Service – reduction in part time libraries. | Not Required | 48 |
| Learning & Culture | Delegated Schools Budget : Grounds Maintenance | Retender the schools' grass cutting contracts into smaller lots in order to obtain lower prices by April 2018. | Not Required | 50 |
| Learning & Culture | Central Education : Income | Increase the fee for the Morning Care Club from £0.75 to £1.00. | EIA9 | 15 |

Appendix 3a

## 2018 / 19 Revenue Budget Savings to be Implemented

| Service | Budget | Savings Proposal | Equality Impact Assessment Reference | Savings to be Implemented £ |
|---|---|---|---|---|
| Learning & Culture | Central Education : Staffing | Incorporate two separate roles within the Learning Service into one post. | Not Required | 21 |
| Learning & Culture | Delegated Schools Budget : ALN Budget | Reduce the ALN budget delegated to schools through the formula. | EIA10 | 100 |
| **Total for Learning & Culture** | | | | **358** |
| Regulation and Economic Development | Holyhead Leisure Centre : Income | Outsource the café at Holyhead Leisure Centre | Not Required | 5 |
| Regulation and Economic Development | Maritime : Staffing | Improve the management and effectiveness of the Beach Wardens and Slipway Attendants. | Not Required | 20 |
| Regulation and Economic Development | Public Protection : Income | Increase income budgets for Public Protection as a result of changes to legislation. | Not Required | 18 |
| Regulation and Economic Development | Public Protection : Supplies and Services | General efficiency savings on expenditure budgets. | Not Required | 12 |
| Regulation and Economic Development | Planning, Public Protection & Economic Development : Staffing | Rationalise capacity within Planning, JPPU, Public Protection and Economic Development. | Not Required | 70 |
| **Total Regulation and Economic Development** | | | | **125** |
| Housing Services | Housing : Income | Review the staffing costs paid by the HRA. | Not Required | 10 |
| Housing Services | Housing : Income | Increase the fee for EPC work. | Not Required | 4 |
| Housing Services | Housing : Income | Increase the fee charged to Housing Associations for administering nominations. | Not Required | 4 |
| Housing Services | Housing : Income | Charge a management fee on any grants received by the Service for any statutory activities. | Not Required | 5 |
| **Total for Housing Services** | | | | **23** |
| Resources | Internal Audit : Staffing | Delete the Counter Fraud Officer Post. | Not Required | 24 |
| **Total For Resources** | | | | **24** |
| Transformation | Communications : Supplies & Services | Reduce the costs of having a presence at the Anglesey Show. | Not Required | 2 |

Appendix 3a

## 2018 / 19 Revenue Budget Savings to be Implemented

| Service | Budget | Savings Proposal | Equality Impact Assessment Reference | Savings to be Implemented £ |
|---|---|---|---|---|
| Transformation | Communications : Income | Generate income by selling advertising space on the Council's website | Not Required | 6 |
| Transformation | Performance : Staffing | Delete vacant post from the establishment. | Not Required | 21 |
| Transformation | IT : Consultancy | Reduce IT consultancy costs. | Not Required | 5 |
| Transformation | HR : Training | Reduce management training budget. | Not Required | 3 |
| Transformation | HR : Travelling | Reduce HR travelling allowances budget. | Not Required | 2 |
| Transformation | HR : Income | Generate additional income by providing HR consultancy | Not Required | 1 |
| **Total For Transformation** | | | | **40** |
| Corporate | Corporate Management : Staffing | Remove Surplus Budget. | Not Required | 45 |
| Corporate | Anglesey / Gwynedd Partnership : Contribution | Remove Surplus Budget. | Not Required | 60 |
| Corporate | Risk Management : Supplies & Services | Remove Surplus Budget. | Not Required | 31 |
| Corporate | Corporate & Democratic : Pension Costs | Reduce budget to reflect a reduction in the number of pensioners. | Not Required | 100 |
| Corporate | Capital Financing : MRP | Review the MRP policy. | Not Required | 1,000 |
| **Total For Corporate** | | | | **1,236** |
| | | | | |
| **TOTAL SAVINGS PROPOSALS** | | | | **2,522** |

Appendix 3b

## 2018 / 19 Revenue Budget Savings Not to be Implemented

| Service | Budget | Savings Proposal | Equality Impact Assessment Reference | Savings to be Implemented £ |
|---|---|---|---|---|
| Adult Services | Catering : Running Costs | Cater for the residential homes from 2 kitchens with the long term aim of reducing down to 1 kitchen. | EIA5 | 100 |
| Learning & Culture | Culture : Grants | Further reductions in the level of culture grants to organisations such as Canolfan Ucheldre, Cwmni Frân Wen and community newspapers. | EIA7 | 20 |
| Learning & Culture | School Transport : Income | Increase the fee for bus passes under the Vacant Seat Scheme by 10% (£12) for bus journeys within 3 miles of secondary schools and 2 miles of primary schools. | EIA8 | 10 |
| Learning & Culture | Delegated Schools Budgets | Maintain the school budget at the 2017/18 level by requiring schools to fund the cost of pay awards and inflation from existing budgets. | EIA10 | 563 |
| Learning & Culture | School Buildings : Repairs & Maintenance | Delegate more of the budget to schools and allow the schools to procure their own repairs and maintenance work. | Not Required | 100 |
| | | | | |
| **TOTAL OF SAVINGS NOT IMPLEMENTED** | | | | **793** |

FINAL BUDGET PROPOSAL 2018/19 BY SERVICE

APPENDIX 4

| | Standstill Budget Following Provisional Settlement | Adjustment to Standstill | Savings | Budget Pressures | Final Proposed Budget 2017/18 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Education and Culture | 48,969,980 | (28,300) | (358,000) | - | 48,583,680 |
| Adult Services | 24,962,080 | (212,870) | (350,000) | 172,000 | 24,571,210 |
| Children's Services | 8,224,270 | (64,290) | - | - | 8,159,980 |
| Housing Services | 1,006,120 | (62,610) | (23,000) | - | 920,510 |
| Highways, Waste and Property | 14,958,530 | (124,320) | (366,000) | 180,000 | 14,648,210 |
| Economic and Community Regeneration | 3,974,270 | (153,050) | (125,000) | - | 3,696,220 |
| Corporate Transformation | 3,920,840 | 643,850 | (100,000) | - | 4,464,690 |
| Resources (incl. Benefits Granted) | 2,945,957 | (215,610) | (24,000) | - | 2,706,347 |
| Council Business | 1,547,100 | (52,140) | - | - | 1,494,960 |
| Corporate Management | 729,300 | (27,510) | (45,000) | - | 656,790 |
| **Total Service Budgets** | **111,238,447** | **(296,850)** | **(1,391,000)** | **352,000** | **109,902,597** |
| Corporate and Democratic Costs | 1,945,830 | 1,273,740 | (131,000) | - | 3,088,570 |
| Recharges to HRA | (621,950) | - | - | - | (621,950) |
| Levies | 3,378,031 | (17,704) | - | - | 3,360,327 |
| Capital Financing | 8,511,462 | - | (1,000,000) | - | 7,511,462 |
| Discretionary Rate Relief | 60,000 | - | - | - | 60,000 |
| Council Tax Reduction Scheme | 5,524,000 | - | - | - | 5,524,000 |
| Total Allocated Budgets | 130,035,820 | 959,186 | (2,522,000) | 352,000 | 128,825,006 |
| General & Other Contingencies | 2,301,278 | (610,978) | - | 87,500 | 1,777,800 |
| Children’s Services Contingency | - | - | - | 267,853 | 267,853 |
| **Total Budget 2018/19** | **132,337,098** | **348,208** | **(2,522,000)** | **707,353** | **130,870,659** |
| **Funded By** | | | | | |
| Revenue Support Grant | 72,306,940 | 930,698 | - | - | 73,237,638 |
| Non Domestic Rates | 22,617,197 | (42,998) | - | - | 22,574,199 |
| Council Tax Inc. Council Tax Premium | 35,202,173 | (336,651) | - | 267,853 | 35,133,375 |
| Council Reserves | - | - | - | - | - |
| **Total Funding** | **130,126,310** | **551,049** | **-** | **267,853** | **130,945,212** |
| **Balance to General Contingency** | | | | | **74,553** |

Isle of Anglesey County Council – **Budget Proposals 2018/19 Impact Assessment Template**

| **Revision history:**<br>**Version** | **Date** | **Summary of changes** |
|---|---|---|
| | | |
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| | | |

| **Step 1: The Proposal and Associated Risks** | |
|---|---|
| **1 - What is the budget proposal you are assessing?** | Cut an entire bus journey operating from Monday to Saturday (0713 journey from Amlwch to Llangefni – service 32). Not operate the following journeys on Saturdays: 1234 from Llannerch-y-medd to Bangor, 1418 from Bangor to Llannerch-y-medd, 1532 from Carmel to Bangor and 1640 from Bangor to Rhos-y-bol (service 63). |
| **2 - Who is the lead Officer responsible for the proposal?** | Iwan Cadwaladr |
| **3 – Is this a new proposal or one that's been previously considered?** | New proposal. |
| **4 – Which group of stakeholders will be effected by this proposal?** | Bus passengers will be effected by this proposal. |
| **5 – How will this group of stakeholders be effected?** | The above journeys will not be available to passengers. |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| **6 – Are you aware of any other proposal which could affect this group?** | Not aware of any other proposal. |
| **7 – Are there any risks associated with this proposal?** | The regular passengers on the journeys in question will no longer be able to use them. |
| **8 – Would there be any associated risks if a decision was taken to agree to the proposal**<br><br>**e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims. | Not aware. |
| **9. Do you anticipate a further consultation exercise will need to be undertaken (i.e. in addition to the corporate one) before implementing the decision** | Do not anticipate that a further consultation exercise will be required. |

| Step 2: Assessment Result | |
|---|---|
| **10 – Can you note the main effects and how you would mitigate against the negative effects (**i.e. summary of table above) | By cutting the journeys in question it would result in the regular passengers being affected. Due to a reduction in the number of vehicles operating contract 53D (operating Bangor – Beaumaris – Bangor) and due to this a substantial reduction in price there is no need to proceed with the decision to cut the 5 journeys in question. |
| **11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?** | No need to cut the 5 journeys in question. The changes to the journeys operating under contract 53D (operating Bangor – Beaumaris – Bamgor) have taken place since Monday 9th October 2017. |
| **12 – Is there a need to re-consider this proposal as a result of undertaking this impact assessment?**<br><br>(this assessment could provide evidence that the proposal is illegal. If you have identified such impact then consideration should be taken as to whether to continue with the proposal at this time) | No need to proceed with the decision to cut the 5 journeys in question due to the changes to the journeys operating under contract 53D (operating Bangor – Beaumaris – Bangor). |

## Step 5: Action Plan

Please detail any actions that are planned following completion of your assessment. You should include any changes that have been made to reduce or eliminate the effects of potential or actual negative impact, as well as any arrangements to collect data or to carry out further research.

| Ref | Proposed actions | Lead officer | Timescale |
| --- | --- | --- | --- |
| | | | |
| | | | |
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Isle of Anglesey County Council – **Budget Proposals 2018/19 Impact Assessment Template**

| **Revision history:**<br>**Version** | **Date** | **Summary of changes** |
|---|---|---|
| 1 | 29.01.18 | Original |
| | | |
| | | |

| **Step 1: The Proposal and Associated Risks** | |
|---|---|
| **1 - What is the budget proposal you are assessing?** | Extra Care Housing Development in Llangefni – Hafan Cefni which changes the current existing provision and increases the opportunities for people to have care in their own housing or extra care housing |
| **2 - Who is the lead Officer responsible for the proposal?** | Alwyn Rhys Jones |
| **3 – Is this a new proposal or one that's been previously considered?** | New |
| **4 – Which group of stakeholders will be effected by this proposal?** | Internal Stakeholders<br>Staff IOACC (such as Social workers, Housing Officers, Occupational Therapists etc)<br>Staff of Pennaf Group<br>Plas Penlan Staff<br>Local Elected Members<br><br>External Stakeholders:<br>Plas Penlan residents and families / carers |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| | Service Users from the local area<br>Families / Carers of Service Users<br>Service Providers and Care workers who will manage the dom care support services<br>Health Professional (GP’s, Nurses, Physiotherapists, Ot’s etc) |
| **5 – How will this group of stakeholders be effected?** | This group of people will be affected by the change as there will be an opportunity for some to move directly to Hafan Cefni / others will be affected by changing local provision locally / families will have to deal with the change and staff and service providers will have to cope with new arrangements |
| **6 – Are you aware of any other proposal which could affect this group?** | No |
| **7 – Are there any risks associated with this proposal?** | Risk of people reluctant to change their current lifestyle with increased anxiety levels when changing<br>Risk that the replacement model of the new provision (Hafan Cefni) has an impact on the savings if not appropriately filled |
| **8 – Would there be any associated risks if a decision was taken to agree to the proposal**<br><br>**e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause | Risk of increasing demand on support services (health a.s.o) – i.e. greater demand in the community as more people can live independently |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| greater number of insurance claims. | |
| **9. Do you anticipate a further consultation exercise will need to be undertaken (i.e. in addition to the corporate one) before implementing the decision** | No, comprehensive consultation has already taken place and promotional events of the new provision at work have been taking place regularly. |

| Step 2: Assessment Result | |
|---|---|
| **10 – Can you note the main effects and how you would mitigate against the negative effects (**i.e. summary of table above) | The main effect of the change is that individuals can continue to live independently in a coherent way without the public sector's intervention.<br><br>In terms of the risks we will -<br>• continue regular discussions with Pennaf regarding the expectations of completing the new provision<br>• Continue to handle and discuss issues relating to change in provision with the relevant individuals and their families<br>• Inform the local Elected Member of the change and what is being done to manage the requirement<br>• Work more closely with the Health Board and communities to enable individuals to receive the necessary community support e.g. community hubs etc |
| | |

| | |
|---|---|
| **11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?** | This change matches the expectations of the new wellbeing acts |
| **12 – Is there a need to re-consider this proposal as a result of undertaking this impact assessment?**<br><br>(this assessment could provide evidence that the proposal is illegal. If you have identified such impact then consideration should be taken as to whether to continue with the proposal at this time) | No |



## Step 5: Action Plan

Please detail any actions that are planned following completion of your assessment. You should include any changes that have been made to reduce or eliminate the effects of potential or actual negative impact, as well as any arrangements to collect data or to carry out further research.

| Ref | Proposed actions | Lead officer | Timescale |
|---|---|---|---|
| | | | |
| | | | |
| | | | |

# Isle of Anglesey County Council – **Budget Proposals 2018/19 Impact Assessment Template**

| **Revision history:** Version | Date | Summary of changes |
|---|---|---|
| 1 | 30.01.18 | Original |
| | | |
| | | |

| **Step 1: The Proposal and Associated Risks** | |
|---|---|
| **1 - What is the budget proposal you are assessing?** | Change the service provision with the aim of ensuring that more clients can stay in their own homes or our placed in extra care homes rather than being placed in residential homes |
| **2 - Who is the lead Officer responsible for the proposal?** | Alwyn Rhys Jones |
| **3 – Is this a new proposal or one that's been previously considered?** | The proposal is a new proposal for Isle of Anglesey County Council but the service delivery model proposed is consistent with the implementation of the Socail Services and Wellbeing Act |
| **4 – Which group of stakeholders will be effected by this proposal?** | Older People<br>Individuals with disabilities |
| **5 – How will this group of stakeholders be effected?** | In the majority of cases we will be delivering the change when dealing with new cases that come to our attention. As a result the majority of individuals will not see a definite change but the individual's experience when coming into contact with the service will change |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| | The results for individuals will be that it is more likely to offer reablement service or support and support and signposting to community resources, a placement in an extra care home and not long term placement in a residential home |
| **6 – Are you aware of any other proposal which could affect this group?** | Attempting to reduce the number of people in residential care and supporting them to live independently in the community or in extra care homes |
| **7 – Are there any risks associated with this proposal?** | A risk of an increase in the number of older people will reduce the effect of this change in approach<br><br>There is a risk that communities and families cannot offer the level of support required to make this succeed |
| **8 – Would there be any associated risks if a decision was taken to agree to the proposal**<br><br>**e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims. | A risk of an increase in the demand for support services i.e. more demand for services in the community as more people can live independently |

| **Step 1: The Proposal and Associated Risks** | |
|---|---|
| 9. Do you anticipate a further consultation exercise will need to be undertaken (i.e. in addition to the corporate one) before implementing the decision | No but there will be a need to ensure that our assessment processes meet the statutory requirements |



| **Step 2: Assessment Result** | |
|---|---|
| **10 – Can you note the main effects and how you would mitigate against the negative effects (**i.e. summary of table above) | Change in the service offered to the public<br><br>By ensuring a consistent and fair response we will mitigate the associated risks |
| **11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?** | This change is in line with the requirements of the new wellbeing act |
| **12 – Is there a need to re-consider this proposal as a result of undertaking this impact assessment?** | No |

| | |
|---|---|
| (this assessment could provide evidence that the proposal is illegal. If you have identified such impact then consideration should be taken as to whether to continue with the proposal at this time) | |

## Step 5: Action Plan

Please detail any actions that are planned following completion of your assessment. You should include any changes that have been made to reduce or eliminate the effects of potential or actual negative impact, as well as any arrangements to collect data or to carry out further research.

| Ref | Proposed actions | Lead officer | Timescale |
|---|---|---|---|
| | | | |
| | | | |
| | | | |

# Isle of Anglesey County Council – **Budget Proposals 2018/19 Impact Assessment Template**

| **Revision history:**<br>**Version** | **Date** | **Summary of changes** |
|---|---|---|
| 1 | 30.01.18 | Original |
| | | |
| | | |

| **Step 1: The Proposal and Associated Risks** | |
|---|---|
| **1 - What is the budget proposal you are assessing?** | Manage the demand for homecare by encouraging community participation and network of individuals to support clients to remain independent<br><br>Our homecare service currently offered is a significant part of the current service provision offered by social services. Gradually over time we are trying to change the service offered to give a stronger focus on “what is important to the individual” which is considered in their personal assessment. It is recognising this change which this proposal does |
| **2 - Who is the lead Officer responsible for the proposal?** | Alwyn Rhys Jones |
| **3 – Is this a new proposal or one that’s been previously considered?** | The proposal is a new proposal for Isle of Anglesey County Council but the service delivery model proposed is consistent with the implementation of the Socail Services and Wellbeing Act |
| **4 – Which group of stakeholders will be effected by this proposal?** | Older People<br>Individuals with disabilities |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| **5 – How will this group of stakeholders be effected?** | In the majority of cases we will be delivering the change when dealing with new cases that come to our attention. As a result the majority of individuals will not see a definite change but the individual's experience when coming into contact with the service will change<br><br>The results for individuals will be that it is more likely to offer reablement service or support and support and signposting to community resources and not long term service provision |
| **6 – Are you aware of any other proposal which could affect this group?** | Attempting to reduce the number of people in residential care and supporting them to live independently in the community or in extra care homes |
| **7 – Are there any risks associated with this proposal?** | A risk of an increase in the number of older people will reduce the effect of this change in approach<br><br>There is a risk that communities and families cannot offer the level of support required to make this succeed |
| **8 – Would there be any associated risks if a decision was taken to agree to the proposal**<br><br>**e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims. | No – none more than those already identified |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| 9. Do you anticipate a further consultation exercise will need to be undertaken (i.e. in addition to the corporate one) before implementing the decision | No but there will be a need to ensure that our assessment processes meet the statutory requirements |



| Step 2: Assessment Result | |
|---|---|
| **10 – Can you note the main effects and how you would mitigate against the negative effects (**i.e. summary of table above) | Change in the service offered to the public<br><br>By ensuring a consistent and fair response we will mitigate the associated risks |
| **11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?** | No |
| **12 – Is there a need to re-consider this proposal as a result of undertaking this impact assessment?** | No |

| | |
|---|---|
| (this assessment could provide evidence that the proposal is illegal. If you have identified such impact then consideration should be taken as to whether to continue with the proposal at this time) | |

## Step 5: Action Plan

Please detail any actions that are planned following completion of your assessment. You should include any changes that have been made to reduce or eliminate the effects of potential or actual negative impact, as well as any arrangements to collect data or to carry out further research.

| Ref | Proposed actions | Lead officer | Timescale |
|---|---|---|---|
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Isle of Anglesey County Council – **Budget Proposals 2018/19 Impact Assessment Template**

| **Revision history:**<br>**Version** | **Date** | **Summary of changes** |
|---|---|---|
| 1 | 29.01.18 | Original |
| | | |
| | | |

| **Step 1: The Proposal and Associated Risks** | |
|---|---|
| **1 - What is the budget proposal you are assessing?** | Reduce the number of kitchens that prepare meals for the residents of the County Council's internal care homes to 2 or 3 |
| **2 - Who is the lead Officer responsible for the proposal?** | Alwyn Rhys Jones |
| **3 – Is this a new proposal or one that's been previously considered?** | The changes were considered last year. This is a more definite proposal and reduces the number of kitchens to 2 or 3 |
| **4 – Which group of stakeholders will be effected by this proposal?** | Older People<br>Officers and staff of the Council |
| **5 – How will this group of stakeholders be effected?** | Older People – The meals that will be prepared to the homes will come from either 2 or 3 kitchens, with the meals being transported<br><br>Staff – A reduction in the number of staff required to support catering |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| **6 – Are you aware of any other proposal which could affect this group?** | Closing of Plas Penlan will affect the catering staff there |
| **7 – Are there any risks associated with this proposal?** | A risk of a deterioration in the quality of the meals being offered |
| **8 – Would there be any associated risks if a decision was taken to agree to the proposal**<br><br>**e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims. | There may be some impact on the food suppliers as there will be an opportunity to order food more effectively with less waste |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| 9. Do you anticipate a further consultation exercise will need to be undertaken (i.e. in addition to the corporate one) before implementing the decision | There will be a need to ensure that our assessment process meets the requirements for consulting with staff. In addition there will be a need to inform the residents affected. |



| Step 2: Assessment Result | |
|---|---|
| **10 – Can you note the main effects and how you would mitigate against the negative effects (**i.e. summary of table above) | Change the catering offered in our homes<br>To mitigate this it will be necessary that the new process continues to offer nourishing meals on time and to ensure a suitable service provision<br><br>There will be a need to ensure a proper consultation process with the staff affected by the proposal. |
| **11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?** | Not anticipating these type of effects |
| **12 – Is there a need to re-consider this proposal as a result of undertaking this** | No |

| | |
|---|---|
| **impact assessment?**<br><br>(this assessment could provide evidence that the proposal is illegal. If you have identified such impact then consideration should be taken as to whether to continue with the proposal at this time) | |

## Step 5: Action Plan

Please detail any actions that are planned following completion of your assessment. You should include any changes that have been made to reduce or eliminate the effects of potential or actual negative impact, as well as any arrangements to collect data or to carry out further research.

| Ref | Proposed actions | Lead officer | Timescale |
|---|---|---|---|
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# Isle of Anglesey County Council – **Budget Proposals 2018/19 Impact Assessment Template**

| **Revision history:**<br>**Version** | **Date** | **Summary of changes** |
|---|---|---|
| 1 | 29.01.18 | Original |
| | | |
| | | |

| **Step 1: The Proposal and Associated Risks** | |
|---|---|
| **1 - What is the budget proposal you are assessing?** | The Local Authority currently pay £60k per annum to the William Mathias Music Service to administer and offer a music service to Anglesey's schools. This is done in partnership with Cyngor Gwynedd who also contribute a sum towards the administration of the service on behalf of their schools. In addition, the schools pay a fee which is now slightly higher than the fees in other counties following their move to create a co-op of music tutors instead of commissioning William Mathias Music service. The proposal is to create a co-op for Anglesey in place of the traditional arrangement. This will also lead to savings for schools of approximately £19k |
| **2 - Who is the lead Officer responsible for the proposal?** | Delyth Wyn Molyneux |
| **3 – Is this a new proposal or one that's been previously considered?** | This is a new proposal for the Isle of Anglesey County Council but the delivery model proposed has been introduced in another county and savings were achieved as a result |
| **4 – Which group of stakeholders will be effected by this proposal?** | Cyngor Gwynedd (who ar part of the current agreement)<br>William Mathias Music Service and the staff<br>Partners who will establish a administer the co-op scheme<br>Anglesey schools who receive the service |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| **5 – How will this group of stakeholders be effected?** | The evidence from the County that is already using this proposed delivery model have noted that it has not had an adverse effect on the performance of the service. In addition the evidence presented by them shows that the change has resulted in improvements to the current arrangements. It has also been recognised that it provides an opportunity to make savings in administration for the local authority and allows expenditure to be prioritised within the department on statutory aspects.<br><br>A change is our agreement with Cyngor Gwynedd<br><br>Schools paying less in fees for the service<br><br>It will have a significant impact on staff but there will be discussions / an offer to move to be part of the co-op rather than be employed by William Mathias<br><br>The proposed arrangement ensures one access to the music service that is present in schools. |
| **6 – Are you aware of any other proposal which could affect this group?** | No. |
| **7 – Are there any risks associated with this proposal?** | The risk of a lack of public support |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| **8 – Would there be any associated risks if a decision was taken to agree to the proposal**<br><br>**e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims. | No more than has been identified already |
| **9. Do you anticipate a further consultation exercise will need to be undertaken (i.e. in addition to the corporate one) before implementing the decision** | No but it will be necessary to consult with the stakeholders most affected by the decision. |



| Step 2: Assessment Result | |
|---|---|
| **10 – Can you note the main effects and how you would mitigate against the negative effects (**i.e. summary of table above) | To give notice to the partners that the cut is possible. |
| **11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?** | No |

| | |
|---|---|
| **12 – Is there a need to re-consider this proposal as a result of undertaking this impact assessment?**<br><br>(this assessment could provide evidence that the proposal is illegal. If you have identified such impact then consideration should be taken as to whether to continue with the proposal at this time) | No |



## Step 5: Action Plan

Please detail any actions that are planned following completion of your assessment.  You should include any changes that have been made to reduce or eliminate the effects of potential or actual negative impact, as well as any arrangements to collect data or to carry out further research.

| Ref | Proposed actions | Lead officer | Timescale |
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Isle of Anglesey County Council – **Budget Proposals 2018/19 Impact Assessment Template**

| **Revision history:** Version | Date | Summary of changes |
|---|---|---|
| 1 | 23/10/17 | Original |
| | | |
| | | |

| **Step 1: The Proposal and Associated Risks** | |
|---|---|
| **1 - What is the budget proposal you are assessing?** | Reduce the sum that is distributed to organisations as small grants |
| **2 - Who is the lead Officer responsible for the proposal?** | Delyth Wyn Molyneux |
| **3 – Is this a new proposal or one that's been previously considered?** | These grants have been reduced since 2015-2016, when the grant to the Ucheldre Centre and Cwmni Fran Wen was cut and small cuts to a number of organisations that receive small sums e.g. community papers, scouts, guides Eryri sports etc. The proposal is to make a further cut of £20,000, This will leave £40,000 as a remaining budget. |
| **4 – Which group of stakeholders will be effected by this proposal?** | Organisations that depend on this grant as a contribution towards their work e.g. Canolfan Ucheldre, Theatr Bara Caws, voluntary organisations and community papers. |
| **5 – How will this group of stakeholders be effected?** | A reduction in the grant from the Local Authority to the organisations activities. A reduction in the core funding received from the Local Authority can impact on Theatr Bara Caws and Canolfan Ucheldre's ability to offer "match" funding when making grant applications for external grants |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| **6 – Are you aware of any other proposal which could affect this group?** | No |
| **7 – Are there any risks associated with this proposal?** | The organisations will be facing a financial challenge to fill the funding gap which will arise as a result of the cut to the small grants |
| **8 – Would there be any associated risks if a decision was taken to agree to the proposal**<br><br>**e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims. | No more than those already identified |
| **9. Do you anticipate a further consultation exercise will need to be undertaken (i.e. in addition to the corporate one) before implementing the decision** | No but it will be necessary to consult further with the organisations most affected by the decision, to enable them sufficient time to consider the impact and to identify other funding sources, if possible. |

| Step 2: Assessment Result | |
|---|---|
| **10 – Can you note the main effects and how you would mitigate against the negative effects (**i.e. summary of table above) | Giving the organisations as much advanced warning of the cut as possible |
| **11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?** | No it is not possible to avoid the impact |
| **12 – Is there a need to re-consider this proposal as a result of undertaking this impact assessment?**<br><br>(this assessment could provide evidence that the proposal is illegal. If you have identified such impact then consideration should be taken as to whether to continue with the proposal at this time) | No |

## Step 5: Action Plan

Please detail any actions that are planned following completion of your assessment. You should include any changes that have been made to reduce or eliminate the effects of potential or actual negative impact, as well as any arrangements to collect data or to carry out further research.

