Public Document Pack

CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

GŴYS A RHAGLEN	**SUMMONS AND AGENDA**
ar gyfer	**for a**
CYFARFOD O GYNGOR SIR YNYS MÔN	**MEETING OF THE ISLE OF ANGLESEY COUNTY COUNCIL**
a gynhelir yn	**to be held at the**
SIAMBR Y CYNGOR SWYDDFA'R SIR LLANGEFNI	**COUNCIL CHAMBER COUNCIL OFFICES LLANGEFNI**
DYDD MERCHER, 27 CHWEFROR, 2019	**WEDNESDAY, 27 FEBRUARY 2019**
➔ am 2.00 o'r gloch yp 🡐	**➔ at 2.00 pm 🡐**

A G E N D A

1. **<u>MINUTES</u>**

To submit, for confirmation, the minutes of the following meetings of the County Council :-

- 11 December, 2018
- 28 January, 2019 (Extraordinary Meeting)

2. **<u>DECLARATION OF INTEREST</u>**

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

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

4. **<u>QUESTIONS RECEIVED PURSUANT TO RULE 4.1.12.4 OF THE CONSTITUTION</u>**

To submit the following question on notice by Councillor Robert Ll Jones to the Portfolio Holder for Finance:-

In view of the large overspend on the Children's Services -

"What steps were taken to review the spending in the Social Service Department on a weekly basis, and was this brought to the attention of the Executive on a weekly basis?"

5. **<u>NOTICE OF MOTION PURSUANT TO RULE 4.1.13.1 OF THE CONSTITUTION</u>**

To submit the following Notices of Motion by Councillor Robert Llewelyn Jones:-

1. *On the 27th April 2010, the then Executive passed a motion to try to ensure that the same thing did not happen as happened with the large planning application re Ty Mawr, Llanfairpwll in 2008. This application was called-in by the Welsh Government and ended up being refused.*

   It was passed that a Planning Performance Agreement Charter setting out how the Authority should work with the developer, the community and other key stakeholders to ensure that large scale and complex development proposals were carefully considered in a constructive, collaborative and open manner.

   The three largest developments in the last ten years did not have a PPA entered into and ended up with one being called-in and the other two, besides Ty Mawr, namely Holyhead Waterfront and the Land and Lakes developments being costly to our authority and the people of Ynys Môn. If a PPA had been entered into, the chances are that the electorate would have been listened to by the developers.

I am asking that a Planning Performance Agreement be entered into by all developers and that this Agreement is made available for the electorate of Ynys Môn to be kept aware of what is being agreed to. This would be in line with other Local Authorities.

2. *During the last 20 years, we have seen more and more chapels and churches closing on Ynys Môn with the loss of community meeting places that have served our residents for over a hundred and fifty years. Each village on Ynys Môn has one or more places of worship with many more in our towns*.

Can the Planning Department through their Heritage Officer look at what has happened to these meeting places and what records are being kept to preserve the history of these important buildings as being part of our history over the last 150 years. Could a full report be brought back to Council? Many of these chapels and churches have marble tablets and other records of young men and women who were lost in the two World Wars, what happens to these, and could they also be recorded.

6. PRESENTATION OF PETITIONS

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

7. MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2019/20

(a) Revenue Budget 2019/20

To submit a report by the Head of Function (Resources)/Section 151 Officer, as presented to the Executive on 18 February, 2019.

(b) Capital Budget 2019/20

To submit a report by the Head of Function (Resources)/Section 151 Officer, as presented to the Executive on 18 February, 2019.

(c) Treasury Management Strategy Statement 2019/20

To submit a report by the Head of Function (Resources)/Section 151 Officer, as presented to the Executive on 18 February, 2019.

(ch) Council Tax Setting

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

(*d) Amendment 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 5% in the Council Tax for the financial year 2019-2020.