| Ref | Proposed actions | Lead officer | Timescale |
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# Isle of Anglesey County Council – **Budget Proposals 2018/19 Impact Assessment Template**

| Revision history:<br>Version | Date | Summary of changes |
|---|---|---|
| 1 | 23/10/17 | Original |
| | | |
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| Step 1: The Proposal and Associated Risks | |
|---|---|
| **1 - What is the budget proposal you are assessing?** | Raise the fee for vacant seats on school buses by 10% in accordance with the agreement by the Executive when the policy was adopted in 2014 |
| **2 - Who is the lead Officer responsible for the proposal?** | Delyth Wyn Molyneux |
| **3 – Is this a new proposal or one that's been previously considered?** | No the fee has been raised by approximately 10% each year |
| **4 – Which group of stakeholders will be effected by this proposal?** | Some parents will refuse to pay the increased fee for the bus pass |
| **5 – How will this group of stakeholders be effected?** | Raising the fee from £108 to £118 for the year |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| **6 – Are you aware of any other proposal which could affect this group?** | No |
| **7 – Are there any risks associated with this proposal?** | Some may choose not to use the service as a result of the increase but the service will continue to be offered |
| **8 – Would there be any associated risks if a decision was taken to agree to the proposal**<br><br>**e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims. | No more than those already identified |
| **9. Do you anticipate a further consultation exercise will need to be undertaken (i.e. in addition to the corporate one) before implementing the decision** | No |

| Step 2: Assessment Result | |
|---|---|
| **10 – Can you note the main effects and how you would mitigate against the negative effects (**i.e. summary of table above) | Give advanced warning of the intention to raise the fees |
| **11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?** | No it is not possible to avoid the impact |
| **12 – Is there a need to re-consider this proposal as a result of undertaking this impact assessment?**<br><br>(this assessment could provide evidence that the proposal is illegal. If you have identified such impact then consideration should be taken as to whether to continue with the proposal at this time) | No |

## Step 5: Action Plan

Please detail any actions that are planned following completion of your assessment. You should include any changes that have been made to reduce or eliminate the effects of potential or actual negative impact, as well as any arrangements to collect data or to carry out further research.

| Ref | Proposed actions | Lead officer | Timescale |
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# Isle of Anglesey County Council – **Budget Proposals 2018/19 Impact Assessment Template**

| **Revision history:**<br>**Version** | **Date** | **Summary of changes** |
|---|---|---|
| 1 | 23/10/17 | Original |
| | | |
| | | |

| **Step 1: The Proposal and Associated Risks** | |
|---|---|
| **1 - What is the budget proposal you are assessing?** | Raise the fee for the morning care club, before the Breakfast Club which will continue to be free. The current fee is 75p per day for 25 minutes of care. The proposal is to raise the fee to £1 per day in order that the fee contributes a higher proportion of the actual staffing costs for this period of the day. |
| **2 - Who is the lead Officer responsible for the proposal?** | Delyth Wyn Molyneux |
| **3 – Is this a new proposal or one that's been previously considered?** | This is a new proposal. This is the second year of charging this fee and it is timely to review the fee in order that it represents the true staffing costs, as the fee does not cover the costs at present |
| **4 – Which group of stakeholders will be effected by this proposal?** | The parents that choose to bring their children to school by 8 am to receive care will be affected by this increase. As the care of children is at least £5 per hour (with the majority being between £7 and £10), £1 is significantly lower. |
| **5 – How will this group of stakeholders be effected?** | The majority of parents who choose to drop off their children by 8 are in work and the cost will increase for this group |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| **6 – Are you aware of any other proposal which could affect this group?** | No |
| **7 – Are there any risks associated with this proposal?** | Some may choose not to use the service but this is unlikely as the fee is still cheaper than nurseries offer for the service |
| **8 – Would there be any associated risks if a decision was taken to agree to the proposal**<br><br>**e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims. | No more than those already identified |
| **9. Do you anticipate a further consultation exercise will need to be undertaken (i.e. in addition to the corporate one) before implementing the decision** | No |

| Step 2: Assessment Result | |
|---|---|
| **10 – Can you note the main effects and how you would mitigate against the negative effects (**i.e. summary of table above) | Give advanced warning of the intention to raise the fees |
| **11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?** | No it is not possible to avoid the impact |
| **12 – Is there a need to re-consider this proposal as a result of undertaking this impact assessment?**<br><br>(this assessment could provide evidence that the proposal is illegal. If you have identified such impact then consideration should be taken as to whether to continue with the proposal at this time) | No |

## Step 5: Action Plan

Please detail any actions that are planned following completion of your assessment. You should include any changes that have been made to reduce or eliminate the effects of potential or actual negative impact, as well as any arrangements to collect data or to carry out further research.

| Ref | Proposed actions | Lead officer | Timescale |
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# Isle of Anglesey County Council – **Budget Proposals 2018/19 Impact Assessment Template**

| **Revision history:**<br>**Version** | **Date** | **Summary of changes** |
|---|---|---|
| 1 | 23/10/17 | Original |
| | | |
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| **Step 1: The Proposal and Associated Risks** | |
|---|---|
| **1 - What is the budget proposal you are assessing?** | Top keep the school's budget at the 17/18 level with the schools absorbing the cost of pay and price inflation from this budget |
| **2 - Who is the lead Officer responsible for the proposal?** | Delyth Wyn Molyneux |
| **3 – Is this a new proposal or one that's been previously considered?** | New proposal |
| **4 – Which group of stakeholders will be effected by this proposal?** | This will impact on the level of staffing within schools and will lead to staffing reductions |
| **5 – How will this group of stakeholders be effected?** | A reduction of £563,000 is equivalent to a reduction of 6 teaching posts across the 2 sectors |

| Step 1: The Proposal and Associated Risks | |
|---|---|
| **6 – Are you aware of any other proposal which could affect this group?** | Budget reductions in Repairs and maintenance budgets (£100,000) and grounds maintenance budgets (£50,000) have also been proposed |
| **7 – Are there any risks associated with this proposal?** | This could lead to an increase in class sizes across the primary, secondary and special sectors (if the budget cut is allocated equally across each sector). |
| **8 – Would there be any associated risks if a decision was taken to agree to the proposal**<br><br>**e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims. | No more than those already identified |
| **9. Do you anticipate a further consultation exercise will need to be undertaken (i.e. in addition to the corporate one) before implementing the decision** | Each school and Governing Body affected will have to consider implementing the process to reduce staff numbers |

| Step 2: Assessment Result | |
|---|---|
| **10 – Can you note the main effects and how you would mitigate against the negative effects (**i.e. summary of table above) | School class sizes will increase in some schools as a result of the reduction in the delegated schools budget or the range of subject choice options will reduce in KS4 and/or post 16 |
| **11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?** | No, it is not possible to avoid the budget cut but some Headteachers can choose to reduce other budget headings and protect the staffing levels, although this will not be possible in a number of cases |
| **12 – Is there a need to re-consider this proposal as a result of undertaking this impact assessment?**<br><br>(this assessment could provide evidence that the proposal is illegal. If you have identified such impact then consideration should be taken as to whether to continue with the proposal at this time) | No – if the Education Service are going to deliver the necessary level of savings |

## Step 5: Action Plan

Please detail any actions that are planned following completion of your assessment. You should include any changes that have been made to reduce or eliminate the effects of potential or actual negative impact, as well as any arrangements to collect data or to carry out further research.

| Ref | Proposed actions | Lead officer | Timescale |
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| ISLE OF ANGLESEY COUNTY COUNCIL | |
|---|---|
| **REPORT TO:** | **COUNTY COUNCIL** |
| **DATE:** | **28 FEBRUARY 2018** |
| **SUBJECT:** | **CAPITAL BUDGET 2018/19** |
| **PORTFOLIO HOLDER(S):** | **COUNCILLOR J. GRIFFITH** |
| **HEAD OF SERVICE:** | **MARC JONES (EXT. 2601)** |
| **REPORT AUTHOR:**<br>TEL:<br>E-MAIL: | **MARC JONES**<br>**EXT. 2601**<br>**rmjfi@ynysmon.gov.uk** |
| **LOCAL MEMBERS:** | **n/a** |

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

## 1. PURPOSE OF THE REPORT

**1.1** The full Council is required to approve a capital budget for 2018/19 which has been recommended for approval by the Executive at its meeting on 19 February 2018.

## 2. RECOMMENDATIONS

- To approve the following Capital Programme for 2018/19:-

| | **£'m** |
|---|---|
| Committed Schemes Brought Forward from 2017/18 | 23.399 |
| Investing in Existing Assets | 2.518 |
| Invest to Save Projects | 0.258 |
| Highway Resurfacing | 1.592 |
| 21st Century Schools | 8.850 |
| Leisure Schemes | 0.400 |
| Total General Fund Capital Schemes | 37.017 |
| | |
| HRA Capital Schemes | 12.417 |
| | |
| **Total Proposed Capital Programme 2018/19** | **49.434** |
| | |
| Funded by:- | |
| | |
| Funding B/F from 2017/18 | 1.040 |
| General Capital Grant | 1.334 |
| Capital Receipts | 0.500 |
| Supported Borrowing | 2.192 |
| Unsupported Borrowing | 0.350 |
| Unsupported Borrowing – 21st Century Schools | 3.734 |
| Supported Borrowing – 21st Century Schools | 1.279 |
| External Grants | 28.080 |
| Capital Reserves | 0.258 |
| Highways Refurbishment Grant | 0.910 |
| HRA Funding | 9.757 |
| | |
| **Total Funding** | **49.434** |

| | | |
|---|---|---|
| **B -** | **What other options did you consider and why did you reject them and/or opt for this option?** | |
| | A number of additional schemes were considered in drafting the capital programme but the main driving factor is funding and affordability and the maximisation of external grant funding. The proposed capital programme does not commit the Council to a level of borrowing which increases minimum revenue provision or interest payments to an unaffordable level. | |
| **C -** | **Why is this decision for the Executive?** | |
| | n/a | |
| **CH -** | **Is this decision consistent with policy approved by the full Council?** | |
| | Yes | |
| **D -** | **Is this decision within the budget approved by the Council?** | |
| | n/a | |
| **DD -** | **Who did you consult?** | **What did they say?** |
| **1** | **Chief Executive / Strategic Leadership Team (SLT)** (mandatory) | The capital strategy and draft capital programme were considerted by the SLT in September 2017 and were supported. |
| **2** | **Finance / Section 151** (mandatory) | n/a – this is the Section151 Officer's report |
| **3** | **Legal / Monitoring Officer** (mandatory) | No specific comments |
| **4** | **Human Resources (HR)** | |
| **5** | **Property** | |
| **6** | **Information Communication Technology (ICT)** | |
| **7** | **Scrutiny** | To support and to recommend to the Executive the proposed capital budget for 2018/19 |
| **8** | **Local Members** | |
| **9** | **Any external bodies / other/s** | |
| **E -** | **Risks and any mitigation (if relevant)** | |
| **1** | **Economic** | |
| **2** | **Anti-poverty** | |
| **3** | **Crime and Disorder** | |
| **4** | **Environmental** | |
| **5** | **Equalities** | |
| **6** | **Outcome Agreements** | |
| **7** | **Other** | |
| **F -** | **Appendices:** | |
| | Appendix 1 – Report on the Capital Budget 2018/19<br>Appendix 2 – Proposed Capital Budget 2018/19<br>Appendix 3 – Energy Efficiency Invest to Save Bid<br>Appendix 4 – Wifi at Canolfan Byron Invest to Save Bid<br>Appendix 5 – 3G Football Pitch Bid<br>Appendix 6 – Fitness Equipment for Holyhead Leisure Centre Bid | |
| **FF -** | **Background papers (please contact the author of the Report for any further information):** | |
| | Capital Strategy Report – Executive Committee 30 October 2017 | |

**APPENDIX 1**

## 1. INTRODUCTION

**1.1.** The proposed capital budget for 2018/19 is based on the capital strategy that was approved by the Executive on 30 October 2017. The strategy outlined that the proposed capital programme would be based on the 7 main sources of funding:-

- General Capital Grant
- Supported Borrowing
- Capital Receipts
- Unsupported Borrowing for 21st Century Schools Programme
- Specific Capital Grants (incl 21st Century Schools Grant)
- Capital Reserves
- Housing Revenue Account Reserves and Balances

**1.2.** In addition, at it's meeting on 19 February 2018 the Executive resolved to release £0.258m of capital reserves to fund Invest to Save projects.

## 2. PROJECTED FUNDING FOR 2018/19

**2.1.** The final Local Government funding settlement for 2018/19 was published by the Welsh Government on 20 December 2017. The funding settlement sets out two elements of capital funding namely the General Capital Grant and the level of Unhypothecated Supported Borrowing which the Welsh Government funds through the capital financing element of the Standard Spending Assessment. The settlement set the General Capital Grant as £1.334m and the Unhypothecated Supported Borrowing as £2.192m. In addition, the Council will also receive £2.660m in the form of the Major Repairs Allowance from the Welsh Government which will part fund the major capital works to the Council's housing stock.

**2.2.** Over the past few years a large amount of the Council's surplus land and buildings have been sold off with the proceeds used to fund the refurbishment of the Council's smallholdings or to fund capital expenditure. The Council have a number of surplus school sites following the opening of Ysgol Cybi and Ysgol Rhyd y Llan and further sites will become available when Ysgol Santes Dwynwen opens in 2019. However, any proceeds from the sale of these sites has already been allocated as a contribution towards the cost of building the new schools and are, therefore, not available to fund the general capital programme. Therefore, the sum available from capital receipts to fund new capital expenditure is much reduced from previous years and estimated at £0.500m.

**2.3.** The funding of the Band A 21st Century Schools is allocated 50% funded by Welsh Government and 50% by the Council through unsupported borrowing. Welsh Government then provide one third of their funding in the form of a specific grant with the remainder being supported borrowing. The funding available through the 3 elements is dependent on the expenditure incurred and is subject to change depending on the progress of each scheme. The Council ensures that sufficient expenditure is incurred to ensure that all the grant can be drawn down. Based on the expenditure profile, it is anticipated that the funding available for 2018/19 will be as follows:- Welsh Government Grant funding - £3.837m, Supported Borrowing - £1.279m and Unsupported Borrowing - £3.734m.

**2.4.** Some projects are either partly funded or fully funded from external grants. These can be grants from the Welsh Government, European grant funding or from contributions from external bodies. The expenditure incurred on each project will determine the level of grant funding received. Based on the plans for the current projects, it is estimated that the Council draw down £24.193m in external funding.

**2.5.** Included as part of the Council's Earmarked Reserves is a Capital Reserve which was built up from contributions from the revenue budget from previous years. The Executive previously approved the release of £0.258m from this reserve to fund small Invest to Save projects.

**2.6.** In addition to the Major Repair Allowance, the remainder of the HRA capital programme is funded from the annual revenue surplus generated by the HRA and the use of the HRA balance. The HRA also has its own borrowing facility which is capped by Welsh Government. For 2018/19, it is proposed to use £9.757m from the in year surplus and the HRA balance to fund the capital expenditure. No additional borrowing for HRA purposes is planned for 2018/19.

**2.7.** In January 2018, the Welsh Government announced additional grant funding of £30m for 2017/18. Anglesey's allocation of this additional funding will be £910k. The grant can be used to fund locally sourced funding for any project in 2017/18 provided that the funds are then used for roads refurbishment in 2018/19. This will provide additional funding of £910k in 2018/19 above the general capital grant.

## 3. PLANNED CAPITAL PROGRAMME FOR 2018/19

**3.1.** The agreed capital strategy approved by the Executive in October 2016 and reaffirmed in October 2017, laid down the principles on which the 2018/19 capital programme is based. The principles are as follows:-

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

- That a sum is allocated in the capital programme to meet the Council's statutory requirement to offer disabled facilities grants;

- That a level of road surfacing work is funded from the capital programme 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;

- Projects that require a level of match funding to enable grant funding to be drawn down are assessed on a case by case basis by the Executive. The decision whether to commit funding will be dependent on the project, how it fits into the Council's corporate priorities and the ratio of Council funding to grant funding;

- That the 21st Century schools programme is considered separately from the remainder of the general Council capital programme.

**3.2.** Based on the above principles and the funding available, the core capital programme for 2018/19 is shown in Table 1 below. Full details are attached as Appendix 2.

**Table 1**
**Proposed Capital Programme**

| **Scheme** | **2018/19 Budget £'m** | **External Grants £'m** | **Council Funding £'m** |
|---|---|---|---|
| Holy Island Visitor Gateway | 0.353 | 0.323 | 0.030 |
| Lôn Newydd Wylfa | 12.000 | 12.000 | 0.000 |
| Llangefni Link Road | 2.975 | 2.677 | 0.298 |
| Holyhead and Llangefni Strategic Infrastructure | 4.727 | 4.657 | 0.070 |
| Flood Alleviation Schemes | 0.400 | 0.340 | 0.060 |
| Gypsy and Traveller Sites | 1.858 | 0.450 | 1.408 |
| Holyhead Market Hall | 1.086 | 1.086 | 0.000 |
| Ysgol Santes Dwynwen | 3.357 | 0.958 | 2.399 |
| Ysgol Parc y Bont | 0.007 | 0.000 | 0.007 |
| Ysgol Brynsiencyn | 0.203 | 0.081 | 0.122 |
| Ysgol Bro Llangefni | 5.233 | 2.798 | 2.435 |
| Ysgol Esceifiog | 0.050 | 0.000 | 0.050 |
| Disabled Facilities Grant | 0.750 | 0.000 | 0.750 |
| Disabled Access – Education Buildings | 0.300 | 0.000 | 0.300 |
| Replacement Vehicles | 0.150 | 0.000 | 0.150 |
| IT Infrastructure | 0.418 | 0.000 | 0.418 |
| School Refurbishment | 0.500 | 0.000 | 0.500 |
| Non School Refurbishment | 0.400 | 0.000 | 0.400 |
| Highway Resurfacing | 1.592 | 0.000 | 1.592 |
| Invest to Save Projects | 0.258 | 0.000 | 0.258 |
| Leisure Schemes | 0.400 | 0.050 | 0.350 |
| HRA Capital Expenditure / New Developments | 12.417 | 2.660 | 9.757 |
| **TOTAL CAPITAL PROGRAMME** | **49.434** | **28.080** | **21.354** |
| | | | |
| **Funded By:** | | | |
| External Grants | 28.080 | | |
| Funding Brought Forward from 2017/18 | 1.040 | | |
| General Capital Grant | 1.334 | | |
| Supported Borrowing | 2.192 | | |
| Unsupported Borrowing | 0.350 | | |
| Highways Refurbishment Grant | 0.910 | | |
| Capital Receipts | 0.500 | | |
| Unsupported Borrowing 21st Century Schools | 3.734 | | |
| Supported Borrowing 21st Century Schools | 1.279 | | |
| Capital Reserves | 0.258 | | |
| HRA Revenue / Reserves | 9.757 | | |
| **TOTAL FUNDING** | **49.434** | | |

## 4. INVEST TO SAVE PROJECTS

**4.1.** Following on from the Executive's decision to release £250k from the Capital Earmarked Reserve to fund small Invest to Save projects, Services were invited to bid for the funding. The following bids were received:-

**4.2. Energy Efficiency in Corporate Buildings**

The Council's Energy Efficiency Strategy, adopted by the Executive in June 2017, aims to reduce the Council's energy consumption by 15% by 2022. In order to achieve this, over £1m will need to be invested on energy efficiency measures, such as installing LED lighting, replacing inefficient boilers and improving the insulation of Council buildings.

Loan funding is available and the Council has made use of this funding but, as with any loan, the funding has to be repaid and, as a result, the savings are not realised for a number of years. Using our own funding would release revenue savings immediately. The service has, therefore, bid for the full £250k available which would release an estimated £30k in savings. If a lesser amount was awarded, the number of projects that could be undertaken would be less or would be funded through loan funding.

A copy of the bid is attached as Appendix 3.

**4.3. Upgrading of WiFi Capability at Canolfan Byron**

The bid is to provide wireless access points across the building along with the purchase of new telephone handsets. The total cost of the bid is £8,750. The investment would reduce maintenance costs of the system (over £1,100 has been paid over the past 3 years). In addition it would generate additional income as rooms within the Centre could be let for training etc. An estimate of £5,000 has been suggested but it is not possible to guarantee that this level of income would be generated.

A copy of the bid is attached as Appendix 4.

**4.4 Executive Recommendation**

At it's meeting on 19 February 2018 the Executive resolved to approve both the Energy Efficiency in Corporate Buildings and Upgrading of Wifi Capability at Canolfan Byron, Invest to Save Bids. These bids amounted to £0.258m and will be funded by the Capital Reserve.

## 5. UNSUPPORTED BORROWING PROJECTS

**5.1.** Under the CIPFA Prudential Code 2017, the capital expenditure plans of local authorities have to be affordable, prudent and sustainable. This means that the Council can, if it chooses to do so, take out additional borrowing to fund capital expenditure where the cost of borrowing does not place an additional financial burden on the Council. In practice, this allows the Council to fund a scheme through unsupported borrowing if the scheme generates sufficient additional income or reduces ongoing revenue expenditure to meet the costs of the Minimum Revenue Provision charge and the additional interest costs.

**5.2.** Leisure Services have put forward 2 schemes which fall into this category and the Executive considered both these bids and recommended to include both schemes in the 2018/19 capital programme that would be funded by external grants (£0.050m) and unsupported borrowing (£0.350m). The Capital Financing Costs from the unsupported borrowing will be funded by the extra income that will be generated from these schemes. The two schemes are mentioned in paragraphs 5.3 and 5.4.

## 5.3. 3G Football Pitch at Plas Arthur Leisure Centre

The proposal is to replace the existing artificial football pitch with a 3G football pitch. The current pitch is reaching the end of its useful life and any significant rainfall leads to the pitch flooding and the cancelling of sessions. A new 3G pitch would also allow local teams to use the pitch for league games, in particular during the winter months when a number of games are cancelled.

The proposal is estimated to cost around £200k with the potential of grant funding of £50k. Based on an estimated life of 10 years, the capital financing costs would be approximately £18k per annum.

The Service estimate that the new pitch would substantially increase the usage and, therefore, increase income. An increase of around £25k per annum is estimated, which would be sufficient to cover the capital financing costs. However, it may be a condition of the grant that the Council set up a sinking fund in order that the Council can fund a replacement pitch in 10 years when the proposed pitch would reach the end of its useful life.

Further details on the bid are attached as Appendix 5.

## 5.4. Fitness Equipment at Holyhead Leisure Centre

The bid is to upgrade the fitness equipment at Holyhead Leisure Centre. The equipment at both Plas Arthur and Amlwch Leisure Centres have been upgraded in recent years and this has increased income and usage figures. The current equipment at Holyhead Leisure Centre are, on average, 10 years old and, as a result the service estimate that they are losing around 20 members each year.

To fully replace the equipment would cost £200k but this would include a 5 year parts and servicing agreement. The current cost to the Council is around £14k per annum.

The service estimate that the upgrade of the equipment would bring in around 175 new members generating an additional £46,200 in income.

Borrowing would be undertaken over the life of the asset (5 years) and this would generate an additional capital financing charge of £45k.

Therefore, the estimated additional income and reduced servicing costs would be sufficient to fund the capital financing charges, however, there is a risk that that income projections will not meet the expected target and this would leave a shortfall. However, without additional investment income will continue to fall and the servicing costs will continue to increase.

Further details on the bid are attached as Appendix 6.

**APPENDIX 2**

## 2018/19 PROPOSED CAPITAL PROGRAMME

| Scheme | Category | 2018/19 Budget £'000 | Funded By | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | External Grants £'000 | Funding B/F from 2017/18 £ | General Capital Grant £ | Supported Borrowing £ | Highways Refurbishment Grant £ | Capital Receipts £ | Unsupported Borrowing £ | Supported Borrowing 21st C Schools £ | Capital Reserves £ | HRA Revenue / Reserves £ |
| Holy Island Visitor Gateway | Committed Schemes B/F | 353 | 323 | 30 | - | - | - | - | - | - | - | - |
| Lôn Newydd Wylfa | Committed Schemes B/F | 12,000 | 12,000 | - | - | - | - | - | - | - | - | - |
| Holyhead and Llangefni Strategic Infrastructure | Committed Schemes B/F | 4,727 | 4,657 | 70 | - | - | - | - | - | - | - | - |
| Llangefni Link Road | Committed Schemes B/F | 2,975 | 2.677 | - | - | 298 | - | - | - | - | - | - |
| Flood Alleviation Schemes | Committed Schemes B/F | 400 | 340 | 60 | - | - | - | - | - | - | - | - |
| Gypsy and Traveller Sites | Committed Schemes B/F | 1,858 | 450 | 880 | - | 528 | - | - | - | - | - | - |
| Holyhead Market Hall | Committed Schemes B/F | 1,086 | 1,086 | - | - | - | - | - | - | - | - | - |
| **TOTAL COMMITTED SCHEMES B/F** | | **23,399** | **21,533** | **1,040** | **-** | **826** | **-** | **-** | **-** | **-** | **-** | **-** |

| Scheme | Category | 2018/19 Budget £'000 | Funded By | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | External Grants £'000 | Funding B/F from 2017/18 £ | General Capital Grant £ | Supported Borrowing £ | Highways Refurbishment Grant £ | Capital Receipts £ | Unsupported Borrowing £ | Supported Borrowing 21$^{st}$ C Schools £ | Capital Reserves £ | HRA Revenue / Reserves £ |
| Replacement Vehicles | Investing in Existing Assets | 150 | - | - | 150 | - | - | - | - | - | - | - |
| IT Infrastructure | Investing in Existing Assets | 418 | - | - | 418 | - | - | - | - | - | - | - |
| School Refurbishment | Investing in Existing Assets | 500 | - | - | 500 | - | - | - | - | - | - | - |
| Non School Refurbishment | Investing in Existing Assets | 400 | - | - | 266 | - | - | 134 | - | - | - | - |
| Disabled Access – Education Buildings | Investing in Existing Assets | 300 | - | - | - | - | - | 300 | - | - | - | - |
| Disabled Facilities Grants | Investing in Existing Assets | 750 | - | - | - | 684 | - | 66 | | | | |
| **TOTAL INVESTING IN EXISTING ASSETS** | | **2,518** | **-** | **-** | **1,334** | **684** | **-** | **500** | **-** | **-** | **-** | **-** |
| Invest o Save Projects | Invest to Save | 258 | - | - | - | - | - | - | - | - | 258 | - |
| **TOTAL INVEST TO SAVE PROJECTS** | | **258** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **258** | **-** |
| Highway Maintenance | Highway Maintenance | 1,592 | | | | 682 | 910 | | | | | |
| **TOTAL HIGHWAY MAINTENANCE** | | **1,592** | **-** | **-** | **-** | **682** | **910** | **-** | **-** | **-** | **-** | **-** |

| Scheme | Category | 2018/19 Budget £'000 | Funded By | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | External Grants £'000 | Funding B/F from 2017/18 £ | General Capital Grant £ | Supported Borrowing £ | Highways Refurbishment Grant £ | Capital Receipts £ | Unsupported Borrowing £ | Supported Borrowing 21st C Schools £ | Capital Reserves £ | HRA Revenue / Reserves £ |
| Ysgol Santes Dwynwen | 21st Century Schools | 3,357 | 958 | - | - | - | - | - | 2,080 | 319 | - | - |
| Ysgol Parc y Bont | 21st Century Schools | 7 | - | - | - | - | - | - | 7 | - | | |
| Ysgol Brynsiencyn | 21st Century Schools | 203 | 81 | - | - | - | - | - | 94 | 28 | | |
| Ysgol Bro Llangefni | 21st Century Schools | 5,233 | 2,798 | - | - | - | - | - | 1,503 | 932 | | |
| Ysgol Esceifiog | 21st Century Schools | 50 | - | - | - | - | - | - | 50 | - | | |
| **TOTAL 21st CENTURY SCHOOLS** | | **8,850** | **3,837** | **-** | **-** | **-** | **-** | **-** | **3,734** | **1,279** | | |
| Asbestos Removal | HRA | 1,000 | - | - | - | - | - | - | - | - | - | 1,000 |
| Planned Refurbishment | HRA | 2,431 | 2,431 | - | - | - | - | - | - | - | - | - |
| Fire Risk | HRA | 200 | - | - | - | - | - | - | - | - | - | 200 |
| Central Heating | HRA | 500 | 229 | - | - | - | - | - | - | - | - | 271 |
| Environmental Works | HRA | 500 | - | - | - | - | - | - | - | - | - | 500 |
| Adaptations | HRA | 350 | - | - | - | - | - | - | - | - | - | 350 |
| Energy Performance Improvements | HRA | 1,000 | - | - | - | - | - | - | - | - | - | 1,000 |
| New Developments / Repurchase of former Right to Buy properties | HRA | 6,436 | - | - | - | - | - | - | - | - | - | 6,436 |
| **TOTAL HRA** | | **12,417** | **2,660** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **9,757** |

| Scheme | Category | 2018/19 Budget £'000 | Funded By | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | External Grants £'000 | Funding B/F from 2017/18 £ | General Capital Grant £ | Supported Borrowing £ | Highways Refurbishment Grant £ | Capital Receipts £ | Unsupported Borrowing £ | Supported Borrowing 21st C Schools £ | Capital Reserves £ | HRA Revenue / Reserves £ |
| 3G Football Pitch at Plas Arthur Leisure Centre | Leisure Schemes | 200 | 50 | - | - | - | - | - | 150 | - | - | - |
| Fitness Equipment at Holyhead Leisure Centre | Leisure Schemes | 200 | - | - | - | - | - | - | 200 | - | - | - |
| **TOTAL LEISURE** | | **400** | **50** | **-** | **-** | **-** | **-** | **-** | **350** | **-** | **-** | **-** |
| **TOTAL CAPITAL PROGRAMME 2018/19** | | **49,434** | **28,080** | **1,040** | **1,334** | **2,192** | **910** | **500** | **4,084** | **1,279** | **258** | **9,757** |

CYNGOR SIR YNYS MÔN ISLE OF ANGLESEY COUNTY COUNCIL

**Appendix 3**

# Invest To Save Fund
# Outline Bid

| | | | |
|---|---|---|---|
| **Programme or Project:** | Energy Efficiency Strategy | **Expected Start Date** | Feb 2018 |
| **Title:** | Energy Efficiency in corporate buildings | **Expected End Date** | March 2022 |
| **Lead** *(HoS/Manager)*: | Dewi Williams | **Links to Corporate Plan** | |
| **Main Contact:** | Rhys Griffith | | |

## 1. Brief background and description

The Energy efficiency strategy 2017-2022 was adopted by the Executive in June 2017. The aim of the strategy is to reduce energy consumption by 15% by 2022. Ynys Mon Council's annual expenditure on energy and water was over £2.1million in 2015/16 and the cost of fuel continues to rise above the rate of inflation.