This will be achieved by :-

- *not filling the vacant post of Assistant Chief Executive – saving £100,000;*

- *reducing the number of Members on the Executive from 9 to 7 – saving £26,464;*
- *delay the construction of the Gypsy and Travellers Site at Star – saving £33,600 in Capital Financing Charges;*
- *reducing the Council Tax Reduction Scheme Budget is a consequence of setting a lower Council Tax than proposed by the Executive – saving £225,000;*
- *to set the Council Tax increase at 5%. This would take the Band D charge to £1,197.18 an annual increase of £56.97;*
- *to increase the premium on Empty Houses to 35% rather than the 100% proposed by the Executive;*
- *the reduction in Council Tax and the Empty Houses Premium would reduce funding through Council Tax by £1,950,449 and this would be funded by reducing expenditure by £385,449 (see above) by using £1m from earmarked reserves and by using £565,000 of general balances;*
- *if additional funds are made available for pension provision, these will be transferred back into general balances.'*

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

8. <u>TREASURY MANAGEMENT MID-YEAR REVIEW 2018/19</u>

To submit a report by the Head of Function (Resources)/Section 151 Officer, as presented to the Executive on 28 January, 2019.

9. <u>CHANGES TO THE CONSTITUTION: 4.5 SCRUTINY PROCEDURE RULES - 4.5.4 EDUCATION REPRESENTATIVES</u>

To submit a report by the Head of Function (Council Business)/Monitoring Officer, as presented to the Executive on 18 February 2019.

10. <u>PAY POLICY STATEMENT 2019</u>

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

ISLE OF ANGLESEY COUNTY COUNCIL

Minutes of the meeting held on 11 December 2018

PRESENT:	Councillor Dylan Rees (Chair) Councillor Margaret Murley Roberts (Vice-Chair) Councillors Lewis Davies, R Dew, John Griffith, Richard Griffiths, Glyn Haynes, K P Hughes, Vaughan Hughes, Llinos Medi Huws, A M Jones, Carwyn Jones, G O Jones, R Ll Jones, R.Meirion Jones, Alun W Mummery, Bryan Owen, Bob Parry OBE FRAgS, Alun Roberts, Dafydd Roberts, Nicola Roberts, P S Rogers, Dafydd Rhys Thomas, Ieuan Williams.
IN ATTENDANCE:	Chief Executive, Assistant Chief Executive (Partnerships, Community & Service Improvements), Assistant Chief Executive (Governance and Business Process Transformation), Head of Function (Council Business)/Monitoring Officer, Head of Function (Resources)/Section 151 Officer, Head of Democratic Services, Operations Manager (SH) (for item 10), Committee Officer (MEH).
ALSO PRESENT:	None
APOLOGIES:	Councillors T Ll Hughes MBE, Eric W Jones, R O Jones, Shaun Redmond, J Arwel Roberts, Robin Williams.

1. MINUTES

The minutes of the following meetings of the Isle of Anglesey County Council were confirmed as correct :-

- 25th September, 2018
- 22nd October, 2018 (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 Fairs at Mona Showground last month and also at Builth Wells;
- Congratulations to members of Anglesey' Young Farmers who competed at the National Young Farmers Eisteddfod at Barry, Vale of Glamorgan;
- He thanked the staff and service users of Blaen y Coed and Gerddi Haulre for decorating the Christmas Tree at the Cyswllt Môn reception area;
- Congratulations to Ifan Wyn Erfyl Jones from Ysgol David Hughes, Menai Bridge who has been elected to represent Ynys Môn on the Youth Parliament for Wales.

Congratulations and best wishes were extended to Dr Caroline Turner on her appointment as Chief Executive of Powys County Council.

The Chair further referred :-

- The 3G full size pitch at Plas Arthur Leisure Centre, Llangefni was officially opened by the Wales National Football Team Manager, Mr Ryan Giggs and Mr Osian Roberts, Assistant Manager. The new £200k 3G pitch represents a major investment by the County Council in the Island's leisure service. He wished to congratulate the Môn Actif Team of the Council for their work.

- Congratulations to the Llangefni Town Football Club on their success in the JD Welsh Cup recently when they beat Llanelli who are in the higher tier of Welsh Football. They will now go forward to play Llandudno FC in the next round.