In order to achieve the target, the council need to invest in energy efficiency measures such as installation of LED lighting, replacing old inefficient boilers, insulation measures etc. Initial benchmarking studies indicate that an investment of £1.1million would payback within 8 years.

This could be achieved through carrying out the work with use of Salix funding or other similar funding streams, however this would mean paying back the loan and therefore savings would not begin until the loan is re-payed.

By funding this work through this capital invest to save budget, the annual savings could be realised as soon as the work is completed.

This proposal is to engage Re-fit Cymru to provide the necessary support and the guaranteed savings required to deliver the project. By a combination of in house capital investment and further investment through the Refit project, and the repair and maintenance programme, there is the potential for a significant investment in our buildings to not only ensure we reduce energy consumption, but also reduce our backlog maintenance risks.

(please refer to attached Refit briefing note)

## 2. Corporate Support Need

Some support will be required from Legal Department to check the Refit terms and conditions, and the procurement team to assist in the procurement process.

Please return completed bid to Gareth Roberts, Senior Accountant Capital & Treasury Management

## 3. Funding

3.1 Budget breakdown

| | |
|---|---|
| **Total amount requested:** | **£250,000** |
| **One off costs total:** | **£ 1,100,000** |
| Description: | Amount: |
| Refit Fee | £10,000 |
| Energy saving Projects | £ 1,090,000 |
| **Ongoing funding total per year and number of years** | **£** |
| Description: | Amount: |
| | |
| | |

3.2 Other sources of funding
Repairs and maintenance budgets (approx. 100,000)
Refit Salix finance (approx. 650,000)

## 4. Savings

Estimated payback is 8 years therefore an investment of £250,000 will realize savings of £30,000 per annum.

## 5. Project Delivery

Project Manager will be Rhys Griffith in the Property Department. Refit Cymru will provide technical expertise and support as outlined in the attached briefing document. A fee of £10,000 is required to engage Refit support. This sum can be capitalised within the project's funding, so it does not need to come out of a revenue budget.

## 6. Benefits

| Benefit | Measure |
|---|---|
| Reduced energy bills | £ per annum |
| Reduced energy use | Total KilowattHours |
| Reduced Carbon footprint | Total CO2 |
| | |
| | |
| | |

Please return completed bid to Gareth Roberts, Senior Accountant Capital & Treasury Management

## 7. Additional information

**Re:fit Cymru (guaranteed energy efficiency)**

**Senior Management Briefing Note**

### Re:fit – delivering guaranteed energy efficiency for Anglesey County Council

Market analysis suggests that the cost of choosing to do nothing about managing energy means that costs will rise and is therefore no longer a viable option.

In addition there are a number of positive drivers for delivering energy efficiency:-

- increasing electricity bills
- carbon taxes and potentially forthcoming carbon budgeting
- the opportunity to generate revenue off your own estate
- the need to reduce operating and maintenance costs
- the chance to improve workplace environment and productivity
- Wellbeing of Future Generations Act with statutory obligations to plan for the long term
- Environment Act ( part II) carbon budget obligations which require an 80% reduction in all (net) Wales emissions by 2050 (likely to be directly imposed on LAs and other Public Sector Clients)
- Corporate Social Responsibility reporting

### Energy Performance Contracting – how does it work ?

Re:fit is a smart, cost effective and fast way for public sector bodies to improve the energy efficiency and generate revenue from their estate by retrofitting energy and water efficiency measures, energy generation systems or using optimisation services.

The Re:fit Cymru Programme Implementation Unit (PIU) has now been recruited by the Welsh Government and is assisting Public Sector Contracting Authorities with a review of their estate. This has commenced with an initial benchmarking exercise which compares building type, energy use and other factors against national buildings' benchmarks.

Your existing energy bill for gas, electric and water is £2.1m and Re:fit typically delivers annual savings and revenue of around 18 – 25% across estates or portfolios.

Anglesey County Council supported by the PIU, will be able to outline the broad performance parameters and project briefs that it wants to achieve. This might include parameters such as the required level of savings, revenue, payback period, capital spend, funding routes, carbon dioxide savings, levels of back log maintenance etc. Tender documentation (from standard Re:fit templates) is prepared and proposals are requested from the specialist service providers through a mini competition; the service providers have been pre-procured on the OJEU compliant Re:fit framework.

The service providers bid in the mini competition tender, offering a **guaranteed level of savings over a tranche of work**. They will be contractually obliged to reimburse any annual shortfall in savings and to investigate and rectify, at their own cost, any under performance. This occurrence rarely occurs on Re:fit projects as the service providers develop robust engineering solutions using engineering calculations to mitigate their risk. The cost of the works are paid back by savings guaranteed over the payback period; this is typically about 3 to 10 years on most projects, however, this can vary depending on the type of measures or equipment installed, or services provided (for instance, lighting or controls would have a shorter payback than photo-voltaic systems, District Heating, new boilers or Combined Heat & Power plant).

Re:fit projects are therefore budget neutral or positive over the payback period and many schemes are structured so that savings are larger than payments on an annual basis. The Re:fit approach does not need to impact on existing Facilities Management contracts or utilities procurement,

however, Re:fit can be combined with addressing back log maintenance issues and can include maintenance, operational and management contracts.

Re:fit Cymru is a Welsh Government initiative for the Welsh public sector, supported and funded by the European ELENA Fund (European Local Energy Assistance) and the Welsh Government. Since 2010, Re:fit within London and England has benefitted over 250 organisations, with £165m invested and £10m audited savings per annum; these programmes are managed by the GLA and Local Partnerships, respectively.

In April 2016, the Welsh Government created the Re:fit Cymru Programme Implementation Unit (PIU) to support Welsh public sector bodies through every stage of their Re:fit projects. This support is heavily subsidised – further improving the value-for-money for participating organisations.

The PIU is also able to support you with the review and decision on funding routes for the project., if applicable. This may include zero interest Salix Finance, the Welsh Government Invest-to-Save Grant opportunities, the Green Investment Bank or other commercial or private / service provider funded routes.

By taking early advantage of this opportunity, Anglesey County Council would start to make savings faster, and would receive publicity and profile from Welsh Government as a pathfinder.

This efficiency programme can elevate the work of the energy officers by offering pace and scale, and transfer of risk.

**<u>The support package you would receive includes:</u>**

<u>Planning and preparation support:</u>

- Engagement with your key senior executives and stakeholders (including legal, procurement, facilities/FM and IT)
- Explanation of all areas of the Re:fit programme and help developing key project requirements including targets, strategic aims, financial targets and business case
- Provision of a benchmarking assessment of buildings information and energy spend data to assess project potential and propose a scope for the project/tender
- Review potential funding options and arrange meetings with funding bodies
- Review and get agreement for the bidding options
- Programming support
- Undertaking of a market attractiveness test with service providers pre-tender

Please return completed bid to Gareth Roberts, Senior Accountant Capital & Treasury Management

Contracting and tender support:

- Provide template legal contracts and guidance documents
- Coordinate with client legal team to outline Re:fit contracting approach
- Provide advice on tender evaluation
- Review final draft contract documents (for inclusion in ITT pre-launch)
- Undertake a formal review of the final draft ITT documents
- Provide advice and guidance on bidders day and site visits
- Support in the entire process leading to final tender

Solution development and project delivery support:

- Provide high level review of preferred bidders approach
- Support initial engagement with the selected Service Provider (attendance at meeting)

- Provide access to support during the savings delivery phase to resolve issues should they arise
- Quality Assurance
- Provide advice and measurement and verification (M&V) support
- Review the first annual savings report

**Financial commitment**

The capital cost of a Re:fit project can vary depending on organisation needs and ambition, however, it is usually greater than approximately £0.75m and typically delivers annual savings and revenue of around 15 – 25% across estates or portfolios.

An estimated cost of delivering the standard package of PIU Re:fit project support for an organisation, is approximately £70-100k. However, as the Welsh Government has secured European grant funding from ELENA, this support can be delivered to you with a significant subsidy. The support can therefore be provided to you for the reduced cost of £10k. This sum can also be capitalised within the project’s funding, so it does not need to come out of a revenue budget.

If after signing the Re:fit Access Agreement and Client Support Agreement (formally commencing the Re:fit support) your organisation decides to withdraw, the Welsh Government reserves the right to recover partial costs, capped at £20k for the standard Re:fit support package. In other words, if you withdraw from the Re:fit process, your total exposure is £20k - subject to any additional project management support you have utilised to help deliver the project.

Please return completed bid to Gareth Roberts, Senior Accountant Capital & Treasury Management

CYNGOR SIR YNYS MÔN ISLE OF ANGLESEY COUNTY COUNCIL

# Invest To Save Fund
# Outline Bid

| | | | |
|---|---|---|---|
| **Programme or Project:** | wifi | **Expected Start Date** | 1st April 2018 |
| **Title:** | Wifi for Canolfan Byron | **Expected End Date** | |
| **Lead** *(HoS/Manager)*: | Alwyn Jones | **Links to Corporate Plan** | Smarter Working |
| **Main Contact:** | Martin Williams | | |

## 1. Brief background and description

Current issues with internet / phone service not up to standard having many issues with lag and daily callouts for IT with various different issues due to the age of our it systems.

We as Canolfan Byron are at the latter stages of utilising the internet to sell our products and enabling wifi would ease access to the internet. Mobile phones can connect via wifi.

We believe that if we had the proper investment we would have a system that could cope with up to 50 users creating spare capacity for the authority (SMARTER WORKING) to utilise as necessary as recent issues with the authority flooding.

All our internet systems are at least 9 yrs old and are due an upgrade. Our phone system is currently supported with a £500 a day callout fee. All systems are running to capacity we are currently unable to develop our paperless systems as our current IT systems have issues.

As a centre we would be able to offer so much more if we received Wifi, we need to move forward with the times and develop and promote our products and services during such competitive times.

## 2. Corporate Support Need

IT with infrastructure

## 3. Funding

3.1 Budget breakdown

Including descriptions, for example staffing, hardware, software, consultancy

| | |
|---|---|
| **Total amount requested:** | **£** |
| **One off costs total:** | **£** |
| Description: wifi | Amount: £ 5000 |
| Phones x 25 @ £150 each | **£** £ 3750 |
| | **£** |
| **Ongoing funding total per year and number of years** | |
| Description: | Amount: |
| By utilising the corporate system there would be cost savings | |
| | |

Please return completed bid to Gareth Roberts, Senior Accountant Capital & Treasury Management

3.2 Other sources of funding

## 4. Savings

| Income | | | |
|---|---|---|---|
| 1-Income form Room Hire | £50 per day | Usage 2 days a week | 2 x £50 x 50 weeks = £5000 |
| 2- Changing telephone system- utilising internal calls through Authority | | | Saving minimum £1000 |
| 3- Internet Sales- increase due to the ability to utilise internet. | | | |

**Cost avoidance**

| | One-off costs | Annual costs | |
|---|---|---|---|
| 1-Replace telephone system (see attached quote) | £7436.12 +Vat | £1000 | |
| 2- Callout fee with phone system per day | | £500 | |
| 3- Savings to IT, currently average 5 logs weekly | | | |
| 4-Savings to training, enabling basic inhouse training by staff. One course example of cost £1,320 by Chapter IT Ltd (other quote received have been £3,600) based on max of 6 people attending a 6 weeks basic IT course. Minimum price per head £18.35 per hour. Potential savings of over (18.35 x 2 x 15 x 12=) £6606 per annum. (Example based on 15 people attending a 12 day, 2 hour course). | £6606 | | |
| 5 - Saving by enable staff to carry out their daily tasks without network delay. (Calculation based on average £13 per hour wages, can take a total of 2 hour per week affecting 20 users). | | £27040 annual | |
| 6 - External contractors and visitors would be able to use their own laptops/mobiles without our staff having to set things up on their behalf.<br>Cost of interfering normal work duties up to £17 per hour, averaging 1 hour per week. | | £884 annual | |
| 7. – Having the ability to search and find cheaper goods utilising the internet. | | £5000 annual | |

Please return completed bid to Gareth Roberts, Senior Accountant Capital & Treasury Management

**It would be difficult to put a figure on the time saved by having the ability to work from anywhere in the building and the freedom it would give the authority with smarter working as we could offer spare capacity to the authority (250 per person annual).changing to wireless would also assist us with our intentions in going paperless.**

## 5. Project Delivery

**n/a**

## 6. Benefits

Ensure all benefits have been identified and are measurable

| Benefit | Measure | |
|---|---|---|
| Increase productivity | Productivity of staff | |
| Able to deal efficiently with external customers gaining positive feedbacks and returning customers and recommendations | Positive feedback and increase in returning customers | |
| Renting rooms and offices at Canolfan Byron more attractive | Having increased usage of room for hire purposes with external and Internal customers. Increase of income for room hire | £50 per day Utilised 2 days a week £5000 p a |
| Offer opportunity to external staff to use their laptops/phones on site e.g. when Occupational Therapists use the Disability Equipment's Display room they can use their devices onsite with their clients making the visits so much easier. | Saving a potential further visit as OT can research to see what other items would be suitable for their client. Can also write their report onsite saving mileage to their normal workplace. | Increased usage of building promoting the services provided from Canolfan Byron Promotes better co working within sections of the authority |
| Online selling | Increase of turnover | |

## 7. Additional information

Currently we do not have a telephone system that works correctly as we have no call messaging services missed calls etc. By utilizing the authority's Wifi system we are getting a new phone system for free.

Please return completed bid to Gareth Roberts, Senior Accountant Capital & Treasury Management

# CAPITAL FUNDING: BID FORM

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**PROJECT TITLE: 3G pitch at Ysgol Gyfun Llangefni /Plas Arthur Leisure Centre**

**SPONSORING DEPARTMENT/AGENCY: Regulation and Economic Development Service**

**SENIOR RESPONSIBLE OFFICER: Gerallt Roberts**

**SIGNED: DATE:**

**APPROVING HEAD OF SERVICE: Dylan Williams**

**SIGNED: DATE:**

-----------------------------------------------------------------------------------------------

## Section 1: Project Background, Strategic Context and Need

 *Explain the background to the proposal including its relevance to strategic aims and policy objectives.*
 *Identify the key stakeholders and explain their commitment and any outstanding issues.*
 *As specifically as possible, explain the nature of the needs or demands that are to be addressed, and*
*detail any deficiencies in existing service provision, or any statutory obligation that would be not*
*otherwise satisfied.*
 *Include suitable quantification of needs/demands/deficiencies where possible.*

**Leisure Function Plan**

- The Leisure Function Plan aims to safeguard the County Council's leisure centres in Amlwch, Llangefni, Holyhead and David Hughes, as its core assets, by providing a modern, quality, customer-focused service that maximises income. Making the leisure centres more commercially viable and customer focused - aligned to achieving efficiencies in other areas of the Service - is the key priority in order to help safeguard their long-term future.

- The current position is that positive progress has been made and some of the successes are highlighted below:
- 51% of the 60% reduction target in running costs of the leisure function to the council will be met by March 2018.
- £69,000+ income coming in on a monthly basis through our direct debit packages compared to £44,000 coming in January 2016.
- 400+ extra children in our swimming lessons compared to January 2016.
- Capital funding at Holyhead, Amlwch and Plas Arthur has proved a success with an increase in usage and income. Investing in developing the fitness offer further has a proven success.
- Mon Actif is proving popular as a new brand with 2,800 following on social media.

- The next step is to look at investing in key areas to ensure we maximise income revenue and that we maintain the current momentum of more users and more income.

**Project Background**

- This project will entail replacing the old all-weather football pitch currently on the Ysgol Gyfun Llangefni / Plas Arthur Leisure Centre site, which has come to the end of its life. This will address current negative perceptions and meet the customer expectations and demands as many clubs have now left the facility to train at Bangor City's new 3G pitch.
- Investment now will mean that our local clubs can have a facility that meet's the expectations and will be the first of its kind on the island.
- Anglesey is one of only a few authorities that do not currently have a 3G pitch provision within their authority, the vision by the FAW is that Anglesey needs a 3G pitch to cater for the demand as highlighted in the All Wales Artificial Turf Pitch Vision and Guidance document.
- This investment is certain to help us reach our target of a 60% reduction in expenditure cost of leisure to the council. Already over the last few months we have had to cancel bookings as any heavy rain means that the pitch is flooded and not safe to use which impact on us financially and on the education of the Ysgol Gyfun pupil's.
- The picture below highlights a regular occurrence currently with bookings being cancelled and income being lost as any heavy rain creates this affect:

**Projected cost's**

- The costs have been highlighted to be in the region of £175,000 - £200,000, this cost's is substantially lower than many 3G developments as the floodlight's, fencing and base of the pitch is already in place.
- The usual cost for this sort of development at e.g. Bangor City FC was £500,000.
- We hope that the funding needed will be less than what has been highlighted above, as the Collaborative Fund (FAW, WRU and Hockey Wales) will be able to help with some funding. We estimate that funding by the Collaborative Fund would be in the region of £30,000 - £50,000; our application for this funding will go in at the end of October.
- We must highlight that this fund will not be there forever therefore we must act to ensure that Anglesey gets its share of the grants available.
- It must be taken into consideration that there will be other cost's linked with this development as we will need a robust maintenance programme. We feel that current staff members on site can help with this which will mean that costs will be limited.
- The FAW now recommend that a sinking fund is established to ensure that in 8 – 10 years when the pitch will need an upgrade that funding is available. This is something the council need to consider as setting £10,000 a year a side could provide sustainability for the future years?

**Projected outcomes of project**

- If we look at what could be achieved if we were to fully replace the current provision with a new 3G pitch they can be outlined as below:

- **Income** – as we will charge more for the facility hire per hour and have much more usage hours then we would be looking at **extra income of £39,600 a year**.
- We currently take around £12,000 - £13,000 income per year on the current Astro pitch which has around 12 hours booking a week for around 25 weeks of the year. A new 3G pitch would see us extend our number of weeks to at least 30 weeks as people will want to start earlier due to a better surface and reality is some bookings will stay all year round.
- We anticipate that the usage will go up from 12 hours to 24 hours with all evening full and bookings on the weekend.
- The income would be worked out as follows: 12 hours junior hire x £55 x 30 weeks = £19,800 + 12 hours adult hire x £80 x 30 weeks = £28,800 total income £48,600. In addition to this we anticipate if a third of users, (we must remember that spectators are not included) use the vending / café and spend a £1 each this would bring in additional income of £4,000 a year.
- Total income would be £52,600 – present income (£13,000) = £39,600 additional income per year following completion of this project.
- Current prices are set as half pitch adults £36.00 children £25.75; full pitch children £37.10 adults £49.00. Estimated new prices would be full pitch children £55 adults £80; half pitch children £32 adults £45 we will also create the option of selling the pitch in thirds similar to Bangor City FC.
- Bookings that are currently taking place at other venues would return to our facility and that is why we are confident that the estimation above is realistic and achievable. **Coleg Llandrillo Menai** have already shown an interest in locating some of their college matches at our venue and **Llangefni Town Reserves** also want this facility to be their base for home games. **Anglesey Island Games** team

are also supportive as they are looking to start an academy very soon and want Plas Arthur to be the hub if a 3G pitch is developed.
- It will also help our usage figures, as we would estimate to have at least **12,000 extra users** using the facility per year.
- If we take all of the above figures into account, the **pay back for this scheme would be within 4 years.**
- We must not forget the outcomes that can be achieved by the Education service as this project will bring huge benefits to Ysgol Gyfun Llangefni, Ysgol Addysg y Bont and other local schools. We will be able to provide our local school children with the chance to develop to their full potential through a new modern sporting facility.

**Strategic aims and Policy Objectives**

- Through this project we will help IOACC meet its key ambition:

**“will be working towards an Anglesey that is healthy, thriving and prosperous.” (Anglesey Corporate Plan 2017-22).**

- This project would also help the Council meet our objective of **“Creating the conditions for everyone to achieve their long-term potential”.**

- The vision of the Regulation and Economic Development service is to create a better Island to live, work and visit by delivering activities to develop Anglesey’s economy, regenerate its communities and transform current leisure provision.

Through this project we will be able to help the service reach it’s aims of:

- Provide formal opportunities for people on Anglesey to live their lives in a healthy way;
- Create vibrant and healthy rural communities

The project will also be able to ensure that Leisure meet their ambition of:

- Providing high quality, customer focused facilities and activities that maximise income generation and support healthy communities by:
- Maintaining a commercial approach to the management of Amlwch, Holyhead, Plas Arthur and Menai Bridge Leisure Centres
- Achieving improvements in the health and wellbeing of Anglesey residents by increasing participation in leisure activities.

This project will help us reach our current 2017/18 Service Delivery targets:

- Increase income generated by leisure centres = £35,000 per year
- Increase participation numbers at leisure centres = 476,000 per year
- Increase junior membership at leisure centres.

Sport Wales have identified 3 main targets by 2026, this project would help them achieve the following:

- 75% of young people and young adults hooked on sport
- Positively target the gap within inequality
- Develop a sporting pathway to become a nation of champions

The % of Anglesey children and young people that are currently hooked on sport is 50%, whilst the % for adults is 48% (participate in sport 3 or more times a week). Providing an up to date modern facility at Plas Arthur will contribute towards achieving these key local and national targets.

**Need for change:**

- We are constantly having to cancel bookings on our all weather pitch due to flooding after heavy rain which is a regular income loss for the centre.
- Currently we have on average 12 hours of booking per week at the facility, this could be doubled with an up to date facility on offer.
- The Secondary School use the facility in the day and we aim to continue this partnership working and hope to add new partners e.g. Ysgol Addysg y Bont, Primary Schools, Coleg Menai and the FAW. Please see supporting letter for the project by the FAW.
- This is a vital facility for both Education and Leisure and it is key that we take this opportunity to improve the provision to provide the best facilities for our pupils / customers.

Why is this needed now:

- Other facilities provide a more modern facility and therefore local clubs opt to travel and pay more for better quality facilities.
- Constant complaints from local clubs that facility is out of date and it is a facility that is nearing the end of its life. Astro turf was put down in 2002, it usually has a lifespan of 10 – 15 years.
- To provide the young people of the island with a facility that can help them develop, the link with the school's is key for this project.
- Anglesey is one of only a few local authorities without this type of facility and could lose out on the Collaborative Fund unless we access funding this year.
- Opportunity to establish a community hub before other 3G's are developed in the area although it is practical to say that two full size 3G pitches is sustainable on the island.
- The development of the Urban Sports Park on site will be a boost for the centre but having the 3G pitch will turn the centre into a local hub.
- If we don't act now we could be faced with a defunct all weather pitch in a year's time which would mean loss of income and loss of opportunities for our young people and local clubs.
- We have an opportunity to make a real difference at Plas Arthur Leisure Centre and bring in much needed extra income.
- Recent investment on new 3G pitches has seen clubs bring in extra income in the region of £70,000 - £90,000 per year.
- We must remember that the school's will have use in the day and this is why we have estimated a lower figure than what can be achieved.
- One item to remember with games on the weekend it could see a spike in café and vending takings as supporters will be on site which would be additional income. The Welsh Premier Clubs that have developed a 3G pitch have stated that the secondary spend is now a big source of income for them. Therefore if the café and vending machines would also get a boost through this development.

Now is the time to provide a facility that the local community are crying out for, recent facebook campaign has identified this. We want to work with the local community to ensure we provide a community hub that maximises income for the centre.

## Section 2: State Objectives and Constraints

 *Explain and list the project objectives in specific measurable terms.*
 *Include quantifiable targets where possible.*
 *Identify any likely constraints to the project e.g. timing issues, legal requirements, professional*
*standards, planning constraints and so on.*

**Project Objectives Measurable Targets**

| **Project objectives** | **Measurable targets** |
|---|---|
| 1<br>Increase Income | £39,600 per year |
| 2<br>Increase participation | 12,000 per year |
| 3<br>Decrease customer complaints | |
| 4 | |
| | |
| **Constraints** | **Measures to address constraints** |
| 1<br>Timing | The ideal timing for this change would be to happen over the summer holiday's. As this reduces the impact on school use and also bookings are limited in the summer therefore no real loss of income. |
| 2<br>Disruption | Need to plan ahead and forecast any loss of income. |
| 3<br>Hockey Club | Discussion would be needed with Bangor Hockey Club, which currently train and play on the pitch. Alternative provision could be looked at e.g. Canolfan Brailsford or RAF Valley. Discussion has been had with Ysgol Gyfun Llangefni and they are supportive. |

## 3: Identify and Shortlist the Options

 *Consider alternative ways to meet the objectives e.g. variations in scale, quality, technique, location,*
*timing etc.*
 *Start with an initial 'long list' of options and sift them to provide a shortlist. Record all the options*
*considered and the reasons for rejecting those not shortlisted.*
 *The shortlist of options should include a baseline Status Quo or 'Do Minimum' option and a suitable*
*number of alternative 'Do Something' options (usually at least two).*

| **Option number / description** | **Shortlisted (S) Rejected (R)** | **Reason for rejection** |
|---|---|---|
| 1. Don't Invest | R | We have maximised the lifespan of the current all-weather pitch. Another year is the maximum that we can get out of the pitch so do nothing is not an option. For example on a rainy day bookings are cancelled as the pitch is flooded.Pitch will have to be closed |

| | | |
|---|---|---|
| | | if no investment is made by August 2018. |
| 2. Replace like for like | R | Replacing like for like is not a viable option as we need to provide the people of Anglesey with modern fit for purpose facilities. We would not be maximising income if we did a like for like replacement and clubs would not return to play on this type of surface. |
| 3. New 3G pitch | S | A full investment would mean that we meet all our objectives. We could provide a modern, fit for purpose facility that would attract our local clubs back. This would be a huge step forward in reaching our objectives and maximising our income opportunities. |

## 4: Monetary Costs and Benefits of Options

***1)*** *Appraisals should include all the costs and benefits to the council arising from the project, not just those to a particular organisation or sector e.g. all costs and benefits to the public, private and third sectors should be included.*
***2)*** *Costs and benefits should be valued in economic cost terms, which are generally reflected by using current market prices.*
***3)*** *All the assets and other resources employed by each option should be costed, even if they have already been purchased. This is because they have an opportunity cost value i.e. if not used in this project they could be put to an alternative use.*
***4)*** *Calculate the Net Present Cost (NPC) for each option:-*
 *Use the NPC spreadsheet and append the NPC calculation for each option to the pro forma.*
 *In the simplest cases, the table below may be used instead. Create a table for each option, adjusting the no. of columns to reflect the years of the project's life.*
***5)*** *Treat the current financial year as Year 0.*
***6)*** *Set out the expected capital costs and annual revenue costs for each option.*
***7)*** *Express the figures in real terms i.e. held constant at today's prices.*
***8)*** *The checklist of typical costs.*
***9)*** *Financial savings arising from an option will be reflected in its lower costs compared to the Status Quo. Do not double count by also including them separately as benefits.*
***10)*** *Other monetised benefits may be taken into account but are likely to be rare in small expenditure cases. Most benefits will be covered in the non-monetary Section 5 below.*
***11)*** *For particularly uncertain cost assumptions, consider using sensitivity analysis to illustrate how NPCs and option rankings are affected by varying these assumptions.*
***12)*** *For more in-depth guidance, see Step 5 and Step 8.*

| **Option 1 Status Quo** | **Yr. 0** | **Yr. 1** | **Yr. 2** | **Yr. 3** | **Yr. 4** | **Yr. 5** | **Totals** |
|---|---|---|---|---|---|---|---|
| **Capital Costs** | **£150,000** | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| **‘(a) Total Capital Cost** | | | | | | | |
| **Revenue Costs** | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| **‘(b) Total Revenue Costs** | | | | | | | |
| **‘(c) Total Costs (a)+(b)** | | | | | | | |
| **‘(CH) Disv Factor @3.5% p.a.** | **1.0000** | **0.9662** | **0.9335** | **0.9019** | **0.8714** | **0.8420** | |
| **‘(e) NPC = (c)X(ch)** | | | | | | | |
| **Cost assumptions:** | | | | | | | |

## Section 5: Non-Monetary Costs and Benefits

 *List and describe the relevant non-monetary costs and benefits e.g. impacts on health, education,*
*environment, transport, equality, sustainability etc.*
 *Use a table such as the one below to show how each factor impacts on each option.*
 *Quantify the impacts if possible and highlight important differences between the options.*

| Non Monetary Factor | Impact on Option 1 | Impact on Option 2 | Impact on Option 3 | Impact on Option 4 |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| **1**<br>**Increase usage = improve health** | **None** | **Slight as people will see an investment** | **Full impact as it will be a facility that is modern and fit for purpose.** | |
| **2**<br>**Provide Education with a modern fit for purpose facility for school lessons.** | **None** | **Slight as it will be in a better condition** | **Full impact and will attract Primary schools and schools competitions. Urdd would also locate their competitions here.** | |
| **3**<br>**Stronger clubs – increase in participation** | **None** | **Slight** | **Full impact as local clubs can train and play locally and provide a surface that gives the best opportunity for their players to develop fully.** | |
| **3** | | | | |

## Section 6: Assess Risks and Uncertainties

 *Identify and describe the risks that the project may face.*
 *Explain how these compare under the various options using the table below.*
 *Identify measures to ensure that each risk is appropriately managed and mitigated.*
 *Explain any contingency allowances included for risks in the option costings.*
 *More sophisticated optimism bias adjustments should not generally be required but may be relevant*
*in some cases e.g. ICT projects or cases with significant capital costs.*

| **Risk description** | **Likely impact of Risk (H/M/L)** | | | | **State how the options compare and identify relevant risk management/ mitigation measures** |
|---|---|---|---|---|---|
| | **Opt 1** | **Opt 2** | **Opt 3** | **Opt 4** | |
| **1** | **H** | **M** | **L** | | **Option 3: ensures that we turn an ageing facility into a modern facility that will provide new and modern opportunities for people to participate in sport that will** |

| | | | | | |
|---|---|---|---|---|---|
| **Failure to invest will lead to decrease in income and footfall** | | | | | **also maximise income generation. Education will also have a facility where their pupils can maximise their potential.** |
| **2** | | | | | |
| **3** | | | | | |
| **4** | | | | | |
| **Overall risk (H/M/L)** | **H** | **M** | **L** | | |

**KEY: H = high M = medium L = low N/A = Not Applicable**

**Section 7: Summarise the Option Comparisons and Identify a Preferred Option**

 *Summarise the main differences between the options e.g. in terms of key assumptions, NPCs, nonmonetary*
*impacts, risks and other factors.*
 *Identify which option is preferred and explain why.*

*Option 3 is the preferred option as it gives a clear statement of intent that the Leisure Function Plan is being fully utilised and that we provide the best sporting educational opportunities for Ysgol Gyfun Llangefni and Ysgol Addysg y Bont pupils . It also highlights that the council is serious about achieving their corporate objectives. It will create new opportunities on the island for people to participate in sport. This will show the residence that we as a council listen to their calls to modernise our provision and IOACC can be proud of the facilities they have to offer to the public.*

*Option 1 is what we currently face and we can see the negative impact on the customers and staff due to lack of investment. Continuing as we are is not an option, we will have to close or invest in the facility within the year. Closure would lead to a loss of income and participation opportunities would decrease.*

| |
|---|
| *Option 2 is a middle of the road approach that will keep people happy for a short period. However 3G is not a new approach, the people of Anglesey expect this standard of facility as they have seen what can be achieved at Bangor City FC.*<br><br>***Option 3 is the way forward; clubs such as Bangor City, Llandudno and Bala have done it with a huge positive effect. It is not a risk investing as payback can be outlined to take place within 4 years.***<br><br>*If we want to be achieving as we set out to do in our Corporate objectives and service plans then this investment needs to take place.* |

**Section 8: Assess Affordability and Funding Arrangements**

 *Set out the annual capital and resource requirements for the preferred option, as per the table below.*
 *Figures should allow for inflation, contingencies and (where relevant) optimism bias.*
 *Resource figures should include appropriate allowance for depreciation/impairment.*
 *Identify expected sources of funding and the degree to which each funder is committed.*
 *Consult a finance specialist if necessary.*

| | **Yr. 0 £000's** | **Yr. 1 £000's** | **Yr. 2 £000's** | **Yr. 3 £000's** | **Totals £000's** |
|---|---|---|---|---|---|
| **Total required:** | | | | | |
| Capital | £150,000 | | | | |
| Resource | | | | | |
| Allowance for depreciation / impairment | | | | | |
| **Existing Provision:** | | | | | |
| Capital | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| Resource | | | | | |
| Allowance for depreciation / impairment | | | | | |
| **Additional requirement:** | | | | | |
| Capital | | | | | |
| Resource | | | | | |
| Allowance for depreciation / impairment | | | | | |

| Funding Body | Sum funded & % of total | Funding Secured? Yes / No | If not secured, indicate status of negotiations |
|---|---|---|---|
| | **£ ( %)** | | |
| | **£ ( %)** | | |
| | **£ ( %)** | | |

**Section 9: Project Management**

 *Explain the proposed project management structure (e.g. use of PRINCE 2), key management*
*personnel and project timetable.*
 *Where relevant, indicate the proposed approach to procurement.*
 *Consider provision for benefits management and realisation.*
 *Identify any significant management issues e.g. legal, contractual, accommodation, staff or TUPE*
*issues.*
 *Is any external consultancy support required.*

- The company that will get the contract will manage the project in regards to laying down the new 3G pitch in conjunction with our Property service.
- There is an option to use Alliance Leisure (they lead on similar projects in Flintshire and Denbighshire this summer) to lead on the project management of the project and costs are outlined below:
- Stage 1: Project essentials and feasibility / design work @ £3,822.50 (plus the CDM - this would be a % of the overall CDM fee **(This is already taking place as we need this completed).**
- Stage 2: Tender exercise @ £2,007.50 (plus % of CDM fee)
- Stage 3: Delivery of project @ 7089.50 PLUS cost of construction / delivery fee / framework fee etc

- The centre will run the bookings, maintenance and all other management tasks in conjunction with the Secondary school.

- Grant application bid will be going in to the Collaborative Fund at the end of October.

**Section 10: Monitoring and Evaluation Arrangements**

 *Indicate arrangements for regular monitoring of the project's progress.*
 *State proposed evaluation arrangements e.g. when it will happen, who will do it, what factors will be evaluated?.*

The central Môn Actif Perfomance team will be able to report monthly on progress and evaluate the outcomes of the project.

Our Performance Manager will be reporting monthly on usage figures to ensure that the footfall increase is regular and consistent.

In regards to evaluation initial evaluation will be done after the first three months, we will evaluate the following:

- Increase in usage hours a week.
- Increase in footfall.
- Customer survey and feedback.
- Increase in income per month.

| |
|---|
| We will also repeat this process after 12 months.<br><br>Feedback from Ysgol Gyfun Llangefni will also be key as this project will improve their provision and therefore we will also gain feedback from the school. |

**Main Sections of Capital Bid Project Brief Form**
**Section A – completed for Bid SUBMISSION**
**i. Project Name, Description and Objectives**
A brief summary of the project and its objectives i.e. what is to be achieved by the project.

**ii. Justification and Reasons for the Project**
Setting out the reasons why the project is necessary and how it helps meet Corporate
and Service Objectives and addresses items in the Deputy Leader's annual report. The
various options that have been considered and the recommended option are also set out.

**iii. Scoring against the Corporate Plan Priorities and Other Issues**
To ensure that projects are appraised on a consistent and objective basis and are aligned to Corporate Plan priorities. Other important issues that are not specifically mentioned in the Corporate Plan are also taken into account e.g. Health and Safety and
Risk Management issues. Weightings are applied to the scores with Corporate Plan priorities and statutory requirements carrying the most weight.

**iv. Cost and Funding Profile**
Estimates of the costs of the project and timing of these costs and the funding sources
investigated and identified.

**v. Additional Revenue Budget Impact of the Project**
Lifetime revenue costs for the project

**vi. Consultation**
That has taken place with community groups etc.

**Section B – completed for successful Bids**

**vii. Project Outcomes and Scope**
The expected and required deliverable/products/outcomes that the proposed project must create or acquire and the major areas, functions and processes to be addressed
during the project, is that, what is "in" and what is "out**".**

**viii. Outline Project Plan**
The main stages of the project are set out together with target dates for their completion.

**ix. Project Constraints, Assumptions and risks**
Restrictions and expectations on time, resources, funding and/or the eventual outcome
and the key risks facing the project.

**x. Outline Business Benefits/Business Case**
A brief summary of the business benefits that are expected to stem from the project.

**xi. Spend Profile**
Giving expected spend figures for the four quarters of each financial year.

**xii. Planning Permission and Building Regulations Approval**
Confirming whether or not planning permission is required and has been granted and whether Building Regulations approval has been granted. If either has not been granted
the timescale for making the submission must be stated.

## CAPITAL FUNDING: BID FORM

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**PROJECT TITLE: Upgrade to a modern Fitness Facility (Holyhead Leisure Centre)**

**SPONSORING DEPARTMENT/AGENCY: Regulation and Economic Development Service**

**SENIOR RESPONSIBLE OFFICER: Gerallt Roberts**

**SIGNED: DATE:**

**APPROVING HEAD OF SERVICE: Dylan Williams**

**SIGNED: DATE:**

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**Section 1: Project Background, Strategic Context and Need**

 *Explain the background to the proposal including its relevance to strategic aims and policy objectives.*
 *Identify the key stakeholders and explain their commitment and any outstanding issues.*
 *As specifically as possible, explain the nature of the needs or demands that are to be addressed, and*
*detail any deficiencies in existing service provision, or any statutory obligation that would be not*
*otherwise satisfied.*
 *Include suitable quantification of needs/demands/deficiencies where possible.*

**Leisure Function Plan**

The Leisure Function Plan aims to safeguard the County Council's leisure centres in Amlwch, Llangefni, Holyhead and David Hughes, as its core assets, by providing a modern, quality, customer-focused service that maximises income. Making the leisure centres more commercially viable and customer focused - aligned to achieving efficiencies in other areas of the Service - is the key priority in order to help safeguard their long term future.

The current position is that positive progress has been made and some of the successes are highlighted below:

- 51% of the 60% reduction target in running costs of the leisure function to the council will be met by March 2018.
- £69,000 income coming in on a monthly basis through our direct debit packages compared to £44,000 coming in January 2016.
- 400+ extra children in our swimming lessons compared to January 2016.
- Capital funding at Amlwch and Plas Arthur has proved a success with an increase in usage and income. Investing in developing the fitness offer further has a proven success.
- Mon Actif is proving popular as a new brand with 2,800 likes now on facebook.

The next step is to look at investing in key areas to ensure we maximise income revenue and that we maintain the current momentum of more users and more income.

**Project Background**
This project will entail replacing and updating all fitness equipment within the fitness room at Holyhead Leisure Centre to ensure a modern fitness experience can be gained by all customers (Inclusive fitness room). This will address current negative perceptions and meet the customer expectations and demands. In addition the project will support our rolling programme which will ensure that we achieve the requirements of the Welsh language, given that the present fitness equipment do not offer a language choice and as a result the Leisure function currently does not comply with the requirements of the Welsh Language standard. It is important to implement this as soon as possible in order that we offer a service that is up to standard for the residents of Anglesey in addition to complying with the Welsh Language standards and maintaining the good name of the Isle of Anglesey County Council.

A rolling programme of investment has been agreed with the Welsh Language Commissioner in order that we receive an exception from Standard 60 of the Act for now (i.e. that self service machines offer a language choice). The first step would be the investment in Holyhead as there is a need to invest in the other 3 centres over the next 4 years in order to meet the language requirements. The rolling programme attached has been approved by the Language Commissioner recently. Investment at Amlwch and Plas Arthur Leisure Centres in 2015 has proven positive with increased income and usage figures. Holyhead requires funding now as it has missed out on recent investment in the fitness room over the years and the current fitness room is fast losing its appeal. This investment is certain to help us reach our target of a 60% reduction in expenditure cost of leisure to the council.

**Projected 5 year cost's**
Currently we have equipment within the fitness room which is 10 years old, please see list of equipment attached, the usual guide in replacing equipment is 5 to 6 years. As you are aware a similar bid came in for funding support in 2015 and 2016 but sadly this was rejected at the time. Cost prediction over the next 5 years as predicted by current fitness equipment provided can be highlighted as:

- Cost of service and parts for current equipment if there is no change will mount to £69,816.67 over the next 5 years.
- Membership decline due to old equipment (industry standard prediction) is loss of 20 members per year; this is a loss of £6,480 for us which equates to £32,400 over the next 5 years.
- Our current assets (present equipment) have been valued at £15,670 within 5 years this will reduce to £9,252.97.
- **Total cost over next 5 years £117,886.67**

**Projected outcomes of project**

If we look at what could be achieved if we were to fully replace the current equipment we can see a financial gain. One quote for full replacement was £200,000 this investment would see us gain free service and parts for 5 years therefore no occurring cost for the near future.
Costs of project:

- Full refurb £210,000
- Part refurb £100,000

Benefits of full refurb:

- New members are attracted to an updated and modern fitness facility which will bring substantial income in.
- To look at a fitness facility that has gone through a similar process recently the Nova Centre at Prestatyn brought in 207 new Direct Debit members within the first 3 month.
- We would set our target at 175 new members within the first 3 month which would increase income per year by £46,200 per year.
- No service and parts cost for 5 years.
- **Total income over 3 years £138,600**

If we take all of the above figures into account the **pay back for this scheme would be within 3 years.**

**Strategic aims and Policy Objectives**

Through this project we will help IOACC meet one of its corporate objectives "ensure that our leisure offer is fit for purpose and delivering the best value for money possible, as we seek to improve the health and wellbeing of our communities" (Anglesey Corporate Plan 2013-17).

Objective 1 Ynys Môn Corporate Plan 2017 – 2022
"We will create conditions to allow individuals to improve their health and well being"

The vision of the Regulation and Economic Development service is to create a better Island to live, work and visit by delivering activities to develop Anglesey's economy, regenerate its communities and transform current leisure provision.

Through this project we will be able to help the service reach it's aims of:

- Provide formal opportunities for people on Anglesey to live their lives in a healthy way;
- Create vibrant and healthy rural communities

The project will also be able to ensure that Leisure meet their ambition of:

- Providing high quality, customer focused facilities and activities that maximise income generation and support healthy communities by:
- Maintaining a commercial approach to the management of Amlwch, Holyhead, Plas Arthur and Menai Bridge Leisure Centres
- Achieving improvements in the health and wellbeing of Anglesey residents by increasing participation in leisure activities.

This project will help us reach our current Service Delivery targets:

- Increase income generated by leisure centres = £46,200 per year
- Increase participation numbers at leisure centres = 18,200 per year
- Increase in numbers completing National Exercise Referral Scheme due to Inclusive improvements.
- Increase junior membership at leisure centres = with a new Youth direct debit package out we will attract more junior's into the gym with a more modern offer.

- Ensure a resource that is totally inclusive which creates an Inclusive Hub for the Holyhead area

Sport Wales have identified 3 main targets by 2026, this project would help them achieve the following:

· 75% of young people and young adults hooked on sport
· Positively target the gap within inequality
· Develop a sporting pathway to become a nation of champions

The % of Anglesey children and young people that are currently hooked on sport is 50%, whilst the % for adults is 48% (participate in sport 3 or more times a week). Providing an up to date modern facility with new equipment at Holyhead will contribute towards achieving these key local and national targets. This facility will provide access to close by Community First wards, many that are known to be deprived, and will be fully inclusive. The newly launched Direct Debit package for young people will certainly increase income for the leisure service, however this can be much greater if modern up to date equipment is available.

**Need for change:**

Currently we have 1,404 direct debit members using the facilities at Holyhead Leisure Centre, which is 33% of the total direct debit members that we currently have on our schemes. If we take the 482 Junior Swimming members out this leaves 922 which directly use the fitness room through our packages. During the last month we have seen a loss of £748 from direct debit packages being cancelled in Holyhead. Having spoken to customers the feedback that comes back is that;

- Other facilities provide a more modern facility.
- Machines out of order therefore have to wait during busy times for others to come available.
- Lack of inclusive equipment (One family has bought equipment for the facility so that their son and other disabled users can have a specialised equipment within the fitness room).
- Lack of technology on equipment – we can watch TV/ Browse the internet whilst training at other locations.

We have an opportunity to make a real difference at Holyhead. Recent investment on aspects such as upgrading roof, main hall floor, changing rooms has all breathed a new lease of life to an ageing building. Now we need to improve what the customer use the most and lack of investment in regards to fitness equipment is the current biggest weakness at Holyhead Leisure Centre.

## Section 2: State Objectives and Constraints

 *Explain and list the project objectives in specific measurable terms.*
 *Include quantifiable targets where possible.*
 *Identify any likely constraints to the project e.g. timing issues, legal requirements, professional*
*standards, planning constraints and so on.*

**Project Objectives Measurable Targets**

| Project objectives | Measurable targets |
|---|---|

| | |
|---|---|
| 1. Increase Income | £46,200 per year |
| 2. Increase participation | 18,200 per year |
| 3. Inclusive Offer | 20% of inclusive specific equipment |
| 4. Reaching Welsh Language Standards | Equipment which provide a Welsh language choice is essential in terms of our rolling programme |
| | |
| **Constraints** | **Measures to address constraints** |
| 1<br>Timing | The ideal timing for a change of this nature would be either December for a January Launch or August for a September launch. |
| 2<br>Disruption | If this project was to take place then there would be a need for a closure of up to a week. But we could adapt our offer during this time as we have other locations to provide a temporary gym offer. |
| 3 | |

### 3: Identify and Shortlist the Options

 *Consider alternative ways to meet the objectives e.g. variations in scale, quality, technique, location,*
*timing etc.*
 *Start with an initial 'long list' of options and sift them to provide a shortlist. Record all the options*
*considered and the reasons for rejecting those not shortlisted.*
 *The shortlist of options should include a baseline Status Quo or 'Do Minimum' option and a suitable*
*number of alternative 'Do Something' options (usually at least two).*

| Option number / description | Shortlisted (S)<br>Rejected (R) | Reason for rejection |
|---|---|---|
| 1. Don't Invest | R | Equipment will go into further decline which will lead to reduction of members and more cost on service and parts. Some equipment will be beyond repair and therefore the offer will be limited. Lack of opportunities for users with a disability to participate due to current lack of inclusive equipment. |
| 2. Partial Investment | R | Partial investment would see a need to invest £100,000 to get only the older equipment upgraded. This could see an ongoing service cost and would still member decrease. The fitness room would still not be inclusive as we would not be providing 20% inclusive equipment through this option. |
| 3. Full Investment | S | A full investment would mean that we meet all our objectives. We could provide a modern, fit for purpose facility that was inclusive. |

| | | |
|---|---|---|
| | | New members would be attracted to a new offer which would increase income and footfall. |

## 4: Monetary Costs and Benefits of Options

***1)*** *Appraisals should include all the costs and benefits to the council arising from the project, not just those to a particular organisation or sector e.g. all costs and benefits to the public, private and third sectors should be included.*
***2)*** *Costs and benefits should be valued in economic cost terms, which are generally reflected by using current market prices.*
***3)*** *All the assets and other resources employed by each option should be costed, even if they have already been purchased. This is because they have an opportunity cost value i.e. if not used in this project they could be put to an alternative use.*
***4)*** *Calculate the Net Present Cost (NPC) for each option:-*
 *Use the NPC spreadsheet and append the NPC calculation for each option to the pro forma.*
 *In the simplest cases, the table below may be used instead. Create a table for each option, adjusting the no. of columns to reflect the years of the project's life.*
***5)*** *Treat the current financial year as Year 0.*
***6)*** *Set out the expected capital costs and annual revenue costs for each option.*
***7)*** *Express the figures in real terms i.e. held constant at today's prices.*
***8)*** *The checklist of typical costs.*
***9)*** *Financial savings arising from an option will be reflected in its lower costs compared to the Status Quo. Do not double count by also including them separately as benefits.*
***10)*** *Other monetised benefits may be taken into account but are likely to be rare in small expenditure cases. Most benefits will be covered in the non-monetary Section 5 below.*
***11)*** *For particularly uncertain cost assumptions, consider using sensitivity analysis to illustrate how NPCs and option rankings are affected by varying these assumptions.*
***12)*** *For more in-depth guidance, see Step 5 and Step 8.*

| **Option 1 Status Quo** | **Yr. 0** | **Yr. 1** | **Yr. 2** | **Yr. 3** | **Yr. 4** | **Yr. 5** | **Totals** |
|---|---|---|---|---|---|---|---|
| **Capital Costs** | **£200,000** | | | | | | |
| | | | | | | | |
| | | | | | | | |
| **'(a) Total Capital Cost** | | | | | | | |
| **Revenue Costs** | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| **‘(b) Total Revenue Costs** | | | | | | | |
| **‘(c) Total Costs (a)+(b)** | | | | | | | |
| **‘(CH) Disv Factor @3.5% p.a.** | **1.0000** | **0.9662** | **0.9335** | **0.9019** | **0.8714** | **0.8420** | |
| **‘(e) NPC = (c)X(ch)** | | | | | | | |
| **Cost assumptions:** | | | | | | | |

## Section 5: Non-Monetary Costs and Benefits

 *List and describe the relevant non-monetary costs and benefits e.g. impacts on health, education,*
*environment, transport, equality, sustainability etc.*
 *Use a table such as the one below to show how each factor impacts on each option.*
 *Quantify the impacts if possible and highlight important differences between the options.*

| Non Monetary Factor | Impact on Option 1 | Impact on Option 2 | Impact on Option 3 | Impact on Option 4 |
|---|---|---|---|---|
| **1. Increase usage = improve health** | **None** | **Slight as people will see an investment** | **Full impact as it will offer an inclusive facility that will be open to all.** | |
| **2. Target gap of inequality** | **None** | **None** | **Full impact as it will be an inclusive offer (first of its kind on Anglesey)** | |
| **3. Reaching Language Standards** | **None** | **Some change** | **Full impact** | |
| **3** | | | | |

## Section 6: Assess Risks and Uncertainties

 *Identify and describe the risks that the project may face.*
 *Explain how these compare under the various options using the table below.*
 *Identify measures to ensure that each risk is appropriately managed and mitigated.*
 *Explain any contingency allowances included for risks in the option costings.*
 *More sophisticated optimism bias adjustments should not generally be required but may be relevant*
*in some cases e.g. ICT projects or cases with significant capital costs.*

| **Risk description** | **Likely impact of Risk (H/M/L)** | | | | **State how the options compare and identify relevant risk management/ mitigation measures** |
|---|---|---|---|---|---|
| | **Opt 1** | **Opt 2** | **Opt 3** | **Opt 4** | |
| **1**<br><br>**Failure to invest will lead to decrease in income and footfall** | **H** | **M** | **L** | | **Option 3: ensures that we turn a negative trend to a positive one with more members and more income.** |
| **2**<br><br>**Failure to meet the inequality gap** | **H** | **H** | **L** | | **Option 3: The new equipment would ensure that the fitness room could be used by all by being an inclusive offer.** |
| **3**<br>**Failure to be ready for increased demand through large projects e.g. Orthios, Land and Lakes** | **H** | **H** | **L** | | **Option 3: This will provide an improved offer with more options which will meet increased demand.** |
| **4** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| **Overall risk (H/M/L)** | **H** | **M** | **L** | | |

**KEY: H = high M = medium L = low N/A = Not Applicable**

**Section 7: Summarise the Option Comparisons and Identify a Preferred Option**

 *Summarise the main differences between the options e.g. in terms of key assumptions, NPCs, nonmonetary impacts, risks and other factors.*
 *Identify which option is preferred and explain why.*

| |
|---|
| *Option 3 is the preferred option as it gives a clear statement of intent that the Leisure Function Plan is being fully utilised. It also highlights that the council is serious about achieving their corporate objectives. It will create opportunities for everyone to be able to use our fitness room with no barriers to participation.*<br><br>*Option 1 is what we currently face and we can see the negative impact on the customers and staff due to lack of investment. Continuing as we are is not an option, we will have a limited offer at Holyhead very soon due to lack of funds on increased service and parts cost's/*<br><br>*Option 2 is a middle of the road approach that will help in the short term but more cost's will be occurred over the next few years. Doing it at a smaller scale will not have the same affect and therefore the increased income and footfall target will not be met.*<br><br>***Option 3 is the way forward, other local authorities have done it recently e.g. Gwynedd and Denbighshire with a huge increase in numbers. It is not a risk investing as payback can be outlined to take place within 3 years.***<br><br>*If we want to be achieving as we set out to do in our Corporate objectives and service plans then this investment needs to take place.* |

**Section 8: Assess Affordability and Funding Arrangements**

-  *Set out the annual capital and resource requirements for the preferred option, as per the table below.*
-  *Figures should allow for inflation, contingencies and (where relevant) optimism bias.*
-  *Resource figures should include appropriate allowance for depreciation/impairment.*
-  *Identify expected sources of funding and the degree to which each funder is committed.*
-  *Consult a finance specialist if necessary.*

| | **Yr. 0 £000's** | **Yr. 1 £000's** | **Yr. 2 £000's** | **Yr. 3 £000's** | **Totals £000's** |
|---|---|---|---|---|---|
| **Total required:** | | | | | |
| Capital | £200,000 | | | | |
| Resource | | | | | |
| Allowance for depreciation / impairment | | | | | |
| **Existing Provision:** | | | | | |
| Capital | | | | | |
| Resource | | | | | |
| Allowance for depreciation / impairment | | | | | |
| **Additional requirement:** | | | | | |
| Capital | | | | | |
| Resource | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Allowance for depreciation / impairment | | | | | |

| Funding Body | Sum funded & % of total | Funding Secured? Yes / No | If not secured, indicate status of negotiations |
|---|---|---|---|
| | **£ ( %)** | | |
| | **£ ( %)** | | |
| | **£ ( %)** | | |

**Section 9: Project Management**

 *Explain the proposed project management structure (e.g. use of PRINCE 2), key management*
*personnel and project timetable.*
 *Where relevant, indicate the proposed approach to procurement.*
 *Consider provision for benefits management and realisation.*
 *Identify any significant management issues e.g. legal, contractual, accommodation, staff or TUPE*
*issues.*
 *Is any external consultancy support required.*

The company that will get the contract will manage the project in regards to new layout plan and equipment assembly.

We as the Mon Actif Management team will decide on inclusive equipment with guidance from the company and consultation with the NERS team and customers.

Once funding is in place we can go out to tender using the ESPO framework agreement.

**Section 10: Monitoring and Evaluation Arrangements**

 *Indicate arrangements for regular monitoring of the project's progress.*
 *State proposed evaluation arrangements e.g. when it will happen, who will do it, what factors will be evaluated?.*

The Performance co-ordinator will update on a month basis in regards to direct debit uptake to ensure we reach our target of 150 new members within 3 months. This monitoring will continue to ensure the figures are sustained.

Our Performance Manager will be reporting monthly on usage figures to ensure that the footfall increase is regular and consistent.

In regards to evaluation initial evaluation will be done after the first three months, we will evaluate the following:

- Increase number of Direct Debit members.
- Increase in footfall.
- Customer survey and feedback.

We will also repeat this process after 12 months.

**Main Sections of Capital Bid Project Brief Form**

**Section A – completed for Bid SUBMISSION**

**i. Project Name, Description and Objectives**

A brief summary of the project and its objectives i.e. what is to be achieved by the project.

**ii. Justification and Reasons for the Project**

Setting out the reasons why the project is necessary and how it helps meet Corporate and Service Objectives and addresses items in the Deputy Leader's annual report. The various options that have been considered and the recommended option are also set out.

**iii. Scoring against the Corporate Plan Priorities and Other Issues**

To ensure that projects are appraised on a consistent and objective basis and are aligned to Corporate Plan priorities. Other important issues that are not specifically mentioned in the Corporate Plan are also taken into account e.g. Health and Safety and Risk Management issues. Weightings are applied to the scores with Corporate Plan priorities and statutory requirements carrying the most weight.

**iv. Cost and Funding Profile**

Estimates of the costs of the project and timing of these costs and the funding sources investigated and identified.

**v. Additional Revenue Budget Impact of the Project**

Lifetime revenue costs for the project

**vi. Consultation**

That has taken place with community groups etc.