Councillor Robert Ll Jones as the Older People's Champion referred to the recently opened Hafan Cefni Extra Care Facility at Llangefni. He noted that the new purpose built facility offers an unique combination of an independent lifestyle, backed up by 24 hour on site care and support for the residents. He thanked the staff of the Social Services Department for their hard work.

* * * *

Condolences were extended to the family of Ms Sioned Emrys, Business Manager Oriel Ynys Môn who has passed away recently.

Condolences were extended to the family of the former Councillor Raymond Jones, Holyhead who passed away recently.

Condolences were extended to the family of the former Head of Economic Development, Mr Huw Griffiths who passed away recently.

Condolences were extended to the family of Reverend Euros Wyn Jones who passed away suddenly recently. Reverend Euros Wyn Jones was a member of this Council's Standing Advisory Council on Religious Education (SACRE) and a Lecturer, Author, Preacher and Editor. He officiated at many Chairmen Sunday Services over the years. He will be sadly missed by his family, friends and acquaintances.

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 Robert Ll Jones to Councillor Carwyn Jones, the Portfolio Holder for Major Projects and Economic Development :-

  "The destruction of the Holyhead Marina has hit the town badly. What action have you taken in order to complete the clean up as there remain a large number of pontoons with thick polystyrene floats near to the shoreline in and around Newry Beach. Is Stena or Conygar responsible for this work?"

  Councillor Carwyn Jones responded that whilst Holyhead Marina is not the responsibility of this Authority, staff of this Council helped in the cleaning operation at the Marina. He noted that it is understood that the Marina is the ownership of the Holyhead Marina itself but this Council has afforded support and guidance as regards to the Welsh Government grant to help local business affected. As the Marina is a private business they have requested sufficient time, up to April 2018, to decide whether to salvage, reconstruct or recycle the polystyrene pontoon on site.

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

Submitted – the following Notice of Motion by Councillors Bryan Owen and Peter Rogers :-

Councillor Peter Rogers submitted the following Notice of Motion :-

"We need to discuss the seriousness of a call-in, and that people are not referred to as 'showboating' in the National Press when they make a call-in".

Councillor Bryan Owen seconded the motion.

Councillor Rogers said that he had concerns that an Executive Member had made comments at a special meeting of the Democratic Services Committee last month as regards to some members using Scrutiny Committees such as the recent 'call-in meetings' for 'showboating, political posturing and grandstanding'. He referred to the Auditor General for Wales' report as regards to the Isle of Anglesey County Council's Overview and Scrutiny which highlights that the Scrutiny Committees are well-run, and they saw examples of the robust challenge and well informed debate. Councillor Rogers further said that the Auditor General for Wales' report also specifies that the public involvement in overview and scrutiny in general is more limited and public attendance at Committee meetings is rare and limited to controversial issues. He said that webcasting of these meetings would be beneficial to increase awareness of the public as to the work achieved within the meetings.

Councillor Bryan Owen expressed that he did not feel that the comments made by the Executive Member were prudent. He noted that the ‘call-in’ of the issues as regards to the closure of schools within particular areas was of dire concerns to parents and local communities with young children having to travel to a new school.

Councillor Aled M Jones as the Chair of the Corporate Scrutiny Committee who dealt with the ‘call-in’ as regards to the closure of schools expressed that community concerns needs to be heard. Representatives from the schools and community were allowed to speak at these ‘call-in’ meetings to express their concerns as to the effect on pupils and the community when a school is closed.

The Leader of the Council noted that the Executive Member did not refer at the Democratic Service Committee held on 27 November, 2018 to the ‘call-in’ meetings as suggested by the Member. She suggested that the issue should have been dealt with through other structures that are available i.e. Leaders monthly meetings.