**Section B – completed for successful Bids**

**vii. Project Outcomes and Scope**

The expected and required deliverable/products/outcomes that the proposed project

must create or acquire and the major areas, functions and processes to be addressed
during the project, is that, what is “in” and what is “out**”.**

**viii. Outline Project Plan**

The main stages of the project are set out together with target dates for their completion.

**ix. Project Constraints, Assumptions and risks**

Restrictions and expectations on time, resources, funding and/or the eventual outcome
and the key risks facing the project.

**x. Outline Business Benefits/Business Case**

A brief summary of the business benefits that are expected to stem from the project.

**xi. Spend Profile**

Giving expected spend figures for the four quarters of each financial year.

**xii. Planning Permission and Building Regulations Approval**

Confirming whether or not planning permission is required and has been granted and whether Building Regulations approval has been granted. If either has not been granted
the timescale for making the submission must be stated.

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# ISLE OF ANGLESEY COUNTY COUNCIL

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|---|---|
| **REPORT TO:** | **COUNTY COUNCIL** |
| **DATE:** | **28 FEBRUARY 2018** |
| **SUBJECT:** | **TREASURY MANAGEMENT STRATEGY STATEMENT 2018/19** |
| **PORTFFOLIO HOLDER :** | **JOHN GRIFFITH** |
| **LEAD OFFICER:** | **MARC JONES** |
| **CONTACT OFFICER:** | **GARETH ROBERTS (TEL: EXT 2675)**<br>**CLAIRE KLIMASZEWSKI (TEL : EXT.1865)** |

**Nature and reason for reporting**

The Council is required to implement best practice in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management which 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 Treasury Management Scheme of Delegation charges the Audit Committee with this function and Annex A to this report was presented to the Audit Committee on 13 February 2018. This report complies with the 2017/18 Treasury Management Scheme of Delegation, which requires the Executive to receive and review this report prior to being passed to the full Council for approval. This report runs alongside the capital and revenue budget reports as part of the 2018/19 budget setting process.

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

**1.** This report and Annex (as detailed in the section above, sections 2 to 4 below and including Annex A) was presented to the Audit Committee on 13 February 2018 and the Executive on 19th February 2018. Those Committees resolved to:-

- Note the contents of the covering report; and
- Endorse the Treasury Management Strategy Statement (including the Prudential and Treasury Management Indicators) [Annex A] for 2018/19.

The Audit Committee did not resolve to pass any comments or recommendations on to the Executive Committee, who resolved to forward on to this Committee without further comment.

**2.** The CIPFA Code of Practice on Treasury Management (Section 7) recommends that the Authority's Treasury Management Practices (TMPs) should be approved, documented and monitored. It goes on to state that the nature and extent of the involvement of an organisation's responsible body in approving and monitoring its TMPs and accompanying schedules is a matter for local decision and recognises that in some organisations this may be delegated to the responsible officer. In all cases it should be subjected to scrutiny by the responsible body following recommendations by the responsible officer. This Authority have produced documented TMPs, and were approved by the Audit Committee on 6 December 2016. There is one proposed change to these TMP's, which needs to be approved by this Committee. The change is to increase the minimum cash balance from £6m to £6.5m in accordance with the latest approved reserve policy.

**3.** In terms of updates to the Treasury Management Strategy Statement the only proposed amendment to the core principals and policies of the 2017/18 Statement is to amend the Minimum Revenue Provision (MRP) Policy. The Authority's External Treasury Management Advisers (Link which was previously known as Capita Asset Management Services) completed a review of the Council's MRP policy. The principles highlighted in their report are included in the revised policy.

The policy will lead to a consistent approach to MRP charges between supported and unsupported borrowing. The current policy charges MRP at 4% of the Capital Financing requirement for projects financed by supported borrowing. The MRP charge on assets funded by unsupported borrowing is based on the useful economic lives of those assets. The asset life approach is the one of two approaches permitted for projects funded by unsupported borrowing. The method for charging 4% of the CFR used for supported borrowing is not an option for unsupported borrowing. The asset life approach is a prudent method as it matches the MRP charged against revenue with the expected life of the asset. Therefore, it is recommended that the MRP policy is revised so that the MRP charge, going forward for both supported borrowing and unsupported borrowing will be based on the Asset Life basis. The proposals will lead to lower MRP charges over the next 10 to 15 years, but will then be higher until year 50. The revised policy will be applied back to 2008 to ensure the most prudent charge and consistency between the MRP charge for expenditure funded by supported borrowing and unsupported borrowing. The revised policy can be seen in Appendix 2. This will be subject to consultation and approval of External Audit.

**4.** The Council's external borrowing stood at £111.4m as at 7 November 2017, and is expected to be £118.0m at 31 March 2018. The borrowing is made up of maturity fixed loans and annuity fixed rate loans. At 7 November 2017, the maturity fixed loans stood at £111.2m with an average life of 23 years, and average interest rate of 5.15%. The annuity fixed rate loans stood at £0.2m with an average life of 8 years and an average interest rate of 9.44%. The anticipated cost of borrowing, which is the interest payable on existing loans, for 2017/18, is £5.9m for both the General Fund (£3.9m) and HRA (£2.0m).There will also be a Minimum Revenue Provision (MRP) charge, which is the revenue charge to pay off an element of the accumulated capital spend each year (Appendix 2). In 2017/18 this charge will be £4.7m for both the General Fund (£3.8m) and HRA (£0.9m). This means that the Capital Finance Requirement (the forecast underlying need to borrow to finance the capital programme) at the year end will be £138.1m, resulting in the Council being internally borrowed (see section 3.3.1) by £20.1m by the year end.

The Council's investments as at 7 November 2017 stood at £13.4m with an average rate of return of 0.15% and the average balance for the year to date is £16.6m. As internal borrowing has increased the investment balances have decreased.

**5. Recommendations:-**

- Note the contents of the covering report;
- To approve the 2018/19 Treasury Management Strategy Statement (which includes the Annual Investment Strategy, MRP Policy, Annual Treasury Management Policy Statement and the Prudential and Treasury Indicators) (Annex A to this report); and
- To approve the change in TMP's, increasing the minimum cash balance from £6m to £6.5m, to reflect the increase in the minimum general reserve balance.

**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?**

To comply with this Authority's budget setting process and Treasury Management Scheme of Delegation.

**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 - | Who did you consult? | What did they say? |
|---|---|---|
| 1 | **Chief Executive / Strategic Leadership Team (SLT)** (mandatory) | |
| 2 | **Finance / Section 151** (mandatory) | n/a – this is a S151 Officer report |
| 3 | **Legal / Monitoring Officer** (mandatory) | |
| 4 | **Human Resources (HR)** | |
| 5 | **Property** | |
| 6 | **Information Communication Technology (ICT)** | |
| 7 | **Scrutiny** | |
| 8 | **Local Members** | |
| 9 | **Any external bodies / other/s** | |
| **E -** | **Risks and any mitigation (if relevant)** | |
| 1 | **Economic** | |
| 2 | **Anti-poverty** | |
| 3 | **Crime and Disorder** | |
| 4 | **Environmental** | |
| 5 | **Equalities** | |
| 6 | **Outcome Agreements** | |
| 7 | **Other** | |

**F - Annexes:**

Annex A: Treasury Management Strategy Statement and Prudential and Treasury Indicators for 2018/19.

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

- Treasury Mangement Strategy Statement 2017/18 (as approved by the Council on 28 February 2017)

**TREASURY MANAGEMENT STRATEGY STATEMENT**

**ANNUAL INVESTMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND TREASURY MANAGEMENT POLICY STATEMENT 2018/19**

## 1. Introduction

### 1.1 Background

The Council is required to operate a balanced budget, meaning that total income due during the financial year must be sufficient to meet expenditure, and also that actual cash inflows must be adequate to cover cash outflows. A key 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 policy to minimise risk ensuring adequate liquidity before considering 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 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, debt previously drawn may be restructured to meet Council risk or cost objectives.

A particular point is that a local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that:-

- increases in revenue costs resulting from increases in interest charges, incurred to finance additional borrowing to finance capital expenditure; and
- any increases in running costs from new capital projects, must be limited to a level which is affordable within the Council's projected income.

The Treasury Management Policy Statement defines the policies and objectives of the treasury management activities. See Appendix 10.

### 1.2 Reporting Requirements

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

**Prudential and Treasury Management Indicators and Treasury Strategy** - The first and most important report, covers:-

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

**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.

**An Annual Treasury Report** - This provides details of a selection of actual prudential and treasury management indicators and actual treasury operations compared to the estimates within the strategy.

## 1.3 Treasury Management Strategy for 2018/19

The strategy for 2018/19 covers two main areas:-

**Capital Issues**

- The capital plans and the prudential indicators; and
- the minimum revenue provision (MRP) strategy.

**Treasury management Issues**

- The current treasury position;
- treasury indicators which will limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Welsh Government MRP Guidance, the CIPFA Treasury Management Code and the Welsh Government Investment Guidance.

## 1.4 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. In order to support the scrutiny role of the members of the Audit Committee, the committee's members received training in treasury management, delivered by the appointed treasury management consultants on November 9 2016. Further training will be arranged when required.

The training needs of treasury management officers are regularly reviewed and addressed.

## 1.5 Treasury management consultants

The Council uses The Link Group as its external treasury management advisors. In accordance with procurement regulations the Treasury Management advisory service were advertised for tender for the period 1 April 2016 to 31 March 2019 with an option to extend for 2 years. Capita Asset Services being the succesful tender.

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.

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.

Capita Asset Service has been sold to The Link Group, however, the services provided will not change under the new ownership.

### 1.6 Adoption of the Code

The Council is required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The current, 2011, code of practice has already been adopted by this Council therefore no update is required for 2018/19. In addition the authority follows guidance in the CIPFA Prudential Code 2013 which supplements the CIPFA code of practice on Treasury Management. However, the Prudential code and Treasury Management code have been reviewed and were published in January 2018. The code considers 2018/19 to being a transition year, with full implementation from 2019/20.

## 2. Capital Considerations

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 prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts.

The Authority's capital expenditure projections for 2017/18 to 2020/21 are reflected in the Prudential Indicators (Appendix 11). The projected expenditure for 2018/19 to 2020/21 is based on the capital strategy that was approved by The Executive at its' meeting on 30 October 2017, and the draft proposal for Band B of the 21st Century Schools Programme. The projections for those years also includes the assumption that slippage from 2017/18 will be fully spent in 2018/19.

The overall programmes will be limited to what is affordable, both in terms of actual capital spend and in terms of the revenue implications (see 1.1 above). The prudential indicators are contained in Appendix 11. The table below summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need, which can be seen in table 3.1.

| Capital expenditure £'000m | 2016/17 Actual | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|---|---|---|---|---|---|
| Non-HRA | 28,030 | 22,030 | 38,800 | 34,340 | 16,060 |
| HRA | 8,610 | 11,490 | 13,820 | 15,200 | 15,340 |
| **Total** | **36,640** | **33,520** | **52,620** | **49,540** | **31,400** |
| **Financed by:** | | | | | |
| Capital receipts | 5,240 | 3,100 | 1,260 | 500 | 500 |
| Capital grants | 14,800 | 11,360 | 30,800 | 25,230 | 8,940 |
| Reserves | 580 | 510 | 300 | 0 | 0 |
| Revenue | 5,050 | 8,830 | 11,160 | 9,040 | 9,380 |
| Loan | 150 | 1,000 | 0 | 0 | 0 |
| **Net financing need for the year** | **10,820** | **8,720** | **9,100** | **14,770** | **12,580** |

## 3. Borrowing

The capital expenditure plans, set out in section 2 (above) of this report, provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

### 3.1 Current and Projected Borrowing Requirement and Actual Borrowing

The forecast movements in the Council's capital financing requirement (CFR) are:-

| ESTIMATED MOVEMENTS IN THE CAPITAL FINANCING REQUIREMENT AND REPLACEMENT BORROWING 2017/18 TO 2020/21 | | | | |
|---|---|---|---|---|
| | 2017/18 Projected £'000 | 2018/19 Estimate £'000 | 2019/20 Estimate £'000 | 2020/21 Estimate £'000 |
| **Movement in the CFR** | | | | |
| New borrowing to support capital expenditure | | | | |
| *Supported Borrowing* | *2,131* | *4,422* | *4,370* | *3,959* |
| *Unsupported Borrowing* | *6,583* | *4,679* | *10,404* | *8,620* |
| **Total** | **8,714** | **9,101** | **14,774** | **12,579** |
| *Reduce by: Minimum Revenue Provision and set aside capital receipts* | (4,667) | (3,223) | (3,328) | (3,584) |
| **Net movement in the CFR** | **4,047** | **5,878** | **11,446** | **8,995** |
| **Potential movements in actual borrowing** | | | | |
| Movement in the CFR (above) | - | **5,878** | **11,446** | **8,995** |
| Externalisation of pre 2017/18 internal borrowing | - | 20,100 | **-** | **-** |
| Replacement Borrowing (included in unsupported borrowing above) | **-** | 5,000 | 5,000 | 4,500 |
| **Total potential new borrowing** | **-** | **30,978** | **16,446** | **13,495** |

## 3.2 Prospects for Interest Rates

The Council's appointed treasury advisor is Capita Asset Services and part of their service is to assist the Council to formulate a view on interest rates. Appendix 3 draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Capita central view.

| Annual Average (%) | Bank Rate (%) | PWLB Borrowing Rates (including certainty rate adjustment) | | |
|---|---|---|---|---|
| | | 5 year | 25 year | 50 year |
| December 2017 | 0.50 | 1.50 | 2.80 | 2.50 |
| March 2018 | 0.50 | 1.60 | 2.90 | 2.60 |
| June 2018 | 0.50 | 1.60 | 3.00 | 2.70 |
| September 2018 | 0.50 | 1.70 | 3.00 | 2.80 |
| December 2018 | 0.75 | 1.80 | 3.10 | 2.90 |
| March 2019 | 0.75 | 1.80 | 3.10 | 2.90 |
| June 2019 | 0.75 | 1.90 | 3.20 | 3.00 |
| September 2019 | 0.75 | 1.90 | 3.20 | 3.00 |
| December 2019 | 1.00 | 2.00 | 3.30 | 3.10 |
| March 2020 | 1.00 | 2.10 | 3.40 | 3.20 |
| June 2020 | 1.00 | 2.10 | 3.50 | 3.30 |
| September 2020 | 1.25 | 2.20 | 3.50 | 3.30 |
| December 2020 | 1.25 | 2.30 | 3.60 | 3.40 |
| March 2021 | 1.25 | 2.30 | 3.60 | 3.40 |

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

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

- Bank of England monetary policy takes action too quickly to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea., but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- The result of the October 2017 Austrian general election is likely to result in a strongly anti-immigrant coalition government. This could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The Bank of England is too slow in its initial pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in the Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

**Investment and borrowing rates**

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.

- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

## 3.3 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This approach is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered (see 3.3.1 below for a more detailed consideration of internal and external borrowing). As part of this strategy the ability to externally borrow to repay the reserves and balances if needed is important. Table 3.1 indicates that £20.100m 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.

Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The S151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:-

- if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered if it is cost effective to do so.

- If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years

  Any decisions will be reported to this committee at the next available opportunity.

### 3.3.1 External v. internal borrowing

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

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

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

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

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.

However, short term savings by avoiding new long term external borrowing in 2017/18 must also be weighed against the potential for incurring additional long term extra costs, by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be higher. Additionally, the cash flow implications of internalising borrowing require regular review and will limit the potential extent of internalising borrowing.

Against this background, caution will be adopted with the 2018/19 treasury operations. The S151 Officer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the earliest opportunity.

**3.4 Policy on borrowing in advance of need**

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.

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

- 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;
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets, have been considered;
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the advantages and disadvantages of alternative forms of funding;
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use; and
- 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.

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.

### 3.5 Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (i.e. premiums incurred).

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;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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.

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

## 4. Annual Investment Strategy

### 4.1 Investment Policy

The Council's investment policy has regard to the Welsh Government's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectorial Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, and then return.

In accordance with the above guidance from the Welsh Government and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

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

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.

Investment instruments identified for use in the financial year are listed in Appendix 5 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

The Council will also from time to time, make loans, deposits and investments 'for the purpose of delivery of its Service's (policy investments). These transactions will require the authority of the County Council for amounts over £100k. All transactions will be subject to adequate credit quality and the approval of the Section 151 Officer in consultation with the Portfolio Holder for Finance.

### 4.2 Creditworthiness policy

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 both 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.

The S151 Officer will maintain a counterparty list in compliance with the criteria set out in Appendix 6 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.

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

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

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

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

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 S151 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

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

Reference will also be made to other market data and market information, as available and as appropriate.

**4.3 Country limits**

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 7. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

**4.4 Investment Strategy**

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).

**Investment returns expectations**: Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

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:-

2017/18 0.40%
2018/19 0.60%
2019/20 0.90%
2020/21 1.25%
2021/22 1.50%
2022/23 1.75%
2023/24 2.00%
Later years 2.75%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

### 4.5 End of Year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

### 4.6 External Fund Managers

The Council has not appointed external fund managers. The need for this will be kept under review and a reported as appropriate before such an appointment is made.

### 4.7 Policy on the use of External Service Providers

In order to acquire access to specialist skills and resources, the Council uses Capita Assets Services as its external treasury management advisors. 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.

Final responsibility for treasury management decisions remains with the Council.

### 4.8 Delegation

The Treasury Management scheme of delegation and the role of the Section 151 Officer are outlined in Appendix 8.

**APPENDICES**

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

# ATODIAD 1/APPENDIX 1

| DADANSODDIAD BENTHYCIADAU YN AEDDFEDU 2017/18 YMLAEN GAN PWLB / PWLB LOANS MATURITY ANALYSIS 2017/18 ONWARDS | | | | | | |
|---|---|---|---|---|---|---|
| | **PWLB Aeddefedu/ PWLB Maturity £'000** | **PWLB EIP/ Annuity/ PWLB EIP/ Annuity £'000** | **Benthyciadau Marchnad/ Market Loans £'000** | **PWLB Amrywiol/ PWLB Variable £'000** | **Cyfanswm yn Aeddfedu/ Total Maturing £'000** | **%Yn Aeddfedu o'r Cyfran yn sefyll/ Maturing of Total Outstanding %** |
| 2017/18 | 0 | 5 | 0 | 0 | 0 | 0.0 |
| 2018/19 | 5,000 | 10 | 0 | 0 | 5,010 | 4.5 |
| 2019/20 | 5,000 | 11 | 0 | 0 | 5,011 | 4.5 |
| 2020/21 | 4,500 | 12 | 0 | 0 | 4,512 | 4.0 |
| 2021/22 | 0 | 14 | 0 | 0 | 14 | 0.0 |
| 2022/23 | 2,285 | 15 | 0 | 0 | 2,300 | 1.7 |
| 2023/24 | 1,854 | 16 | 0 | 0 | 1,870 | 2.1 |
| 2024/25 | 0 | 18 | 0 | 0 | 18 | 0.0 |
| 2025/26 | 0 | 20 | 0 | 0 | 20 | 0.0 |
| 2026/27 | 1,381 | 22 | 0 | 0 | 1,403 | 1.3 |
| 2027/28 | 2,165 | 24 | 0 | 0 | 2,189 | 2.0 |
| 2028/29 | 262 | 26 | 0 | 0 | 288 | 0.3 |
| 2029/30 | 1,539 | 21 | 0 | 0 | 1,560 | 1.4 |
| 2030/31 | 451 | 15 | 0 | 0 | 466 | 0.4 |
| 2031/32 | 1,941 | 9 | 0 | 0 | 1,950 | 1.7 |
| 2032/33 | 315 | 8 | 0 | 0 | 323 | 0.3 |
| 2033/34 | 637 | 0 | 0 | 0 | 637 | 0.6 |
| 2034/35 | 624 | 0 | 0 | 0 | 624 | 0.6 |
| 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 | 4.5 |
| 2040/41 | 3,500 | 0 | 0 | 0 | 3,500 | 3.1 |
| 2042/43 | 1,000 | 0 | 0 | 0 | 1,000 | 0.9 |
| 2043/44 | 1,020 | 0 | 0 | 0 | 1,020 | 0.9 |
| 2044/45 | 1,010 | 0 | 0 | 0 | 1,010 | 0.9 |
| 2045/46 | 11,464 | 0 | 0 | 0 | 11,464 | 10.3 |
| 2050/51 | 2,000 | 0 | 0 | 0 | 2,000 | 1.8 |
| 2052/53 | 28,238 | 0 | 0 | 0 | 28,238 | 25.3 |
| 2054/55 | 3,000 | 0 | 0 | 0 | 3,000 | 2.7 |
| 2055/56 | 3,500 | 0 | 0 | 0 | 3,500 | 3.2 |
| 2056/57 | 5,000 | 0 | 0 | 0 | 5,000 | 4.5 |
| 2057/58 | 8,513 | 0 | 0 | 0 | 8,513 | 7.6 |
| 2059/60 | 1,763 | 0 | 0 | 0 | 1,763 | 1.6 |
| 2066/67 | 6,200 | 0 | 0 | 0 | 6,200 | 5.6 |
| | **111,184** | **246** | **0** | **0** | **111,430** | **100.0** |
| Cyfartaledd bywyd (blynyddoedd)/ Average life(years) | 23.12 | 8.13 | 0.00 | 0.00 | 23.09 | |
| Cyfartaledd graddfa (%)/ Average rate (%) | 5.26 | 9.41 | 0.00 | 0.00 | 5.15 | |

| PROFFIL AD-DALU BENTHYCIADAU ERAILL 2017/18 YMLAEN / OTHER LOANS REPAYMENT PROFILE 2017/18 ONWARDS | | | | | | |
|---|---|---|---|---|---|---|
| | **Llywodraeth Cymru / Welsh Government £'000** | **Benthycaf Salix Loan 1 £'000** | **Benthycaf Salix Loan 2 £'000** | **Benthycaf Salix Loan 3 £'000** | **Cyfanswm / Total £'000** | |
| 2017/18 | 40 | 8 | 0 | 0 | 48 | |
| 2018/19 | 40 | 16 | 46 | 0 | 102 | |
| 2019/20 | 40 | 16 | 46 | 80 | 182 | |
| 2020/21 | 40 | 16 | 46 | 80 | 182 | |
| 2021/22 | 0 | 16 | 46 | 80 | 142 | |
| 2022/23 | 0 | 16 | 46 | 80 | 142 | |
| 2023/24 | 0 | 16 | 45 | 79 | 140 | |
| 2024/25 | 0 | 8 | 45 | 79 | 132 | |
| 2025/26 | 0 | 0 | 45 | 79 | 124 | |
| 2026/27 | 0 | 0 | 0 | 79 | 79 | |

**Minimum Revenue Provision Policy Statement 2018/19**

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

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

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

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

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

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

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

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

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

## Rhagolygon Graddfeydd Llog 2017/2021
## Interest Rate Forecasts 2017/2021

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

| Link Asset Services Interest Rate View | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank Rate View | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.75% | 0.75% | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% |
| 3 Month LIBID | 0.40% | 0.40% | 0.40% | 0.40% | 0.60% | 0.60% | 0.60% | 0.70% | 0.90% | 0.90% | 1.00% | 1.20% | 1.20% | 1.20% |
| 6 Month LIBID | 0.50% | 0.50% | 0.50% | 0.60% | 0.80% | 0.80% | 0.80% | 0.90% | 1.00% | 1.00% | 1.10% | 1.30% | 1.30% | 1.40% |
| 12 Month LIBID | 0.70% | 0.80% | 0.80% | 0.90% | 1.00% | 1.00% | 1.10% | 1.10% | 1.30% | 1.30% | 1.40% | 1.50% | 1.50% | 1.60% |
| 5yr PWLB Rate | 1.50% | 1.60% | 1.60% | 1.70% | 1.80% | 1.80% | 1.90% | 1.90% | 2.00% | 2.10% | 2.10% | 2.20% | 2.30% | 2.30% |
| 10yr PWLB Rate | 2.10% | 2.20% | 2.30% | 2.40% | 2.40% | 2.50% | 2.60% | 2.60% | 2.70% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% |
| 25yr PWLB Rate | 2.80% | 2.90% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% | 3.30% | 3.40% | 3.50% | 3.50% | 3.60% | 3.60% |
| 50yr PWLB Rate | 2.50% | 2.60% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.00% | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.40% |
| **Bank Rate** | | | | | | | | | | | | | | |
| Link Asset Services | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.75% | 0.75% | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% |
| Capital Economics | 0.50% | 0.50% | 0.75% | 1.00% | 1.25% | 1.25% | 1.50% | 1.50% | 1.75% | - | - | - | - | - |
| **5yr PWLB Rate** | | | | | | | | | | | | | | |
| Link Asset Services | 1.50% | 1.60% | 1.60% | 1.70% | 1.80% | 1.80% | 1.90% | 1.90% | 2.00% | 2.10% | 2.10% | 2.20% | 2.30% | 2.30% |
| Capital Economics | 1.70% | 1.90% | 2.30% | 2.60% | 2.90% | 2.90% | 2.90% | 2.90% | 2.90% | - | - | - | - | - |
| **10yr PWLB Rate** | | | | | | | | | | | | | | |
| Link Asset Services | 2.10% | 2.20% | 2.30% | 2.40% | 2.40% | 2.50% | 2.60% | 2.60% | 2.70% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% |
| Capital Economics | 2.30% | 2.60% | 2.80% | 3.10% | 3.30% | 3.30% | 3.30% | 3.30% | 3.30% | - | - | - | - | - |
| **25yr PWLB Rate** | | | | | | | | | | | | | | |
| Link Asset Services | 2.80% | 2.90% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% | 3.30% | 3.40% | 3.50% | 3.50% | 3.60% | 3.60% |
| Capital Economics | 2.95% | 3.15% | 3.45% | 3.65% | 3.90% | 3.90% | 3.90% | 3.90% | 3.90% | - | - | - | - | - |
| **50yr PWLB Rate** | | | | | | | | | | | | | | |
| Link Asset Services | 2.50% | 2.60% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.00% | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.40% |
| Capital Economics | 2.80% | 3.10% | 3.30% | 3.60% | 3.80% | 3.80% | 3.80% | 3.80% | 3.80% | - | - | - | - | - |

Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012

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

## Economic Background

**GLOBAL OUTLOOK - World growth** looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution.**

**KEY RISKS - central bank monetary policy measures**

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income,** which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift *UP* in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

**UNITED KINGDOM -** After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.2% (+2.0% y/y), quarter 2 was +0.3% (+1.7% y/y) and quarter 3 was +0.4% (+1.6% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting MPC. (Inflation actually came in at 3.0% in September and is expected to rise slightly in the coming months.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate once they start. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

**EUROPEAN UNION -** Economic growth in the EU, (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y), 0.6% in quarter 2 (2.3% y/y) and +0.6% in quarter 3 (2.5% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in October inflation was 1.4%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

**UNITED STATES OF AMERICA -** Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.0%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.2%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and three increases since December 2016; and there could be one more rate rise in 2017, which would then lift the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

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

**<u>Brexit timetable and process</u>**

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

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

**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 2018/19 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 6 set out the investment criteria and limits for the categories of investments intended for use during 2018/19 and therefore form the basis for the approved lending list.

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

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

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

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

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

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

## Counterparty Criteria

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

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

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

## Notes and Clarifications

### (1) Cash Limit

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

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

### (2) Time Limit

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

### (3) Foreign Countries

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

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

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

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

### 4. Credit Rating Downgrade

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

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

**Approved countries for investments [correct as at 24 October 2017]**

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

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

AA+
- Finland
- Hong Kong
- U.S.A.