6. PRESENTATION OF PETITIONS

The Chair reported that the following petitions received:-

- Petition by a campaign group against the closure of schools – petition forwarded to the Education Department;
- Petition with 15 signatures against the code as regards to school transport to 21st Century Schools – petition forwarded to the Highways Department and thereafter to the Executive;
- Petition with 350 signatures by the residents of the Aethwy Ward against the proposed changes to the bus route as part of the Authority’s bus service consultation. It is an intention to cease bus numbers 43 and 47 from the bus timetable – petition forwarded to the Highways Department and thereafter to the Executive.

7. COUNCIL TAX REDUCTION SCHEME 2019/20

The report of the Head of Function (Resources)/Section 151 Officer with regard to the requirement to adopt a Council Tax Reduction Scheme for 2019/20 was presented for the Council’s consideration.

It was RESOLVED :-

- **That the current local Council Tax Reduction Scheme should not be revised or replace with another scheme;**
- **To formally adopt the current Council Tax Reduction Scheme for the financial year 2019/20;**
- **That it provides authority to 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 along with any required procedural changes as regards the scheme that may be required after the Full Digital Service for Universal Credit has been introduced in the Authority's area from 4 December, 2018.

8. AUDIT AND GOVERNANCE COMMITTEE - UPDATED TERMS OF REFERENCE

Submitted – a joint report by the Head of Function (Resources)/Section 151 Officer and the Head of Function (Council Business)/Monitoring Officer, as presented to the Executive on 29 October, 2018.

It was RESOLVED to approve the changes to the Council's Constitution, being updated terms of reference for the Audit and Governance Committee as contained in the Appendix to the report.

9. CHANGES TO THE CONSTITUTION - AMENDMENT TO THE OFFICERS' CODE OF CONDUCT / LOCAL GUIDANCE TO THE OFFICERS' CODE OF CONDUCT

Submitted – a report by the Head of Function (Council Business)/Monitoring Officer as presented to the Executive on 29 October, 2018.

It was RESOLVED to :-

- **adopt the Officers' Code of Conduct included within Enclosure 2 of the report;**
- **adopt the Local Guidance to the Officers' Code of Conduct included in Enclosure 3 of the report;**
- **authorise the Council's Head of Function (Council Business)/ Monitoring Officer to make the necessary changes to the Constitution, including any consequential amendments, to reflect the adoption of Enclosure 2 and 3 of the report.**

10. GAMBLING POLICY

Submitted – a report by the Head of Regulation and Economic Development as presented to the Executive on 26 November, 2018.

It was RESOLVED to adopt the Statement of Gambling Policy 2019-2022.

11. WEBCASTING OF SCRUTINY COMMITTEES

Submitted – a report by the Head of Democratic Services in relation to the above.

The Chair of the Democratic Services, Councillor R Ll Jones said that there would be additional webcasting costs as well as staffing costs if the webcasting of other meeting was considered.

Councillor A M Jones, as Chair of the Corporate Scrutiny said that he considered that webcasting of the Scrutiny Committees would not incur additional costs as the facilities already exist within the Council Chamber. He further said that he considered that webcasting of the Scrutiny Committees would promote scrutiny which has been noted within the Auditor General for Wales' report as regards to the Isle of Anglesey County Council's Overview and Scrutiny.

Following further deliberations and the ensuring vote it was **RESOLVED that no changes be made to the current arrangements for webcasting.**

(Councillor A M Jones abstained from voting).

12. PUBLIC PARTICIPATION IN MEETINGS

Submitted – a report by the Head of Democratic Services in relation to the above.

Councillor A M Jones said that whilst public participation in meeting does not take place in Wales it does occur in some local authorities' in England. He considered that the heading of the report was misleading; the reason the matter was raised was to allow the public to put forward items for discussions at meeting by Elected Members and not take part in meetings.

It was RESOLVED that no change be made to the Council's Constitution.

(Councillor A M Jones abstained in voting).

COUNCILLOR DYLAN REES
CHAIR

ISLE OF ANGLESEY COUNTY COUNCIL

Minutes of the extraordinary meeting held on 28 January 2019

PRESENT:	Councillor Dylan Rees (Chair) Councillor Margaret Murley Roberts (Vice-Chair) Councillors R A Dew, John Griffith, Richard Griffiths, Glyn Haynes, K P Hughes, Vaughan Hughes, Llinos Medi Huws, A M Jones, Carwyn Jones, Richard Owain Jones, G O Jones, R Ll Jones, R.Meirion Jones, Alun W Mummery, Bryan Owen, Bob Parry OBE FRAgS, Shaun James Redmond, Alun Roberts, Dafydd Roberts, J A Roberts, Nicola Roberts, Ieuan Williams and Robin Williams
IN ATTENDANCE:	Chief Executive, Assistant Chief Executive (Partnerships, Community & Service Improvements), Head of Function (Council Business)/Monitoring Officer, Head of Democratic Services, Committee Officer (MEH).
ALSO PRESENT:	None
APOLOGIES:	Councillors Eric Wyn Jones, P S Rogers and Dafydd Rhys Thomas

1. DECLARATION OF INTEREST

None received.

2. EXCLUSION OF THE PRESS AND PUBLIC

Discussion not undertaken.

3. WYLFA NEWYDD PROJECT

A requisition was received calling for an Extraordinary meeting of the County Council, signed by the following Members : Councillors Shaun Redmond, Peter Rogers, Bryan Owen, Aled Morris Jones and Eric Wyn Jones in accordance with paragraph 4.1.3.1.4 of the Council's Constitution.

Councillor Bryan Owen informed the meeting that he wished to withdraw the motion and, with the affirmation of the meeting, the motion was withdrawn and the Chair declared the meeting at an end.

COUNCILLOR DYLAN REES
CHAIR

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**COUNTY COUNCIL**
DATE:	**27 FEBRUARY 2019**
SUBJECT:	**MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2019/20**
PORTFOLIO HOLDER(S):	**COUNCILLOR R WILLIAMS**
HEAD OF SERVICE:	**MARC JONES**
REPORT AUTHOR: TEL: E-MAIL:	**MARC JONES** 01248 752601 rmjfi@ynysmon.gov.uk
LOCAL MEMBERS:	**n/a**

A - Recommendation/s and reason/s

1. MEDIUM TERM FINANCIAL STRATEGY AND 2019/20 REVENUE BUDGET

1.1 Purpose

The Executive agreed a number of key matters in respect of the 2019/20 budget. This allows the final recommendations to be presented to the full Council at its meeting on 27 February 2019. The matters agreed by the Executive were:-

- The Council's Revenue Budget and resulting Council Tax for 2019/20;
- 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 agreed by the Executive for 2019/20 which result in an impact on the Isle of Anglesey County Council's revenue budget. These are matters for the Council to agree. .

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. 2019/20 REVENUE BUDGET AND COUNCIL TAX RECOMMENDATIONS

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

- To note the formal consultation meetings on the budget and consider the resulting feedback as outlined in Section 2 of Appendix 1 and Appendix 2;
- 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 8 of Appendix 1 and Appendix 3;
- To note the Section 151 Officer's recommendation that a minimum of £6.7m general balances is maintained for 2019/20;
- To note the comments made by the Section 151 Officer on the robustness of the estimates made as set out in Section 6 of Appendix 1;

- To approve a net budget for the County Council 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, as presented to the Council on the 27 February 2019;
- 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 approve a 9.5% increase in level of the Council Tax;
- To approve the increase in the Council Tax Premium for second homes from 25% to 35% and to approve the increase in the Council Tax Premium for empty homes from 25% to 100%.

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

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

C - Why is this a decision for the Executive?