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

AA-
- Belgium
- Qatar

**Treasury management scheme of delegation**

**(i) County Council**

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

**(ii) Executive Committee**

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

**(iii) Audit Committee**

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

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

**The Treasury Management role of the Section 151 Officer**

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

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

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

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

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

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

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

The Code then goes on to say that:

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

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

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

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

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

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

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

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

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

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

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

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

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

**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.

**PRUDENTIAL & TREASURY INDICATORS** **APPENDIX 11**
**BUDGET SETTING 2018/19**

| No. | Indicator | 2016/17 out-turn | 2017/18 estimate | 2018/19 proposal | 2019/20 proposal | 2020/21 proposal |
|---|---|---|---|---|---|---|
| **Affordability** | | | | | | |
| **1,2** | Estimates of [or actual] ratio of financing costs to net revenue stream: | | | | | |
| | Council Fund | 6.20% | 6.25% | 5.12% | 5.47% | 5.73% |
| | Housing Revenue Account (inclusive of settlement) | 19.82% | 23.02% | 20.15% | 15.88% | 15.42% |
| | Total | 7.68% | 8.14% | 6.86% | 6.86% | 7.10% |
| **3** | Estimates of incremental impact of capital investment decisions on the Council Tax | | | £0.00 | £21.16 | £56.31 |
| | *for the Band D Council Tax* | | | | | |
| **4 a** | Estimates of incremental impact of capital investment decisions on housing rents | | | £48.74 | £44.57 | £45.53 |
| | *on average weekly rent levels* | | | | | |
| **4 b** | Estimates of incremental impact of capital borrowing on housing rents for HRA | | | £0.00 | £17.25 | £16.02 |
| | *on average weekly rent levels* | | | | | |
| **Prudence** | | | | | | |
| **5** | Gross debt and the Capital Financing Requirement (CFR) | ✓ | ✓ | ✓ | ✓ | ✓ |
| | *Is the gross external debt < the CFR for the preceding year plus the estimates of any additional CFR for the current and the next two financial years?* | | | | | |
| **Capital Expenditure** | | **£000** | **£000** | **£000** | **£000** | **£000** |
| **6,7** | Estimates of [or actual] capital expenditure | | | | | |
| | Council Fund | 28,030 | 22,030 | 38,810 | 34,350 | 16,060 |
| | Housing Revenue Account | 8,610 | 11,490 | 13,820 | 15,200 | 15,340 |
| | Total | 36,640 | 33,520 | 52,630 | 49,550 | 31,400 |
| **8,9** | Estimates of [or actual] Capital Financing Requirement | | | | | |
| | Council Fund | 91,510 | 96,410 | 108,120 | 121,880 | 132,950 |
| | Housing Revenue Account | 42,500 | 41,650 | 40,820 | 43,500 | 45,930 |
| | Total | 134,010 | 138,060 | 148,940 | 165,380 | 178,880 |
| **External Debt** | | **£000** | **£000** | **£000** | **£000** | **£000** |
| **10** | Authorised Limit | | | | | |
| | : General Borrowing | 166,000 | 166,000 | 174,000 | 190,000 | 203,000 |
| | : Other long term liabilities | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| | : Total | 169,000 | 169,000 | 177,000 | 193,000 | 206,000 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **11** | HRA Limit on Indebtedness; | | | | | |
| | HRA Limit on Indebtedness | 58,533 | 58,533 | 58,533 | 58,533 | 58,533 |
| | HRA CFR | 42,500 | 41,650 | 40,820 | 43,500 | 45,930 |
| | HRA headroom | 16,033 | 16,883 | 17,713 | 15,033 | 12,603 |
| **12** | Operational Boundary | | | | | |
| | : General Borrowing | 161,000 | 161,000 | 169,000 | 188,000 | 201,000 |
| | : Other long term liabilities | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| | : Total | 164,000 | 164,000 | 172,000 | 191,000 | 204,000 |
| **13** | Actual External Debt | 117,110 | | | | |
| **Treasury Management** | | **2016/17 out-turn** | **2017/18 estimate** | **2018/19 proposal** | **2019/20 proposal** | **2020/21 proposal** |
| **14** | The Local Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services | ✓ | ✓ | ✓ | ✓ | ✓ |
| | | **£000** | **£000** | **£000** | **£000** | **£000** |
| **15** | Gross and net debt | 100% | 100% | 100% | 100% | 100% |
| | *The upper limit on the net debt as a proportion of gross debt* | | | | | |
| **16** | The upper limit on fixed rate exposures: | 143,000 | 166,000 | 167,000 | 169,000 | 171,000 |
| | *( net principal outstanding)* | | | | | |
| **17** | The upper limit on variable rate exposures: | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| | *( net principal outstanding)* | | | | | |
| **18** | The limit for total principal sums invested for periods longer than 364 days | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| | *(any long term investments carried forward from previous years will be included in each year's limit)* | | | | | |
| | | | **2017/18 upper limit** | | **2017/18 lower limit** | |
| **19** | 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 | |

## Glossary of and information on Prudential & Treasury Management indicators (References as per appendix 11)

### 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.

**Information on Prudential & Treasury Management indicators**

## A) Affordability

### 1,2 Ratio of financing costs to net revenue stream

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

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

### 3. Incremental impact of capital investment decisions on council tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

### 4(a) Estimates of the incremental impact of capital investment decisions on housing rent levels

Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

### 4(b) Estimates of incremental impact of capital borrowing on housing rents for HRA .

This indicator shows the additional cost of borrowing for HRA on rent amount.

## B) Prudence

### 5. 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 2018/19 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

### 6,7. Estimates of Capital Expenditure

This is the forecast Capital Expenditure from 2017/18 to 2020/21, and is based on the Capital Programme for 2017/18 and the Capital Strategy for 2018/19.

**8,9 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, 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**

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

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

**11. HRA Limit on Indebtedness.** As part of the HRA self-financing reform each Welsh local authority with responsibility for housing will be allocated a limit on indebtedness in relation to the HRA; this essentially places a limit on the HRA CFR (to be applied at 31st March each year). The gap between the two, if the CFR is within the limit, will be referred to as the borrowing headroom. The forecast account for the HRA settlement on the same basis as for the ratio in reference 2.

**12. 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.

## Treasury Management Indicators

### Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:-

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates; and
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

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# 2018/19

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# DRAFT RESOLUTION
# ON SETTING
# THE COUNCIL TAX
# 2018/19

**DRAFT COUNCIL TAX RESOLUTION**

**1. RESOLVED**

**(a)** Pursuant to the recommendations of the Executive, to adopt the Medium Term Financial Plan at Section 12 Medium Term Financial Plan and 2018/19 Budget at Section 13, 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 2018/19 as shown at Appendix 4 Medium Term Financial Plan and 2018/19 Budget.

**(c)** Pursuant to the recommendations of the Executive, to adopt a capital budget as shown in the Capital Budget 2018/19 report.

**(ch)** To delegate to the Head of Function (Resources) the power to make adjustments between headings in Appendix 4 Medium Term Financial Plan and 2018/19 Budget in order to give effect to the Council's decisions.

**(d)** To delegate to the Executive Committee, for the financial year 2018/19, the powers to transfer budgets between headings as follows:-

**(i)** unlimited powers to spend each budget heading in Appendix 4 Medium Term Financial Plan and 2018/19 Budget 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 2018/19 and on the advice of the Head of Function (Resources), the power to release up to £500k 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 2019, the following powers:-

**(i)** powers to make new commitments from future years' revenue budgets up to the 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 2018/19 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 2018/19 and onwards as shown in the report on Treasury Management Strategy Statement 2018/19.

**(ff)** To approve the Treasury Management Strategy Statement for 2018/19.

**(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 2018/19 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 2018/19 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 adopt and affirm for the purposes of the financial year 2018/19 the decision of the County Council on 10 March 2016 to disapply any discount(s) granted to long-term empty dwellings and dwellings occupied periodically (usually known as second homes) and apply a higher amount of Council Tax (called a Council Tax Premium) of 25% of the standard rate of Council Tax for both long-term empty dwellings and for dwellings occupied periodically (usually known as second homes) 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 27 November 2017 approved the amount calculated by the Isle of Anglesey County Council for its council tax base for 2018/19 and to further note that the full Council in its meeting on the 12 December 2017 approved that the local Council Tax Reduction Scheme will continue unchanged for 2018/19. 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.

**7.** At its meeting on 27 November 2017, 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 2018/19, as follows:-

**a)** 30,773.31 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:-

| | |
|---|---|
| Amlwch | 1,474.10 |
| Beaumaris | 1,061.76 |
| Holyhead | 3,847.36 |
| Llangefni | 1,920.50 |
| Menai Bridge | 1,406.50 |
| Llanddaniel-fab | 367.43 |
| Llanddona | 373.78 |
| Cwm Cadnant | 1,163.31 |
| Llanfair Pwllgwyngyll | 1,300.75 |
| Llanfihangel Ysgeifiog | 683.71 |
| Bodorgan | 451.48 |
| Llangoed | 650.28 |
| Llangristiolus & Cerrig Ceinwen | 607.78 |
| Llanidan | 410.02 |
| Rhosyr | 989.60 |
| Penmynydd | 238.97 |
| Pentraeth | 555.87 |
| Moelfre | 617.45 |
| Llanbadrig | 660.71 |
| Llanddyfnan | 499.45 |
| Llaneilian | 553.29 |
| Llannerch-y-medd | 521.77 |
| Llaneugrad | 180.08 |
| Llanfair Mathafarn Eithaf | 1,802.82 |
| Cylch y Garn | 396.33 |
| Mechell | 538.24 |
| Rhos-y-bol | 474.13 |
| Aberffraw | 292.45 |
| Bodedern | 426.29 |

| | |
|---|---|
| Bodffordd | 417.41 |
| Trearddur | 1,274.47 |
| Tref Alaw | 251.64 |
| Llanfachraeth | 222.77 |
| Llanfaelog | 1,259.89 |
| Llanfaethlu | 284.08 |
| Llanfair-yn-Neubwll | 557.91 |
| Valley | 976.38 |
| Bryngwran | 353.35 |
| Rhoscolyn | 355.61 |
| Trewalchmai | 353.59 |

**8.** That the following amounts be now calculated by the Council for the year 2018/19, in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

**a)** £193,604,572 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)** £61,398,373 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)** £132,206,199 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)** £95,811,837 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)** £1,182.66 being the amount at 8(c) above less the amount at 8(ch) above, all divided by the amount at 7(a) above, calculated by the Executive, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year.

**dd)** £1,306,243 being the aggregate amount of all special items referred to in Section 34(1) of the Act.

**e)** £1,140.21 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) **Part of the Council's area**

| Part of the Council's area | | D |
|---|---|---|
| Amlwch | £ | 1,202.67 |
| Beaumaris | £ | 1,166.94 |
| Holyhead | £ | 1,255.05 |
| Llangefni | £ | 1,213.20 |
| Menai Bridge | £ | 1,204.29 |
| Llanddaniel-fab | £ | 1,162.26 |
| Llanddona | £ | 1,155.33 |
| Cwm Cadnant | £ | 1,167.21 |
| Llanfair Pwllgwyngyll | £ | 1,172.43 |
| Llanfihangel Ysgeifiog | £ | 1,165.41 |
| Bodorgan | £ | 1,159.20 |
| Llangoed | £ | 1,156.50 |
| Llangristiolus & Cerrig Ceinwen | £ | 1,153.35 |
| Llanidan | £ | 1,162.17 |
| Rhosyr | £ | 1,166.85 |
| Penmynydd | £ | 1,166.31 |
| Pentraeth | £ | 1,168.92 |
| Moelfre | £ | 1,159.20 |
| Llanbadrig | £ | 1,179.54 |
| Llanddyfnan | £ | 1,153.98 |
| Llaneilian | £ | 1,161.81 |
| Llannerch-y-medd | £ | 1,164.60 |
| Llaneugrad | £ | 1,162.35 |
| Llanfair Mathafarn Eithaf | £ | 1,168.83 |
| Cylch y Garn | £ | 1,156.86 |
| Mechell | £ | 1,156.41 |
| Rhos-y-bol | £ | 1,155.96 |
| Aberffraw | £ | 1,165.86 |
| Bodedern | £ | 1,163.61 |
| Bodffordd | £ | 1,160.37 |
| Trearddur | £ | 1,165.59 |
| Tref Alaw | £ | 1,164.51 |
| Llanfachraeth | £ | 1,167.48 |
| Llanfaelog | £ | 1,167.57 |
| Llanfaethlu | £ | 1,160.37 |
| Llanfair-yn-Neubwll | £ | 1,162.62 |
| Valley | £ | 1,173.78 |
| Bryngwran | £ | 1,168.20 |
| Rhoscolyn | £ | 1,150.02 |
| Trewalchmai | £ | 1,158.57 |

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 or more special items relate.

## Valuation Bands

ff)

| Part of the Council's Area | | A | B | C | D | E | F | G | H | I |
|---|---|---|---|---|---|---|---|---|---|---|
| Amlwch | £ | 801.78 | 935.41 | 1,069.04 | 1,202.67 | 1,469.93 | 1,737.19 | 2,004.45 | 2,405.34 | 2,806.23 |
| Beaumaris | £ | 777.96 | 907.62 | 1,037.28 | 1,166.94 | 1,426.26 | 1,685.58 | 1,944.90 | 2,333.88 | 2,722.86 |
| Holyhead | £ | 836.70 | 976.15 | 1,115.60 | 1,255.05 | 1,533.95 | 1,812.85 | 2,091.75 | 2,510.10 | 2,928.45 |
| Llangefni | £ | 808.80 | 943.60 | 1,078.40 | 1,213.20 | 1,482.80 | 1,752.40 | 2,022.00 | 2,426.40 | 2,830.80 |
| Menai Bridge | £ | 802.86 | 936.67 | 1,070.48 | 1,204.29 | 1,471.91 | 1,739.53 | 2,007.15 | 2,408.58 | 2,810.01 |
| Llanddaniel-fab | £ | 774.84 | 903.98 | 1,033.12 | 1,162.26 | 1,420.54 | 1,678.82 | 1,937.10 | 2,324.52 | 2,711.94 |
| Llanddona | £ | 770.22 | 898.59 | 1,026.96 | 1,155.33 | 1,412.07 | 1,668.81 | 1,925.55 | 2,310.66 | 2,695.77 |
| Cwm Cadnant | £ | 778.14 | 907.83 | 1,037.52 | 1,167.21 | 1,426.59 | 1,685.97 | 1,945.35 | 2,334.42 | 2,723.49 |
| Llanfair Pwllgwyngyll | £ | 781.62 | 911.89 | 1,042.16 | 1,172.43 | 1,432.97 | 1,693.51 | 1,954.05 | 2,344.86 | 2,735.67 |
| Llanfihangel Ysgeifiog | £ | 776.94 | 906.43 | 1,035.92 | 1,165.41 | 1,424.39 | 1,683.37 | 1,942.35 | 2,330.82 | 2,719.29 |
| Bodorgan | £ | 772.80 | 901.60 | 1,030.40 | 1,159.20 | 1,416.80 | 1,674.40 | 1,932.00 | 2,318.40 | 2,704.80 |
| Llangoed | £ | 771.00 | 899.50 | 1,028.00 | 1,156.50 | 1,413.50 | 1,670.50 | 1,927.50 | 2,313.00 | 2,698.50 |
| Llangristiolus & Cerrig | £ | 768.90 | 897.05 | 1,025.20 | 1,153.35 | 1,409.65 | 1,665.95 | 1,922.25 | 2,306.70 | 2,691.15 |
| Llanidan | £ | 774.78 | 903.91 | 1,033.04 | 1,162.17 | 1,420.43 | 1,678.69 | 1,936.95 | 2,324.34 | 2,711.73 |
| Rhosyr | £ | 777.90 | 907.55 | 1,037.20 | 1,166.85 | 1,426.15 | 1,685.45 | 1,944.75 | 2,333.70 | 2,722.65 |
| Penmynydd | £ | 777.54 | 907.13 | 1,036.72 | 1,166.31 | 1,425.49 | 1,684.67 | 1,943.85 | 2,332.62 | 2,721.39 |
| Pentraeth | £ | 779.28 | 909.16 | 1,039.04 | 1,168.92 | 1,428.68 | 1,688.44 | 1,948.20 | 2,337.84 | 2,727.48 |
| Moelfre | £ | 772.80 | 901.60 | 1,030.40 | 1,159.20 | 1,416.80 | 1,674.40 | 1,932.00 | 2,318.40 | 2,704.80 |
| Llanbadrig | £ | 786.36 | 917.42 | 1,048.48 | 1,179.54 | 1,441.66 | 1,703.78 | 1,965.90 | 2,359.08 | 2,752.26 |
| Llanddyfnan | £ | 769.32 | 897.54 | 1,025.76 | 1,153.98 | 1,410.42 | 1,666.86 | 1,923.30 | 2,307.96 | 2,692.62 |
| Llaneilian | £ | 774.54 | 903.63 | 1,032.72 | 1,161.81 | 1,419.99 | 1,678.17 | 1,936.35 | 2,323.62 | 2,710.89 |
| Llannerch-y-medd | £ | 776.40 | 905.80 | 1,035.20 | 1,164.60 | 1,423.40 | 1,682.20 | 1,941.00 | 2,329.20 | 2,717.40 |
| Llaneugrad | £ | 774.90 | 904.05 | 1,033.20 | 1,162.35 | 1,420.65 | 1,678.95 | 1,937.25 | 2,324.70 | 2,712.15 |
| Llanfair Mathafarn Eithaf | £ | 779.22 | 909.09 | 1,038.96 | 1,168.83 | 1,428.57 | 1,688.31 | 1,948.05 | 2,337.66 | 2,727.27 |
| Cylch y Garn | £ | 771.24 | 899.78 | 1,028.32 | 1,156.86 | 1,413.94 | 1,671.02 | 1,928.10 | 2,313.72 | 2,699.34 |
| Mechell | £ | 771.12 | 899.64 | 1,028.16 | 1,156.68 | 1,413.72 | 1,670.76 | 1,927.80 | 2,313.36 | 2,698.92 |
| Rhos-y-bol | £ | 770.64 | 899.08 | 1,027.52 | 1,155.96 | 1,412.84 | 1,669.72 | 1,926.60 | 2,311.92 | 2,697.24 |
| Aberffraw | £ | 777.24 | 906.78 | 1,036.32 | 1,165.86 | 1,424.94 | 1,684.02 | 1,943.10 | 2,331.72 | 2,720.34 |
| Bodedern | £ | 775.74 | 905.03 | 1,034.32 | 1,163.61 | 1,422.19 | 1,680.77 | 1,939.35 | 2,327.22 | 2,715.09 |
| Bodffordd | £ | 773.58 | 902.51 | 1,031.44 | 1,160.37 | 1,418.23 | 1,676.09 | 1,933.95 | 2,320.74 | 2,707.53 |
| Trearddur | £ | 777.06 | 906.57 | 1,036.08 | 1,165.59 | 1,424.61 | 1,683.63 | 1,942.65 | 2,331.18 | 2,719.71 |
| Tref Alaw | £ | 776.34 | 905.73 | 1,035.12 | 1,164.51 | 1,423.29 | 1,682.07 | 1,940.85 | 2,329.02 | 2,717.19 |
| Llanfachraeth | £ | 778.32 | 908.04 | 1,037.76 | 1,167.48 | 1,426.92 | 1,686.36 | 1,945.80 | 2,334.96 | 2,724.12 |
| Llanfaelog | £ | 778.38 | 908.11 | 1,037.84 | 1,167.57 | 1,427.03 | 1,686.49 | 1,945.95 | 2,335.14 | 2,724.33 |
| Llanfaethlu | £ | 773.58 | 902.51 | 1,031.44 | 1,160.37 | 1,418.23 | 1,676.09 | 1,933.95 | 2,320.74 | 2,707.53 |
| Llanfair-yn-Neubwll | £ | 775.08 | 904.26 | 1,033.44 | 1,162.62 | 1,420.98 | 1,679.34 | 1,937.70 | 2,325.24 | 2,712.78 |
| Valley | £ | 782.52 | 912.94 | 1,043.36 | 1,173.78 | 1,434.62 | 1,695.46 | 1,956.30 | 2,347.56 | 2,738.82 |
| Bryngwran | £ | 778.80 | 908.60 | 1,038.40 | 1,168.20 | 1,427.80 | 1,687.40 | 1,947.00 | 2,336.40 | 2,725.80 |
| Rhoscolyn | £ | 766.68 | 894.46 | 1,022.24 | 1,150.02 | 1,405.58 | 1,661.14 | 1,916.70 | 2,300.04 | 2,683.38 |
| Trewalchmai | £ | 772.38 | 901.11 | 1,029.84 | 1,158.57 | 1,416.03 | 1,673.49 | 1,930.95 | 2,317.14 | 2,703.33 |

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

**9.** That it be noted that, for the year 2018/19, 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 | £ | 172.08 | 200.76 | 229.44 | 258.12 | 315.48 | 372.84 | 430.20 | 516.24 | 602.28 |

**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 2018/19 for each of the categories of dwellings shown below:-

**Valuation Bands**

| **Part of the Council's Area** | | **A** | **B** | **C** | **D** | **E** | **F** | **G** | **H** | **I** |
|---|---|---|---|---|---|---|---|---|---|---|
| Amlwch | £ | 973.86 | 1,136.17 | 1,298.48 | 1,460.79 | 1,785.41 | 2,110.03 | 2,434.65 | 2,921.58 | 3,408.51 |
| Beaumaris | £ | 950.04 | 1,108.38 | 1,266.72 | 1,425.06 | 1,741.74 | 2,058.42 | 2,375.10 | 2,850.12 | 3,325.14 |
| Holyhead | £ | 1,008.78 | 1,176.91 | 1,345.04 | 1,513.17 | 1,849.43 | 2,185.69 | 2,521.95 | 3,026.34 | 3,530.73 |
| Llangefni | £ | 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 |
| Menai Bridge | £ | 974.94 | 1,137.43 | 1,299.92 | 1,462.41 | 1,787.39 | 2,112.37 | 2,437.35 | 2,924.82 | 3,412.29 |
| Llanddaniel-fab | £ | 946.92 | 1,104.74 | 1,262.56 | 1,420.38 | 1,736.02 | 2,051.66 | 2,367.30 | 2,840.76 | 3,314.22 |
| Llanddona | £ | 942.30 | 1,099.35 | 1,256.40 | 1,413.45 | 1,727.55 | 2,041.65 | 2,355.75 | 2,826.90 | 3,298.05 |
| Cwm Cadnant | £ | 950.22 | 1,108.59 | 1,266.96 | 1,425.33 | 1,742.07 | 2,058.81 | 2,375.55 | 2,850.66 | 3,325.77 |
| Llanfair Pwllgwyngyll | £ | 953.70 | 1,112.65 | 1,271.60 | 1,430.55 | 1,748.45 | 2,066.35 | 2,384.25 | 2,861.10 | 3,337.95 |
| Llanfihangel Ysgeifiog | £ | 949.02 | 1,107.19 | 1,265.36 | 1,423.53 | 1,739.87 | 2,056.21 | 2,372.55 | 2,847.06 | 3,321.57 |
| Bodorgan | £ | 944.88 | 1,102.36 | 1,259.84 | 1,417.32 | 1,732.28 | 2,047.24 | 2,362.20 | 2,834.64 | 3,307.08 |
| Llangoed | £ | 943.08 | 1,100.26 | 1,257.44 | 1,414.62 | 1,728.98 | 2,043.34 | 2,357.70 | 2,829.24 | 3,300.78 |
| Llangristiolus & Cerrig | £ | 940.98 | 1,097.81 | 1,254.64 | 1,411.47 | 1,725.13 | 2,038.79 | 2,352.45 | 2,822.94 | 3,293.43 |
| Llanidan | £ | 946.86 | 1,104.67 | 1,262.48 | 1,420.29 | 1,735.91 | 2,051.53 | 2,367.15 | 2,840.58 | 3,314.01 |
| Rhosyr | £ | 949.98 | 1,108.31 | 1,266.64 | 1,424.97 | 1,741.63 | 2,058.29 | 2,374.95 | 2,849.94 | 3,324.93 |
| Penmynydd | £ | 949.62 | 1,107.89 | 1,266.16 | 1,424.43 | 1,740.97 | 2,057.51 | 2,374.05 | 2,848.86 | 3,323.67 |
| Pentraeth | £ | 951.36 | 1,109.92 | 1,268.48 | 1,427.04 | 1,744.16 | 2,061.28 | 2,378.40 | 2,854.08 | 3,329.76 |
| Moelfre | £ | 944.88 | 1,102.36 | 1,259.84 | 1,417.32 | 1,732.28 | 2,047.24 | 2,362.20 | 2,834.64 | 3,307.08 |
| Llanbadrig | £ | 958.44 | 1,118.18 | 1,277.92 | 1,437.66 | 1,757.14 | 2,076.62 | 2,396.10 | 2,875.32 | 3,354.54 |
| Llanddyfnan | £ | 941.40 | 1,098.30 | 1,255.20 | 1,412.10 | 1,725.90 | 2,039.70 | 2,353.50 | 2,824.20 | 3,294.90 |
| Llaneilian | £ | 946.62 | 1,104.39 | 1,262.16 | 1,419.93 | 1,735.47 | 2,051.01 | 2,366.55 | 2,839.86 | 3,313.17 |
| Llannerch-y-medd | £ | 948.48 | 1,106.56 | 1,264.64 | 1,422.72 | 1,738.88 | 2,055.04 | 2,371.20 | 2,845.44 | 3,319.68 |
| Llaneugrad | £ | 946.98 | 1,104.81 | 1,262.64 | 1,420.47 | 1,736.13 | 2,051.79 | 2,367.45 | 2,840.94 | 3,314.43 |
| Llanfair Mathafarn Eithaf | £ | 951.30 | 1,109.85 | 1,268.40 | 1,426.95 | 1,744.05 | 2,061.15 | 2,378.25 | 2,853.90 | 3,329.55 |
| Cylch y Garn | £ | 943.32 | 1,100.54 | 1,257.76 | 1,414.98 | 1,729.42 | 2,043.86 | 2,358.30 | 2,829.96 | 3,301.62 |
| Mechell | £ | 943.20 | 1,100.40 | 1,257.60 | 1,414.80 | 1,729.20 | 2,043.60 | 2,358.00 | 2,829.60 | 3,301.20 |
| Rhos-y-bol | £ | 942.72 | 1,099.84 | 1,256.96 | 1,414.08 | 1,728.32 | 2,042.56 | 2,356.80 | 2,828.16 | 3,299.52 |
| Aberffraw | £ | 949.32 | 1,107.54 | 1,265.76 | 1,423.98 | 1,740.42 | 2,056.86 | 2,373.30 | 2,847.96 | 3,322.62 |
| Bodedern | £ | 947.82 | 1,105.79 | 1,263.76 | 1,421.73 | 1,737.67 | 2,053.61 | 2,369.55 | 2,843.46 | 3,317.37 |
| Bodffordd | £ | 945.66 | 1,103.27 | 1,260.88 | 1,418.49 | 1,733.71 | 2,048.93 | 2,364.15 | 2,836.98 | 3,309.81 |
| Trearddur | £ | 949.14 | 1,107.33 | 1,265.52 | 1,423.71 | 1,740.09 | 2,056.47 | 2,372.85 | 2,847.42 | 3,321.99 |
| Tref Alaw | £ | 948.42 | 1,106.49 | 1,264.56 | 1,422.63 | 1,738.77 | 2,054.91 | 2,371.05 | 2,845.26 | 3,319.47 |
| Llanfachraeth | £ | 950.40 | 1,108.80 | 1,267.20 | 1,425.60 | 1,742.40 | 2,059.20 | 2,376.00 | 2,851.20 | 3,326.40 |
| Llanfaelog | £ | 950.46 | 1,108.87 | 1,267.28 | 1,425.69 | 1,742.51 | 2,059.33 | 2,376.15 | 2,851.38 | 3,326.61 |
| Llanfaethlu | £ | 945.66 | 1,103.27 | 1,260.88 | 1,418.49 | 1,733.71 | 2,048.93 | 2,364.15 | 2,836.98 | 3,309.81 |
| Llanfair-yn-Neubwll | £ | 947.16 | 1,105.02 | 1,262.88 | 1,420.74 | 1,736.46 | 2,052.18 | 2,367.90 | 2,841.48 | 3,315.06 |
| Valley | £ | 954.60 | 1,113.70 | 1,272.80 | 1,431.90 | 1,750.10 | 2,068.30 | 2,386.50 | 2,863.80 | 3,341.10 |
| Bryngwran | £ | 950.88 | 1,109.36 | 1,267.84 | 1,426.32 | 1,743.28 | 2,060.24 | 2,377.20 | 2,852.64 | 3,328.08 |
| Rhoscolyn | £ | 938.76 | 1,095.22 | 1,251.68 | 1,408.14 | 1,721.06 | 2,033.98 | 2,346.90 | 2,816.28 | 3,285.66 |
| Trewalchmai | £ | 944.46 | 1,101.87 | 1,259.28 | 1,416.69 | 1,731.51 | 2,046.33 | 2,361.15 | 2,833.38 | 3,305.61 |

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| ISLE OF ANGLESEY COUNTY COUNCIL | |
|---|---|
| **REPORT TO:** | **COUNTY COUNCIL** |
| **DATE:** | **28 FEBRUARY 2018** |
| **SUBJECT:** | **TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2017/18** |
| **PORTFOLIO HOLDER(S):** | **COUNCILLOR J GRIFFITH** |
| **HEAD OF SERVICE:** | **MARC JONES**<br>**(EXT. 2601)** |
| **REPORT AUTHOR:**<br>TEL:<br>E-MAIL: | **GARETH ROBERTS**<br>**01248 752675**<br>**GarethRoberts@anglesey.gov.uk** |
| **LOCAL MEMBERS:** | **n/a** |

## 1. Introduction

This report went to the Audit Committee on 5th December 2017 and it was resolved to accept the Treasury Management mid-year review report 2017/18, with the recommendation to the Executive, that with regard to financing the Council's part of the Twenty-first Century Schools Programme expenditure, a proactive approach is taken to ensure the timely sale of assets, so as to reduce the Council's need to borrow along with the associated revenue costs arising from the borrowing. This report went to the Executive on 18 December 2017 where it was resolved to accept the Treasury Management Mid-Year Review Report 2017/18 and to forward the report to the Full Council without additional comment.