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

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

N/A

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

N/A

DD -	**Who did you consult?**	**What did they say?**
1	**Chief Executive / Strategic Leadership Team (SLT)** (mandatory)	The Chief Executive and Senior Leadership Team have been part of the budget setting process throughout and and are in agreement with the report and support the final budget proposal.
2	**Finance / Section 151** (mandatory)	N/A – this is the Section 151 Officer's report.
3	**Legal / Monitoring Officer** (mandatory)	The Monitoring Officer is part of the SLT and, as such, the Officer's comments have been taken into account.
4	**Human Resources (HR)**	-
5	**Property**	-
6	**Information Communication Technology (ICT)**	-
7	**Scrutiny**	Final budget proposals were considered by the Scrutiny Committee at its meeting on 4 February 2019. An update is provided in Section 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 and 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 – Breakdown of the Proposed Savings
- Appendix 4 – Summary of the Proposed Revenue Budget 2019/20 by Service
- Appendix 5 – Individual Equality Impact Assessments (EA1 – EA8)

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

1. INTRODUCTION AND BACKGROUND

1.1. The following report sets out the 2019/20 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 Plan as approved by the Executive Committee in September 2018 and can be summarised as follows:-

Table 1
Medium Term Financial Plan 2019/20 to 2021/22

	2019/20 £'m	2020/21 £'m	2021/22 £'m
Net Revenue Budget B/F	130.95	131.73	133.59
Budget Pressures and Inflation	5.78	3.91	4.24
Revised Budget	**136.73**	**135.64**	**137.83**
Aggregate External Finance (AEF)	94.85	94.85	94.85
Council Tax	36.88	38.74	40.67
Total Funding	**131.73**	**133.59**	**135.52**
Savings Required	**5.00**	**2.05**	**2.31**
Main Assumptions			
Pay Awards – Non Teaching	3.1%	2.0%	2.0%
Pay Awards - Teaching	2.0%	2.0%	2.0%
Teachers Pension	12.3%	0.0%	0.0%
General Inflation	2.1%	2.1%	2.0%
Reduction in AEF	-1.0%	0.0%	0.0%
Increase in Council Tax	5.0%	5.0%	5.0%

1.3. The Executive considered its initial budget proposals at its meeting on 12 November 2018 and approved the initial Standstill Budget at £137.402m and, based on the provisional settlement, the budget gap, before an increase in Council Tax or the application of budget savings of £7.156m was identified. The draft proposals identified potential revenue savings of £3.747m, leaving a gap of £3.409m to be funded from an increase in Council Tax.

1.4. The Executive proposed to increase the premium for empty properties to 100% and for second homes to 35% and, after allowing for additional funds to be allocated to schemes to help first time buyers, an additional £690k would be generated. The remaining budget gap would require an increase in Council Tax of 7.55%.

2. THE COUNCIL'S CONSULTATION

2.1. The Council published its budget proposals on 7 November 2018 and the consultation period closed on 31 December 2018. Citizens, partners, stakeholders and staff were asked to respond to the consultation by various means, including:-

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

2.2. In addition, the Council also undertook :-

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

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

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

3.1. Since the completion of the initial budget proposals, further work has been undertaken to review and revise the standstill budget for 2019/20. 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 12 November 2018		137.402
Proposed Budget Savings		(3.747)
Initial 2019/20 Proposed Budget as at 12 November 2018		**133.655**
Final Adjustments		
Additional funding included in the settlement to compensate for the loss of income following the increase in the savings threshold for clients in residential / nursing care	0.173	
Removal of additional supported accommodation budget – no longer required	(0.140)	
Correction of the Edge of Care Team Budget	(0.088)	
Additional Surplus on Police and Community Council Premiums	(0.048)	
Increase in the Council Tax Reduction Scheme budget to reflect an increase in Council Tax above the 5% previously allowed for	0.225	
Use of Council Tax Premium to fund schemes to help 1st time buyers	0.170	
Fire Service Levy – adjustment due to population changes	(0.025)	
Others Miscellaneous Adjustments	0.001	
Total of Budget Adjustments		**0.266**
Revised Standstill Budget Requirement as at 18 February 2019		**133.921**

3.2. The final settlement figures were published by the Welsh Government on 19 December 2018. Across Wales, the Standard Spending Assessment increased by £33.559m from the figure set in the provisional settlement, however, the anticipated Council Tax also increased by £10.942m. In addition, the Welsh Government raised the funding floor so that no Local Authority received a reduction in the AEF of more than 0.3%, compared to the funding floor of 1.0% in the provisional settlement. As a result, the overall AEF for Wales increased by £23.591m from the provisional settlement figure and this, in turn, changed the Council's Aggregate External Finance, with the final figure set at £95.791m, an increase of £0.632m from the provisional figure.