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 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. Background

The primary requirements of the Code are as follows:

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

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

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

**4.** 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.

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

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

- An economic update for the first part of the 2017/18 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2017/18;
- A review of the Council's borrowing strategy for 2017/18;
- A review of any debt rescheduling undertaken during 2017/18;
- A summary of activity since Quarter 2;
- A look ahead to next year; and
- A review of compliance with Treasury and Prudential Limits for 2017/18.

## 3. Economic Update

**3.1** The Council's treasury advisers provided an economic update shortly after the end of the first quarter, and can be found in Appendix 1. They have also recently provided the following interest rate forecast:-

| | Dec 2017 | Mar 2018 | Jun 2018 | Sep 2018 | Dec 2018 | Mar 2019 | Jun 2019 |
|---|---|---|---|---|---|---|---|
| Bank Rate (%) | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 |
| 5yr PWLB rate (%) | 1.50 | 1.60 | 1.70 | 1.70 | 1.80 | 1.80 | 1.90 |
| 10yr PWLB rate (%) | 2.20 | 2.30 | 2.30 | 2.40 | 2.40 | 2.50 | 2.50 |
| 25yr PWLB rate (%) | 2.90 | 2.90 | 3.00 | 3.00 | 3.10 | 3.10 | 3.20 |
| 50yr PWLB rate (%) | 2.70 | 2.70 | 2.80 | 2.80 | 2.90 | 2.90 | 3.00 |

**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.

**3.3** The projected investment income is currently in line with the budget for 2017/18.

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

**4.1** The Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by this Council on 28 February 2017. 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. The Council's Capital Position (Prudential Indicators)

**5.1** 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.

### 5.2 Prudential Indicator for Capital Expenditure

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

| Capital Expenditure | 2017/18 Original Estimate £'000 | Position as at 30 September 2017 £'000 | 2017/18 Current Estimate £'000 |
|---|---|---|---|
| Council Fund | 38,510 | 7,430 | 22,020 |
| HRA | 12,870 | 4,220 | 11,490 |
| Total | 51,380 | 11,650 | 33,510 |

**5.2.1** The current estimate for capital expenditure is behind the original estimate mainly due to the New Highways to Wylfa being delayed until the next financial year, and the Holyhead Strategic Infrastructure still awaiting WEFO funding and it is not anticipated that any significant capital expenditure will be incurred this financial year. A full breakdown on the planned capital expenditure for 2017/18, is provided in the Capital Budget Monitoring Report, presented to the Executive on 27 November 2017.

### 5.3 Changes to the Financing of the Capital Programme

**5.3.1** There are no significant changes to the financing of the capital programme to report at this stage.

**5.3.2** 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 | 2017/18 Original Estimate £'000 | 2017/18 Revised Estimate £'000 |
|---|---|---|
| Capital Grants | 23,610 | 11,360 |
| Capital Receipts | 2,870 | 3,100 |
| From Reserves | 750 | 460 |
| Revenue Contribution | 10,210 | 8,920 |
| Supported Borrowing | 3,510 | 2,090 |
| Unsupported Borrowing | 8,870 | 6,580 |
| Loan | 1,000 | 1,000 |
| Underspend from 2016/17 | 560 | 0 |
| **Total** | **51,380** | **33,510** |

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

**5.4.1** The table 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.

**5.4.2 Prudential Indicator – Capital Financing Requirement**

**5.4.2.1** We are currently slightly below the original forecast Capital Financing Requirement due to the forecast underspend in the 21st Century schools programme, meaning less borrowing will be undertaken in 2017/18.

**5.4.3 Prudential Indicator – External Debt/the Operational Boundary**

| | 2017/18 Original Estimate £000 | 2017/18 Revised Estimate £000 |
|---|---|---|
| ***Prudential Indicator – Capital Financing Requirement*** | | |
| CFR – Council Fund | 100,080 | 96,370 |
| CFR – HRA | 41,650 | 41,650 |
| Total CFR | 141,730 | 138,060 |
| Net movement in CFR | 7,720 | 4,010 |

| | 2017/18 Original Estimate £000 | 2017/18 Estimate Borrowing Position £000 | Amount Within The Boundary £000 |
|---|---|---|---|
| ***Prudential Indicator – External Debt/the Operational Boundary*** | | | |
| Borrowing | 162,000 | 118,010 | 43,990 |
| Other long term liabilities | 3,000 | Nil | 3,000 |
| Total debt 31 March | 165,000 | 118,010 | 46,990 |

### 5.5 Limits to Borrowing Activity

**5.5.1** 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 2017/18 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

| | 2017/18 Original Estimate £000 | CFR Position at 30 September 2017 £000 | 2017/18 Revised Estimate £000 |
|---|---|---|---|
| Gross borrowing | 141,730 | 111,430 | 138,060 |
| Plus other long term liabilities | Nil | Nil | Nil |
| Gross borrowing | 141,730 | 111,430 | 138,060 |
| CFR (year-end position) | 141,730 | n/a | 138,060 |

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

**5.5.3** 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 £170m. 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 | 2017/18 Original Indicator | Current Borrowing Position as at 30 September 2017 £'000 |
|---|---|---|
| Borrowing | 167,000 | 111,430 |
| Other long term liabilities | 3,000 | Nil |
| Total | 170,000 | 111,430 |

## 6. Investment Portfolio 2017/18

**6.1** In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.25% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

**6.2** The Council held £9.4m of investments as at 30 September 2017 (£13.3m at 31 March 2017) and the investment portfolio yield for the first six months of the year was 0.15%. A full list of investments as at 30th September 2017 can be found in Appendix 4. A summary of the investments and rates can be found in Appendix 3.

**6.3** The approved limits within the Annual Investment Strategy were not breached during the first six months of 2017/18.

**6.4** The Council's budgeted investment return for 2017/18 is £0.015m and performance for the year to date exceeds the budget, with £0.013m received to the end of Quarter 2.

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

**6.6** During the first six months of 2017/18, a fixed term investment matured from the London Borough of Barking & Dagenham for £5m on the 22 May 2017. This investment was recalled and placed in one of our call accounts.

**6.7** Investment Counterparty criteria - The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

## 7. Borrowing

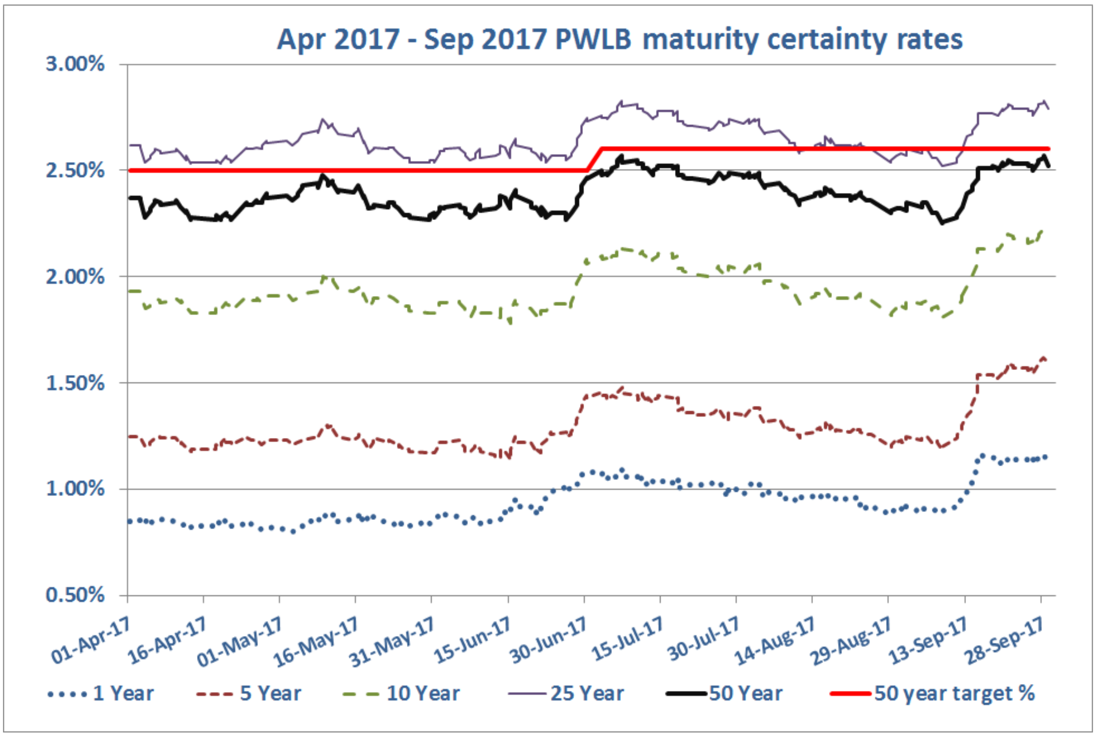
**7.1** The projected capital financing requirement (CFR) for 2017/18 is £138.1m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive, the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council has projected year end borrowings of £118.0m and will have used £20.1m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

**7.2** No borrowing was undertaken during the first half of this financial year. However, it is anticipated that borrowing will need to be undertaken during the second half of the financial year.

**7.3** During the first six months of the financial year, two separate Long Term Loans with the PWLB matured. The first loan for £2.5m matured on 06/06/17, and the interest rate on this loan was 3.25%. The second loan for £3.0m matured on 17/07/17, and the interest rate on this loan was 10.375%. These repayments were made from existing cash balances and no new loans were undertaken to fund the repayment.

**7.4** The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date. We are using the information in the graph to assist with any future borrowings. Although the rates have recently started to move up, we are still not borrowing long term. We will borrow short term to ensure adequate cash balances, and keep the situation under review taking advice from our Treasury advisors:-

**PWLB certainty rates 1 April 2017 to 30 September 2017**




## 8. Debt Rescheduling

**8.1** Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

## 9. Activity since Quarter

**9.1** Since Quarter 2 ended, the authority has arranged to borrow £5m from Tyne & Wear Pension Fund South shields. The borrowing will take place from 20/10/17 until 19/01/18 at a rate of 0.33%. This decision is in line with our current borrowing strategy of only borrowing longer term when we require the funding and not to borrow simply to take advantage of low borrowing rates as the cost of carry (difference between the interest paid and the investment return) is too high.

## 10. Plans for next year

**10.1** At its next meeting in February, this Committee will consider the plans for borrowing for the next financial year. The initial plan for 2018/19, as outlined in the Capital Strategy approved by the Executive at its meeting on 30 October 2017 is:-

- to use the required sum from the available general supported borrowing allocation of £2.192m, and £2.558m of specific supported borrowing for the 21st century schools programme; and
- to borrow £3.433m on an unsupported basis for the 21st century schools programme.

## 11. Additional updates

**11.1 Revised CIPFA Codes -** The Chartered Institute of Public Finance and Accountancy, (CIPFA), is currently conducting an exercise to consult local authorities on revising the Treasury Management Code and Cross Sectoral Guidance Notes, and the Prudential Code. CIPFA is aiming to issue the revised codes during November. A particular focus of this exercise is how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the authority at a much higher level than can be attained by treasury investments. Officers are monitoring developments and will report to members when the new codes have been agreed and issued and on the likely impact on this authority.

**11.2 MIFID II -** The EU has now set a deadline of 3 January 2018 for the introduction of regulations under MIFID II. These regulations will govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. There are two options available to the council, either to opt up to professional status, or to remain as retail clients. If the authority decides to opt up to professional status this would allow access to money market investments, which are permitted under the strategy, however, under this status the council has less protection for its Treasury Management investments. Upon opting up, the Council also must have £10m in its investment portfolio at some point during the year and are required to achieve a minimum amount of transactions per quarter. If the council remains as retail clients, it can still access all of its current investments types such as call accounts, but it would not be able to access money markets. Following discussions with the Council's Treasury Management Advisors, the Council can achieve the required criteria for professional status and have therefore taken the decision to opt for the professional status.

## 12. Recommendation

**12.1** To consider the content of the report.

**Diweddariad ar yr Economidd hyd yma a'r rhagolygiad/ Economic Update**

## 1. United Kingdom (UK)

After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. . The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September meeting MPC. This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

It therefore looks very likely that the MPC will increase Bank Rate to 0.5% in November or, if not, in February 2018. The big question after that will be whether this will be a one off increase or the start of a slow, but regular, increase in Bank Rate. As at the start of October, short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019. However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

## 2. European Union (EU)

Economic growth in the EU, (the UK's biggest trading partner), has been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y) and 0.6% in quarter (2.3% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in August inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019.

**3. United States of America (USA)**

Growth in the American economy has been volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1%, resulting in an overall annualised figure of 2.1% for the first half year. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.4%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with three increases since December 2016; and there could be one more rate rise in 2017 which would then lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. At its June meeting, the Fed strongly hinted that it would soon begin to unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

**4. China**

Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

**5. Japan**

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

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

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

Capita Asset Services undertook its last review of interest rate forecasts on 9 August after the quarterly Bank of England Inflation Report. There was no change in MPC policy at that meeting. However, the MPC meeting of 14 September revealed a sharp change in sentiment whereby a majority of MPC members said they would be voting for an increase in Bank Rate "over the coming months". It is therefore possible that there will be an increase to 0.5% at the November MPC meeting. If that happens, the question will then be as to whether the MPC will stop at just withdrawing the emergency Bank Rate cut of 0.25% in August 2016, after the result of the EU withdrawal referendum, or whether they will embark on a series of further increases in Bank Rate during 2018.
The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

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

- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.
- Geopolitical risks in Europe, the Middle East and Asia, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.
- Monetary policy action failing to stimulate sustainable growth and to get inflation up consistently to around monetary policy target levels.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The pace and timing of increases in the Fed. Funds Rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

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

**Crynodeb Benthyca a Buddsoddi – Chwarteroedd 1 a 2 2017/18**
**Borrowing and Investment Summary – Quarters 1 and 2 2017/18**

| | 30 Medi / Sept 2017 | | 30 Mehefin / June 2017 | |
|---|---|---|---|---|
| | £m | % (talwyd ar fenthyca a derbyniwyd ar fuddsoddiad) / (paid on borrowing and received on investment) | £m | % (talwyd ar fenthyca a derbyniwyd ar fuddsoddiad) / (paid on borrowing and received on investment) |
| Benthyca – graddfa sefydlog<br>Borrowing – fixed rate | 111.4 | 5.15 | 114.4 | 5.29 |
| Benthyca – graddfa amrywiol<br>Borrowing – variable rate | Dim / Nil | d/b / n/a | Dim / Nil | d/b / n/a |
| Adneuon – galw hyd at 30 diwrnod<br>Deposits – Call to 30 days | 9.4 | 0.15 | 15.7 | 0.14 |
| Adneuon – Tymor sefydlog < 1 bl.<br>Deposits – Fixed Term < 1 year | Dim / Nil | d/b / n/a | Dim / Nil | d/b / n/a |
| Adneuon – Tymor sefydlog 1 bl. +<br>Deposits – Fixed Term 1 year + | Dim / Nil | d/b / n/a | Dim / Nil | d/b / n/a |
| Cyfanswm Adneuon<br>Total Deposits | 9.4 | 0.15 | 15.7 | 0.14 |
| Cyfartaledd Adneuon yn y Chwarter<br>Highest Deposits in the Quarter | 19.0 | d/b / n/a | 26.0 | d/b / n/a |
| Cyfartaledd Adneuon yn y Chwarter<br>Lowest Deposits in the Quarter | 8.8 | d/b / n/a | 13.3 | d/b / n/a |
| Cyfartaledd Adneuon yn y Chwarter<br>Average Deposits in the Quarter | 17.6 | 0.16 | 20.8 | 0.16 |

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

**ATODIAD / APPENDIX 4**

## Graddfeydd Credyd Gwrthbartion buddsoddi a'r adneuon a ddelir gyda phob un ar 30 Medi 2017*
## Credit ratings of investment counterparties and deposits held with each as at 30 September 2017*

| Grŵp Bancio/ Banking Group | Sefydliad/ Institution | Adneuon / Deposit £'000 | Hyd (Galw Tymor Sefydlog) / Duration (Call / Fixed Term**) | Cyfnod (O/I) / Period (From / To) | Graddfa Dychweliad/ Rate of Return % | Graddfa Tymor Hir Fitch Long Term Rating | Graddfa Tymor Byr Fitch Short Term Rating | Graddfa Tymor Hir Moody's Long Term Rating | Graddfa Tymor Byr Moody's Short Term Rating | Graddfa Tymor Hir Standard & Poor's (S&P) Long Term Rating | Graddfa Tymor Byr Standard & Poor's (S&P) Short Term Rating | Lliw Sector/Hyd Awgrymiedig/ Sector Colour / Suggested Duration |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Lloyds Banking Group plc | Bank of Scotland plc | **1,591** | **Galw/ Call** | **n/a** | **0.15** | **A+** | **F1** | **Aa3** | **P-1** | **A** | **A-1** | **Coch - 6 mis/ Red - 6 months** |
| Santander Group plc | Santander UK plc | **7,457** | **Galw/ Call** | **n/a** | **0.15** | **A** | **F1** | **Aa3** | **P-1** | **A** | **A-1** | **Coch – 6 mis/ Red - 6 months** |
| The Royal Bank of Scotland Group plc | The Royal Bank of Scotland plc | **2** | **Galw/ Call** | **n/a** | **0.10** | **BBB+** | **F2** | **A2** | **P-1** | **BBB+** | **A-2** | **Glas - 12 mis / Blue - 12 months** |
| National Westminster Bank Ltd | National Westminster Bank Ltd Cash Manager A/c | **334** | **Galw/Call** | **n/a** | **0.01** | **BBB+** | **F2** | **A2** | **P-1** | **BBB+** | **A-2** | **Glas – 12 mis / Blue – 12 months** |

* Ceir y Rhestr Benthyca Cymeradwyedig yn Atodiad 6 o'r Datganiad Strategaeth Rheoli Trysorlys 2017/18/Strategaeth Buddsoddi Blynyddol/ The Approved Lending List can be found at Appendix 6 of the 2017/18 Treasury Management Strategy Statement / Annual Investment Strategy

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

**Approved countries for investments**

*Based upon lowest available sovereign credit rating*

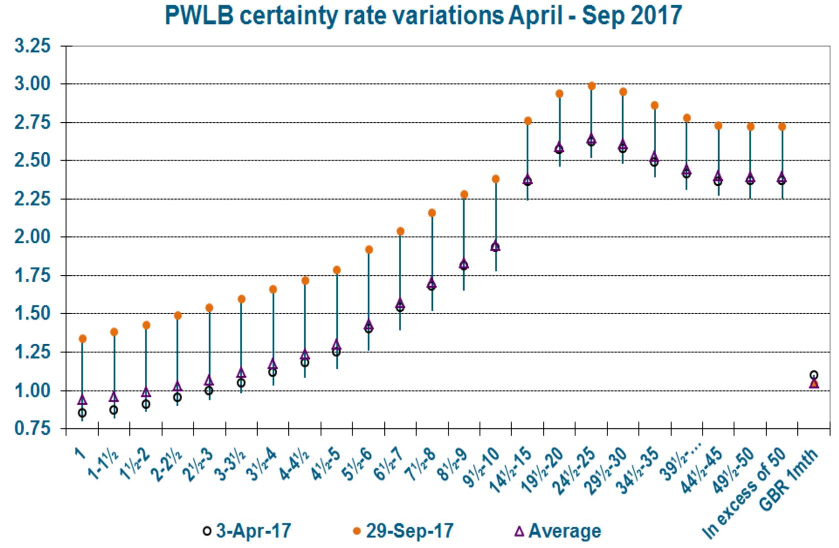
AAA
- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

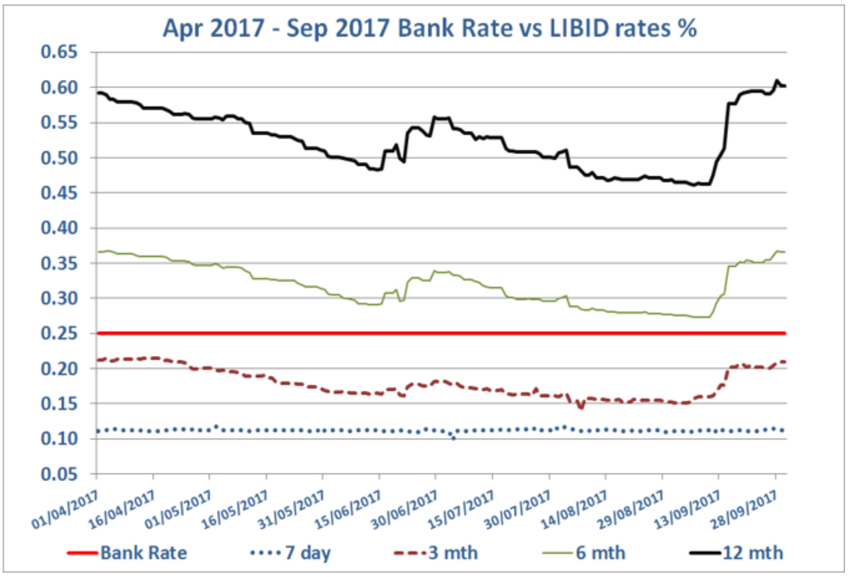
AA+
- Finland
- Hong Kong
- U.S.A.

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

AA-
- Belgium
- Qatar

## Graffiau Ychwanegol / Additional Graphs



| ISLE OF ANGLESEY COUNTY COUNCIL | |
|---|---|
| **MEETING:** | Executive and County Council |
| **DATE:** | 29th January and 28th February 2018 |
| **TITLE OF REPORT :** | Amendments to Council's Constitution- Delegation to the Head of Service (Housing) |
| **REPORT BY :** | Lynn Ball Head of Function(Council Business) / Monitoring Officer |
| **CONTACT OFFICER :** | Lynn Ball<br>Head of Function (Council Business) / Monitoring Officer<br>01248 752586 / lbxcs@anglesey.gov.uk |
| **PURPOSE OF REPORT :** | To amend the Council's Constitution in order to facilitate a new housing initiative |

## 1. BACKGROUND

1.1 The Council proposes to acquire additional social housing by means of design and build packages. A report to this effect was received and approved by the Executive on the 18th December 2017. (Attached at **Enclosure A** is a copy of the report to the Executive, and the decision record)

1.2 At page 5 of the report at **Enclosure A** it was highlighted that, in order to facilitate this proposed initiative, it was also desirable to amend the Council's Scheme of Delegation by extending the powers available to the Head of Service (Housing).

## 2. CHANGES TO THE CONSTITUTION

2.1 In order to amend the Constitution, full Council is required to adopt the suggested amendments; with the Executive having first had an opportunity to express a view.

2.2 Attached at **Enclosure B** is the current Scheme of Delegation to the Head of Service (Housing) with the proposed amendment to paragraph 3.5.3.12.2 together with additional paragraphs beginning at 3.5.3.12.46.

## 3. REASONS

3.1 At present, the acquisition and disposal of land/real property is delegated to the Head of Service (Highways, Waste and Property) under the Scheme of Delegation and the Asset Management Plan.

3.2 However, those powers do not extend to social housing and the Housing Revenue Account. This means a similar delegated authority to the Head of Service

(Housing) is required to facilitate the initiative adopted on the 18th December 2017. The proposed changes at **Enclosure B** are designed to that end.

## 4. <u>RECOMMENDATIONS</u>

4.1 That the Executive approve the proposed amendments at **Enclosure B** and commend such changes to the full Council.

4.2 The full Council approve the suggested amendments at **Enclosure B** and authorise the Monitoring Officer to make the necessary changes arising therefrom.

| ISLE OF ANGLESEY COUNTY COUNCIL | |
|---|---|
| **Report to:** | **Executive Committee** |
| **Date:** | **18 December 2017** |
| **Subject:** | **Development of New Council Houses through a Design and Build Package by Developers who are Landowners** |
| **Portfolio Holder(s):** | **Councillor Alun Mummery** |
| **Head of Service:** | **Shan Lloyd Williams** |
| **Report Author:**<br>Tel:<br>E-mail: | **Ned Michael, Housing Business Manager** |
| **Local Members:** | **Relevant to all Elected Members** |

**A –Recommendation/s and reason/s**

It is recommended that the Executive Committee on 18th December approves: -

The purchase of new houses built by private developers through design and build packages on lands that are owned by the private developers.

The Executive to recommend to the full Council that the Scheme of Delegation to the Head of Service (Housing) be amended to reflect the additional powers required to realise the transactions required by this scheme.

**Background**

Purchasing new houses built by private developers through design and build packages on land owned by private developers is recognised by the Welsh Government as an acceptable method of developing new social housing and is used regularly by Housing Associations.

This approach is seen as a way of supplying new housing comparatively quickly, where the risks associated with developing new houses remain with the developer.

In terms of securing value for money, the Welsh Government has prescribed an acceptable cost guidance, based on competitive tender prices that have been received for building social housing, for the various types of units such as flats, bungalows and houses of differing sizes and different number of bedrooms across all parts of Wales.

We do not currently take advantage of this method of developing new Council houses, but if we are serious about increasing our rented housing stock and want to be seen as contributing towards the target of 20,000 additional affordable housing units during this Government's term, this method would be a highly effective way of achieving this.

**Procurement Rules**

The proposal to purchase land with planning permission from owner / developers, and to enter into a development agreement with the same owner / developer will not be subject to the full public procurement regime requiring an OJEU Notice provided that the value of the scheme does not exceed the current threshold of £4,104,394. Where the value is below the current threshold any agreement reached with a developer/ owner must still be conducted in line with procurement best practice and also in line with the principles of the EC Treaty to afford fairness, competition, transparency, as well as in accordance with the Councils own Contract Procedure Rules.

**Site Selection**

The first step we will take as a Housing Service is to check the need for rented housing across the Island, and more specifically the need for the specific types of units.

We would select sites in consultation with the Land and Assets Group as a key part of achievement of our Place Shaping Strategy.

Having identified the need for new housing, we could prepare an advert and arrange to launch our new council housing development programme over the next 4 years and invite companies/developers who already own sites with planning permission to contact the service in order to discuss the opportunities.

The advert would note the number of new Council houses we intend to buy through this method over the 4 year period.

By following the above route, we would be seen to be transparent regarding the developers we choose to work with.

Priority would be given to developers who have schemes which are 'ready to go' but obviously, in announcing a 4 year scheme, companies/developers would know that we were looking for schemes and this would give them time to look for suitable opportunities.

Over the next 4 years, we anticipate that 400 additional units of social housing will be developed on the island, 195 by the Housing Service and 205 by the Housing Associations active on the Island.

**Negotiating Terms**

We will agree the requirements with regard to the design and specification of any housing development and any new Council houses purchased from developers would need to comply with the Welsh Government's Development Quality Requirements for social housing.

The Welsh Government's acceptable cost guidance has been designed to reflect land and house prices throughout Wales and is accepted as providing value for money for the specifications laid out within the development quality requirements.

In accordance with the Welsh Government's guidance for package schemes with private developers, we would expect the final cost of the completed development to be within the acceptable cost guidance.

We would appoint Quantity Surveyors as professional experts on construction costs, to advise us on the building costs and to verify that the sum we would be paying the developers reflects the market price and provides value for money.

We would agree a price with the developer for the finished development but would pay by instalments as the development proceeds in accordance with the JCT's standard Design and Build Contract 2016.

The work specification, the final price and the development timescale will be agreed and included as part of the building contract. This would makes the developer liable for all risks associated with the cost and the timescale of the development.

The first payment to the developer would be based on the open market value of the land, as evidenced by a report from a professional valuer, and upon receipt of this payment the ownership of the land would be transferred to the Council. We would use the valuation provided by the Property Department as an external valuation would not be required. If we were to receive any capital grants from Welsh Government towards the development, then we would use an external valuer.

As the development proceeds, Quantity Surveyors appointed by the Council will evidence, on a monthly basis, the value of the construction work carried out during the month in order to release the payment to the developer.

Prior to agreeing formally with any developer to move ahead with a development, we will conduct a financial viability assessment for the development in accordance with the process that has already been submitted to the SLT and HSB and approved by the Section 151 Officer.

Prior to agreeing formally with any developer to move ahead with a development, we will also conduct a due diligence assessment of the developer, to ascertain whether the developer has the financial capability and resources to undertake a development of this scale at this time. The Finance Team would conduct this assessment.

**The Value of the Asset compared with the Cost**

Very often when developing social housing, the cost of providing them to the expected specification and quality is higher than the open market value of the houses.

This should not be regarded as an obstacle to proceeding to secure the development as the asset will never be sold on the open market. The asset is for social use and it will pay for itself through the rental income received by the Council over a long-term period of approximately 45 years.

This principle is accepted and recognised as a valid method of developing affordable housing by the RICS (Royal Institution of Chartered Surveyors) in their guidance note 'Valuation of Land for Affordable Housing', April 2016.

What is essential is that we're are able to prove that we get value for the public money being paid for the asset.

We can do this through the Acceptable Cost Guidance procedure established by the Welsh Government for the development of social housing, and the value for money certification we will receive from Quantity Surveyors who will be acting on our behalf in any new development.

**The Council's Land and Assets Policy**

The Isle of Anglesey County Council's Constitution (September 2016) permits the delegation of responsibilities to Council Officers and defines the responsibilities which are delegated to Chief Officers.

It is noted within the Council's Constitution that the Head of Housing Services is responsible for leading the County Council's Housing Strategy and the Housing Revenue Account.

The Council's Asset Management Policy and Procedures (May 2016) also notes procedures with regard to the addition to, and disposal of, Council assets which specifically excludes Social Housing and the Housing Revenue Account.  This Policy sits under the Head of Highways, Waste and Property

When the Council's Asset Management Policy and Procedures was formulated, the Housing Service had not started developing new Council housing and there is certainly no provision for this type of land and assets procurement included within the policy or within corporate procurement policies and guidelines.

If we were to adopt this method of developing new Council housing, the Council's Constitution would need to be revised so that our Legal Services can be satisfied that we are complying with our relevant policies and procedures.

Any new Council housing and social housing development would sit within the Housing Revenue Account, therefore it should be stated within the Constitution that the responsibility for any addition to, or disposal of such assets would rest with the Head of Housing Services.

Proposed amendments to the Council Constitution would be to add the following points to the Delegated Authority of the Head of Housing Services:-

1. To exercise the Council's Powers and duties to acquire plots of land for the purpose of new Council housing and social housing developments in consultation with the Local Members, the Housing Portfolio Holder and in accordance with the Councils' Housing Strategy and Plans.

2. To approve and deliver new Council housing and social housing development schemes.

The HSB has already agreed that any new Council housing development scheme comprising more than 10 units should be presented to the Executive Committee for its approval.

The Head of Housing Services, in consultation with the Section 151 Officer would be eligible to approve developments of less than 10 units provided funding was available in the HRA's Business Plan and annual budget.

**<u>Conclusions</u>**

We will require further legal advice when we have agreed the number of units and areas we will be looking to develop through this method to ensure that we do not leave the Council open to legal challenge with regards to the selection of companies/developers.

We will prepare an advert noting the number of new Council houses we wish to build every year using this method in order to be completely transparent when selecting companies/developers.

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| We will consult appropriately with other Services and report regularly to the Housing Services Board and the Land and Assets Group regarding any opportunities which have been presented by companies/developers.<br><br>Before making a formal agreement with any developer to proceed with a development, we will undertake a financial viability assessment on the development in accordance with the process which has already been presented to the SLT and the HSB and approved by the Section 151 Officer.<br><br>Before making a formal agreement with any developer to proceed with a development, we will undertake an assessment of due diligence on the developer, i.e. does the developer have the financial capability and the resources to undertake a development on this scale at this time.<br><br>When using this method to develop Council houses, the developer is liable for the risks associated with the development and it is considered to be a secure method of developing a high number of new houses of the required standard fairly quickly.<br><br>Unless we use our borrowing cap – approximately £13m there is a risk that Welsh Government will transfer this to another Local Authority in Wales. |

| **B – What other options did you consider and why did you reject them and/or opt for this option?** |
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| Other methods of developing new Council housing have already been approved, these include buying back former Council houses, building new Council housing on HRA land and building new Council housing on land already owned by the Council.<br><br>This latest method supplements these methods. |

| **C – Why is this a decision for the Executive?** |
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| **C1.** This is a decision for the Executive as it is a new method of purchasing/developing new Council housing. |

| **D – Is this decision consistent with policy approved by the full Council?** |
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| The full Council have approved the Housing Revenue Account Business Plan which includes a programme for developing new Council housing. |

| DD – Is this decision within the budget approved by the Council? |
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| **D1.** Yes – it is within the approved Business Plan of the Housing Revenue Account 2017-47. |

| | E – Who did you consult? | What did they say? |
|---|---|---|
| 1 | **Chief Executive / Strategic Leadership Team (SLT)** (mandatory) | The report was submitted to the SLT on 20 February. The SLT supports the recommendation. |
| 2 | **Finance / Section 151** (mandatory) | The Section 151 Officer is satisfied with the financial assumptions that have been used for assessing the financial viability of new developments. |
| 3 | **Legal / Monitoring Officer** (mandatory) | Supportive to the recommendation. Have suggested amendments to the Council Constitution as noted within the report. |
| 5 | **Human Resources (HR)** | Not consulted. |
| 6 | **Property** | |
| 7 | **Information Communication Technology (ICT)** | Not consulted. |
| 8 | **Scrutiny** | |
| 9 | **Local Members** | |
| 10 | **Any external bodies / other/s** | |

| | F – Risks and any mitigation (if relevant) | |
|---|---|---|
| 1 | **Economic** | The Council's Capital Plans are subject to the Council's procurement arrangements and use Value Wales to measure Community Benefits and are therefore supported by the Economic and Community Regeneration Service. |
| 2 | **Anti-poverty** | A provision of new houses will offer comfortable homes for people most in need in our communities. |
| 3 | **Crime and Disorder** | |
| 4 | **Environmental** | |
| 5 | **Equalities** | |
| 6 | **Outcome Agreements** | |
| 7 | **Other** | |

| FF - Appendices: |
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| None |

| G - Background papers (please contact the author of the Report for any further information): |
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**NOTICE of the Decisions of The Executive held at the Council Chamber, Council Offices, Llangefni on Monday, 18 December, 2017**

This Notice is published at 5:00pm on Thursday, 21 December, 2017. The deadline for the receipt of requests to call-in any decision must be made to the Chief Executive by no later than 5:00pm on Tuesday, 2 January, 2018. The decisions will become effective (if no valid call-in application is recorded) on Wednesday, 3 January, 2018.

**Present**: Councillors R Dew, John Griffith, Llinos Medi Huws (Chair) R. Meirion Jones, R G Parry OBE, FRAgS, Ieuan Williams, Alun W Mummery and Carwyn Jones

**Also Present**: Councillors Glyn Haynes, Kenneth Hughes, Aled Morris Jones, R. Owain Jones, Bryan Owen, Shaun Redmond, Peter Rogers

**Apologies**: Councillor Dafydd Rhys Thomas

(10:00 a.m. to 10:55 a.m.)

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| ITEM NUMBER AND SUBJECT MATTER | 3 **Minutes**<br>Not applicable |
| DECISION | **It was resolved that the minutes of the previous meeting of the Executive held on the 27 November, 2017 be confirmed as a correct record.** |
| REASON FOR THE DECISION | **Not applicable** |
| ELIGIBLE FOR CALL-IN? | **Not applicable** |

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| ITEM NUMBER AND SUBJECT MATTER | 4 **The Executive's Forward Work Programme**<br>Report by the Head of Democratic Services |
| DECISION | **It was resolved to approve the updated Forward Work Programme for the period from January to August, 2018 subject to the additional change outlined at the meeting.** |

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| REASON FOR THE DECISION | **To strengthen accountability and forward planning arrangements** |
| ELIGIBLE FOR CALL-IN? | **Yes** |

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| ITEM NUMBER AND SUBJECT MATTER | **5 Treasury Management Mid-Year Review 2017/18**<br>Report by the Head of Function (Resources) and Section 151 Officer |
| DECISION | **It was resolved to accept the Treasury Management Mid-Year Review Report 2017/18 and to forward the report to the Full Council without additional comment.** |
| REASON FOR THE DECISION | **To comply with the requirements of the CIPFA Code of Practice.** |
| ELIGIBLE FOR CALL-IN? | **No. The matter is to be considered by the Full Council** |

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| ITEM NUMBER AND SUBJECT MATTER | **6 Transformation of the Library Service**<br>Report by the Head of Learning |
| DECISION | **It was resolved –**<br><br>• **To adopt the Draft Library Service Strategy 2017-2022**<br>• **That the proposed changes in the Draft Library Service Strategy 2017-2022 be actioned as follows:**<br><br>• **Close Cemaes Library, Moelfre Library and Newborough Library, continuing to investigate mitigating actions such as community access points and/or increase mobile provision in the areas affected by closure.**<br><br>• **Develop a collaborative model with Canolfan Beaumaris in respect of Beaumaris Library.** |

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| | • **Receive a firm commitment from Llanfaelog Community Council in respect of Rhosneigr Library by 31 January, 2018. If no firm commitment is provided then proceed to close as per the first bullet point.**<br><br>• **Implement Option C within the Draft Library Service costings (Appendix 5 of the report) – retain 22 hours or ⅔ of the staffing from the closed libraries within the staffing structure to help with mitigation and sustain performance against the WPLS standards.** |
| REASON FOR THE DECISION | **To progress the transformation of the Library Service.** |
| ELIGIBLE FOR CALL-IN? | **Yes** |

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| ITEM NUMBER AND SUBJECT MATTER | **7 Development Path for Council Housing - Design and build packages by developers**<br>Report by the Head of Housing Services |
| DECISION | **It was resolved –**<br><br>• **To approve the purchase of new houses built by private developers through design and build packages on lands that are owned by the private developers.**<br>• **To recommend to the Full Council that the Scheme of Delegation be amended to reflect the additional powers required to realise the transactions required by this scheme.** |
| REASON FOR THE DECISION | **To facilitate the development of new Council housing** |
| ELIGIBLE FOR CALL-IN? | **Yes** |

## CONFIDENTIAL ITEM

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| ITEM NUMBER AND SUBJECT MATTER | **9 Schools' Modernisation - Llangefni Area - Strategic Outline Case/Outline Business Case**<br>Report by the Head of Learning |
| DECISION | **It was resolved to defer consideration of this matter to a later date.** |
| REASON FOR THE DECISION | **To progress the School Modernisation Programme** |
| ELIGIBLE FOR CALL-IN? | **Yes** |

**3.5.3.12 Head of Service (Housing)**

3.5.3.12.1 lead Anglesey County Council's housing strategy and the management of housing stock; providing strategic and operational leadership across the service to ensure Anglesey's public housing stock demonstrates excellence against the Welsh Housing Quality Standard. Develop the strategy and effective delivery of a range of community related initiatives and programmes (including community safety and social cohesion)

3.5.3.12.2 provide the strategic leadership for the following diverse range of services, projects and initiatives which focus resources on the development of an efficient and effective organisation:

**Generally**

- Housing Strategy
- Housing Revenue / Finance
- Allocations / Homeless
- Tenant Management
- Housing Estate Management
- Supporting People
- ~~Building~~ Housing Maintenance Unit
- Community Safety, Social Cohesion (gypsy travellers etc.) Anti-Poverty Policy, Communities First
- Social Housing Development (to include the acquisition and/or disposal of land and/or housing units for the purpose of increasing/managing the Council's social housing stock)

**Specifically**

3.5.3.12.3 lead the strategic and operational housing agenda across the Council; ensuring key housing messages are co-ordinated and consistent across Anglesey and that they reflect the community and social development agenda

3.5.3.12.4 develop a range of integrated and effective community initiatives to tackle safety, cohesion, poverty and community empowerment as part of a coordinated "place" approach to housing

3.5.3.12.5 ensure that statutory functions are discharged in accordance with homelessness legislation and disabled facilities grants, and support other social care responsibilities around quality and access to provision

3.5.3.12.6 manage housing capital and revenue budgets for both public and private housing sectors, driving value from funding and drawing wider income generation where possible

Manage, maintain, issue, develop, approve, administer, determine and implement the following services:-

3.5.3.12.7 day to day management of Council's housing stock including garages

3.5.3.12.8 day to day management of repairs and maintenance of Council housing stock including garages

3.5.3.12.9 capital/revenue planned maintenance programme

3.5.3.12.10 the Council’s Housing List

3.5.3.12.11 allocation of tenancies

3.5.3.12.12 allocation of temporary housing including emergency accommodation (up to 2 years)

3.5.3.12.13 transfers

3.5.3.12.14 exchanges

3.5.3.12.15 national/local mobility schemes

3.5.3.12.16 successions in accordance with Sections 87/89 Housing Act 1985

3.5.3.12.17 homelessness (Part VII Housing Act 1996)

3.5.3.12.18 adaptations to Council property for the benefit of disabled persons

3.5.3.12.19 authorising terminating of tenancies

3.5.3.12.20 issue of Notices Seeking Possession and Notices to Quit and authorise the commencement of legal proceedings to recover possession of Council property

3.5.3.12.21 applications from tenants or owners (following the Right to Buy) for alterations, repairs and improvements to their property

3.5.3.12.22 tenancy and estate management matters

3.5.3.12.23 name Council estates after consultation with the local member(s) and the Community Council

3.5.3.12.24 to publish all information as required either by statute or by Council policy

3.5.3.12.25 Private Sector Renewal - Renewal Areas, Group Repair Schemes and Housing Grants including contributions from participants in accordance with the Housing Grants, Construction and Regeneration Act 1996

3.5.3.12.26 remove, store, dispose of or destroy (after 3 months) all goods removed from Council accommodation following the death of any tenant or where it is reasonably assumed that the property has been abandoned

3.5.3.12.27 recover costs from any tenant or a deceased tenant’s estate

3.5.3.12.28 Right to Buy, including valuations and exercising pre-emption rights where housing needs exists, including plots for sale and any other property previously sold by the Council

3.5.3.12.29 the Right to Manage

3.5.3.12.30 the Right to Compensation

3.5.3.12.31 transfers/guarantees to building societies on low cost home ownership schemes

3.5.3.12.32 enter any property for the purpose of survey and examinations (Section 54 Housing Act 1985)

3.5.3.12.33 issue all notices in accordance with Section 54 Housing Act 1985

3.5.3.12.34 issue Notices and execute powers relating to Repair Notices (Part VI Housing Act 1985) Area Improvement (Part VIII Housing Act 1985), Houses in Multiple Occupation (Part XI Housing Act 1985 as amended), General Financial Provisions (Part VI Local Government and Housing Act 1989), Loans for Acquisition or Improvement of Housing (Part XIV Housing Act 1985), Grants for works of improvement, repair and conversion (Part XV Housing Act 1985), Assistance for owners of defective housing (Part XVI Housing Act 1985), Compulsory Purchase and Land Compensation (Part XVII Housing Act 1985), Miscellaneous and General Provisions (Part XVIII Housing Act 1985)

3.5.3.12.35 Low Cost Home Ownership Scheme

3.5.3.12.36 rent collection and arrears management, including former tenant arrears collection

3.5.3.12.37 Community Care Liaison and Tenant Participation

3.5.3.12.38 renovation grants, strategies, policy development, renewal areas and group repair schemes

3.5.3.12.39 Empty Properties, Houses into Homes (loans)

3.5.3.12.40 first time homeowner loans and grants for first time buyers

3.5.3.12.41 home buy equity loans and partnership with RSLs

3.5.3.12.42 housing partnership

3.5.3.12.43 Affordable housing – social housing grant / social capture grant administration; small properties grant and revenue from the Welsh Government, affordable housing developments, commuted sums budget and allocation as per TAN 2

3.5.3.12.44 Housing lead on Energy Island developments

3.5.3.12.45 Enforcement powers in respect of vacant houses

3.5.3.12.46 to exercise the Council's powers and duties to acquire/dispose of land /housing units for the purpose of new social housing developments in consultation with local Members, the Executive member with responsibility for Housing, the Head of Service

(Highways Waste and Property) and in accordance with the Council's Housing Strategy, Plans and Policies from time to time.

3.5.3.12.47 to approve and deliver new Council housing / social housing development schemes, whether in partnership with registered social landlords, developers or otherwise

3.5.3.12.48 to comply with all legal requirements in respect of tendering, procurement procedures whether internally or externally so far as they are applicable to any new h~~H~~ousing schemes and/ or developments

3.5.3.12.49 to account and be responsible for any acquisition or disposal of assets made via the Housing Revenue Account

3.5.3.12.50 to report and seek approval from the Executive to proceed in the event that a housing development scheme comprises more than 10 units. Schemes of less than 10 units may be approved by the Head of Service (Housing) in consultation with the s151 Officer, provided that funding is available in the Housing Revenue Account's business plan and annual budget.

3.5.3.12.51~~46~~ the following powers of the Council as contained in the Anti-social Behaviour, Crime and Policing Act 2014:

a) the power as regards injunctions contained in Part 1 of the Act;

b) the powers relating to community protection notices as contained in Chapter 1 of Part 4 of the Act;

c) the powers with regard to closure of premises associated with noise or disorder as contained in Chapter 3 of Part 4 of the Act;

d) the powers of recovery and possession of dwelling houses on anti-social behaviour grounds as contained in Part 5 of the Act.

3.5.3.12.52~~47~~ to carry out the functions directed by the Chief Executive, or his/her nominee, and as described in the relevant job description as amended from time to time

| ISLE OF ANGLESEY COUNTY COUNCIL | |
|---|---|
| MEETING: | COUNTY COUNCIL |
| DATE: | 28.02.2018 |
| TITLE OF REPORT: | Pay Policy Statement 2018 |
| REPORT BY: | Head of Profession - HR |
| PURPOSE OF REPORT: | To ensure that the Authority satisfies its statutory obligations under the Localism Act 2011 to have a published Pay Policy by 31.3.18 |

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 2018/19.

Appendix 1 Pay Policy Statement

**ISLE OF ANGLESEY COUNTY COUNCIL**

**PAY POLICY STATEMENT**

**FEBRUARY 2018**

## 1. Introduction and Purpose

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

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

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

## 2. Legislative Framework

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

## 3. Scope of the Pay Policy Statement

The Localism Act 2011 requires authorities to develop and make public their pay policy on all aspects of Chief Officer Remuneration (including on ceasing to hold office), and that pertaining to the 'lowest paid' in the authority, explaining their policy on the relationship between remuneration for Chief Officers and other groups. However, in the interests of transparency and accountability the Council has chosen to take a broader approach and produce a policy statement covering all employee groups, with the exception of school teachers as their remuneration is not within local authority control.

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

## 4. Development of Pay and Reward Strategy

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

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

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

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

## 5. Pay Structure

The Council uses the nationally negotiated NJC pay spine as the basis for its local grading structure. This determines the salaries of the large majority of the non-teaching workforce, together with the use of other nationally defined rates where relevant. Pay uplifts were awarded on 1 April 2017 and a further national pay award is being offered from 1 April 2018 for a period up to 31 March 2020. The Council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine. The Council is committed to fairly determining pay in accordance with equal pay legislation and the local government 'single status' agreement 1997 and has, from 1 December 2015, implemented a Single Status pay and grading structure.

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.

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 can also apply temporary honoraria to individuals who, for various reasons, are acting up to a higher level of responsibility.

Progression through the incremental scale of the relevant grade is subject to satisfactory performance, which is assessed on an annual basis.

## 6. Other Benefits

Subject to qualifying conditions, employees have a right to join the Local Government Pension Scheme. The employee contribution rates, which are defined by statute, currently vary between 5.8% - 11.4% of salary, dependent upon defined pay bands relating to whole-time equivalent salary. The Employer contribution rates are set by Actuaries advising the Gwynedd Pension Fund and reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The current rate is 22.5%.

The Council has a range of other terms and conditions applicable to its employees, based largely upon National Joint Council terms and conditions, supplemented by locally negotiated conditions and policies. Certain of these terms and conditions result in monetary payments, including car loans, payment of professional fees and honoraria payments for undertaking additional responsibilities. For relevant ‘additions to salary of Chief Officers’, see paragraph 10 below. Staff terms and conditions are reviewed on a regular basis in consultation and negotiation with our recognised trade unions.

## 7. Senior Management Remuneration

For the purposes of this statement, senior management means ‘chief officers’ as defined within S43 of the Localism Act. The following posts are identified as falling within the statutory definition of ‘senior management’ in the context of this statement. Their basic salary as at 1st April 2018 will be as follows;

a) Chief Executive
The current salary for the post is £113,333 per annum, following consultation with the IRP, and is not incremental. The postholder will also receive additional fees for Returning Officer duties. This salary is inclusive of the requirements for this officer to act as the Authority’s Head of Paid Service. See Statement of Accounts for details.

b) 2 x Assistant Chief Executive
The current salary for both posts is £86,708 per annum, and is not incremental.

c) Head of Function (Resources)
   The current salary for the post is £82,911 per annum, and is not incremental. This salary is inclusive of the requirement for this officer to act as the Authority's Statutory Section 151 Officer.

d) Head of Function (Council Business)
   The current salary for the post is £75,336 per annum, and is not incremental. This salary is inclusive of the requirement for this officer to act as the Authority's Monitoring Officer.

e) Head of Children's Services
   The current salary for the post is £74,000 per annum, and is not incremental.

f) Head of Regulation and Economic Development
   The current salary for the post is £73,447 per annum, and is not incremental.

g) Head of Adult Services; Head of Learning
   The current salary for both posts is £72,835 per annum, and is not incremental.

h) Head of Housing; Head of Highways, Property & Waste; Head of Transformation
   The current salary range for the above posts is £60,349 - £66,592 per annum.

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

The Local Government (Democracy) (Wales) Act 2013 gives the Independent Remuneration Panel for Wales ("the IRP") powers to make recommendations in relation to the salary of the Head of Paid Service, or any proposed changes to the salary of the Head of Paid Service. However, from 25 January 2016 until 31 March 2020 the Authority must refer any proposals to change the salaries of its "Chief Officers" (as defined in the Localism Act 2011) to the IRP. The Authority will consider any recommendations received from the IRP when determining any change to the salaries of its Chief Officers.

## 8. Recruitment of Chief Officers

The Council's policy and procedures with regard to recruitment of Chief Officers is set out within the Officer Employment Procedure Rules as set out in Part 4.10 of the Constitution. When recruiting to all posts the Council will take full and proper account of its own Equal Opportunities, Recruitment and Selection, and Redeployment Policies. The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment.

Where the Council is unable to recruit Chief Officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive Chief Officer post, the Council will, where necessary, consider engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process, ensuring the council is able to demonstrate the maximum value for money benefits from competition, in securing the relevant service.

In line with Welsh Government regulations, it is the Council's policy that the full Council is offered the opportunity to vote on remuneration and any restructures at senior management level, regardless of salary levels. Welsh Government regulations also specify that all posts attracting a salary of £100,000 or higher must be advertised externally if the duration of the post is expected to be for 12 months or more.

## 9. Pay Awards

The Council employs Chief Officers under JNC terms and conditions which are incorporated in their contracts. The JNC for Chief Officers negotiates on national (UK) annual cost of living pay increases for this group, and any award of same is determined on this basis. Chief Officers employed under JNC terms and conditions are contractually entitled to any national JNC determined pay rises and this council will therefore pay these as and when determined in accordance with current contractual requirements.

## 10. Additions to Salary of Chief Officers

Chief Officers are subject to the same qualifying criteria and arrangements as other employees with regard to receipt of additional monetary-based terms and conditions, including mileage payments and reimbursement of professional fees.

## 11. Payments on Termination

The Council's approach to statutory and discretionary payments on termination of employment of Chief Officers and all employees falling within the scope of this statement, prior to reaching normal retirement age, is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007. The 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 authority of the strain on the pension fund arising from providing early access to pension. Any other payments falling outside the provisions of contractual terms shall be subject to a formal decision made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.

The Council does not currently have any instances of re-engagement of retired Chief Officers. If circumstances arose where this needed to be considered for business-critical reasons, any such decision would be made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such arrangements.

## 12. Lowest Paid Employees

The lowest paid persons employed under a contract of employment with the Council are employed on full time 37 hours equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1 April 2018, this point is point 10, which, if the current pay award offer is agreed, will be £16,863 per annum, or £8.74 per hour compared with the National Living Wage of £7.83 per hour at 1 April 2018.

The relationship between the rate of pay for the lowest paid and chief officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce.

As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate. When expressed as a multiplier of pay, the Chief Executive's salary will be 6.75:1 greater than that of the Council's lowest earner if the proposed pay award is implemented.

## 13. External Contractors

The Council will utilise its procurement processes to ensure that fair pay practices are adopted by external contractors commissioned to deliver services.

## 14. Publication

Upon approval by the full Council, this statement will published on the Council's Website. In addition, for posts where the full time equivalent salary is at least £60,000, the Council's Annual Statement of Accounts (http://www.anglesey.gov.uk/council-and-democracy/council-finance-and-budgets/statement-of-accounts/statement-of-accounts-2016-2017/) will include a note setting out the total amount of

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above.

## 15. Accountability and Decision Making

Paragraph 10 of the statutory guidance states “The provisions in the Act ……require Councillors to take a greater role in determining pay, ensuring that these decisions (no definition) are taken by those who are directly accountable to local people”.

In accordance with the Constitution of the Council, the Pay and Grading Panel is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.

This Pay Policy Statement will be reviewed annually and presented annually to a meeting of the full Council either in February or March, following which it will be published on the Authority’s website.

The Council has considered all current guidance in the development of this pay policy but should further amended guidance be received the Authority may decide to amend its policy with full Council approval. The revised version will be published on the website.

*February 2018*

| ISLE OF ANGLESEY COUNTY COUNCIL | |
|---|---|
| Committee: | Democratic Services Committee |
| Date of meeting: | 13 December 2017 |
| Title: | Timing of Council Meetings |
| Author: | Head of Democratic Services |

## 1.0 Background

1.1 In accordance with the statutory guidance issued by the Welsh Government under Section 6(1) of the Local Government (Wales) Measure 2011, the Council is required to survey Members in respect of the times at which meetings of a local authority are held. All local authorities should review the times at which meetings are held at least once every term, preferably shortly after the new Council is elected.

1.2 Following consultation with the Group Leaders on 26 October 2017 a survey was sent to all Members to obtain their views. The options were to start meetings at 10.00 am, 2.00 pm, 4.00 pm and 6.00 pm.

## 2.0 Response

2.1 13 responses were received (43%). The preferred options are outlined below:

| Committee | Feedback in order of preference | Number that chose the time as their first preference |
|---|---|---|
| **County Council** | | |
| 10.00 am | 2 | 4 |
| 2.00 pm | 1 | 7 |
| 4.00 pm | 3 | 1 |
| 6.00 pm | 4 | 0 |
| **The Executive** | | |
| 10.00 am | 1 | 10 |
| 2.00 pm | 2 | 0 |
| 4.00 pm | 3 | 0 |
| 6.00 pm | 4 | 0 |
| **Scrutiny Committees** | | |
| 10.00 am | 1 | 6 |
| 2.00 pm | 2 | 5 |
| 4.00 pm | 3 | 1 |
| 6.00 pm | 4 | 0 |
| **Quasi-Judicial** | | |
| 10.00 am | 2 | 4 |
| 2.00 pm | 1 | 7 |
| 4.00 pm | 3 | 1 |
| 6.00 pm | 4 | 0 |

| Committee | Feedback in order of preference | Number that chose the time as their first preference |
|---|---|---|
| **Other Committees** | | |
| 10.00 am | 1 | 7 |
| 2.00 pm | 2 | 5 |
| 4.00 pm | 3 | 0 |
| 6.00 pm | 4 | 0 |

### 2.2 Summary of the results

- County Council – majority supporting 2.00pm
- The Executive – support for 10.00am
- Scrutiny Committees (currently 2.00pm) – majority supporting 10.00am.
- Quasi-judicial Committees – majority supporting 2.00pm. It should be noted here that one Member supported moving the Planning Committee to 4.00pm. The current arrangement is that the Planning Committee starts at 1.00pm.
- Other Committees – majority supporting 10.00am.

### 2.3 Other observations

2.3.1 Some Members did not favour late meetings due to other commitments in the community (eg community council and meetings of governing bodies). One Member also referred to the additional pressure on the officers who attend meetings.

2.3.2 Three members were of the opinion that starting at 1.00pm would be better than 2.00pm, particularly when meeting agendas are lengthy. One member favoured starting the Planning Committee at 4.00pm. Another member favoured starting most meetings at 4.00pm for the convenience of members who work and the public, but another member considered that there would be no advantage in starting at 4.00pm, as this would still affect working hours and evening duties (community councils etc). Reference was also made to the fact that those meetings on web-cast are available to the public on the Council's website. .

### 3.0 Conclusions

3.1 It appears that the only change supported by the majority is moving the start time of Scrutiny Committees to 10.00am.

## 4.0 Equality Impact Assessment

4.1 The Council is required, when reviewing existing policies or procedures, to carry out an equality impact assessment and give 'due regard' (ie give appropriate weight) to the results of the assessment. The findings of the assessment are given below:

4.1.1 Implementing a recommendation to change start times from the afternoon to the morning should not have a differential effect on any protected group.

4.1.2 However, there is a need to ensure that the Democratic Services Committee and the Full Council are aware of the feedback received in favour, as well as against, holding late meetings before making a final decision (see 2.3 above).

4.1.3 This opportunity should be taken to raise awareness of the reimbursement of care costs available to enable any person whose ability to participate as a member of an authority would be limited by their responsibilities as a carer, or for a member to receive care support to enable that individual to carry out their role. The Independent Remuneration Panel for Wales considers that Democratic Services Committees should take steps to encourage eligible members to claim this reimbursement.

4.1.4 Any new arrangements should be monitored as it will not be possible to consider the actual impact of any policy until it is implemented.

## 5.0 Recommendations

The Committee is requested:

5.1 to consider the observations of the Members who responded to the questionnaire and consider the propriety of changing the timing of Scrutiny Committees to start at 10.00am.

5.2 make recommendations to the full Council on the timing of Council meetings from 2018/19.

**Huw Jones**
**Head of Democratic Services**
**06/12/17**

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