The Council has resolved to set a premium of 100% on homes designated as empty (in excess of the exemption period) and 35% on homes designated as the Council's taxpayers' second home. This premium, along with a Council Tax rise of 6%, would generate the £38.154m required to balance the budget.

3.3. As part of the final settlement, the Welsh Government announced an additional £30m grant, to help local authorities deal with the increased demand for Social Care services and a £2.3m grant to help with the cost of adoption services. Anglesey's share of these grants is £670k and £50k respectively. In addition, a £15m grant was announced to fund the cost of additional professional training and support for teachers, from which Anglesey will receive £345k.

4. COUNCIL TAX

4.1. The Council's Band D Council Tax charge for 2018/19 was £1,140.21, which was 18th from the 22 Authorities in Wales and is lower than the Welsh Average of £1,241. More importantly for Anglesey is the comparison to the 5 other North Wales authorities. This is shown in Table 3 below:-

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

Authority	Band D Charge 2018/19 £	Amount Above / Below Anglesey £	Percentage Above / Below Anglesey %
Anglesey	1,140		
Gwynedd	1,301	+ 161	+ 14.1%
Conwy	1,169	+ 29	+ 2.5%
Denbighshire	1,248	+ 108	+ 9.5%
Flintshire	1,178	+ 38	+ 3.3%
Wrexham	1,093	- 47	- 4.1%

4.2. The Council Tax budget for 2019/20 (prior to an increase in the Council Tax but after adjusting for the change in the Council Tax Base and premium) is £35.998m. Therefore, each 1% increase generates an additional £360k.

After taking into account the final settlement figure of £95.791m, the revised budget requirement of £133.921m (see Table 2) would require £38.130m in Council Tax funding. To fund the revised budget requirement, the minimum increase in the level of Council Tax would be 6%, taking the Band D charge to £1,208.61, an increase of £68.40 or £1.31 per week.

4.3. Any increase in Council Tax would provide more funding than is required to fund the Revised Standstill budget of £133.921m. The surplus funding can be utilised to as follows:-

- To fund the budget pressures identified in paragraph 8 below;
- To allow some of the £3.747m of proposed savings to be deferred;
- To increase contingency budgets, thereby reducing the risk of overspending in 2019/20.

4.4. The impact of each 0.5% rise from 6% to 10% is shown in Table 4 below. It should be noted that the level of Council Tax rise is not only important in setting the 2019/20 budget but will also have an impact for 2020/21, as the starting point for the Council Tax will be determined by the rise applied in 2019/20 and this will impact on the rise required in 2020/21.

Table 4
Impact of an Increase in Council Tax above the Minimum Requirement

Percentage Increase	Change in Overall Council Funding £'m	Funding Above Requirement to Fund the Revised Budget Requirement (table 2) £'m	Band D Charge 2019/20 £	Increase from 2018/19 Charge £	Weekly Increase from 2018/19 Charge £
6.0%	+ 2.160m	-	1,208.61	+ 68.40	+ 1.31
6.5%	+ 2.340m	+ 0.18m	1,214.19	+ 73.98	+ 1.42
7.0%	+ 2.520m	+ 0.36m	1,220.04	+ 79.83	+ 1.53
7.5%	+ 2.700m	+ 0.54m	1,225.71	+ 85.50	+ 1.64
8.0%	+ 2.880m	+ 0.72m	1,231.47	+ 91.26	+ 1.75
8.5%	+ 3.060m	+ 0.90m	1,237.14	+ 96.93	+ 1.86
9.0%	+ 3.240m	+ 1.08m	1,242.81	+ 102.60	+ 1.97
9.5%	+ 3.420m	+ 1.26m	1,248.57	+ 108.36	+ 2.08
10.0%	+ 3.600m	+ 1.44m	1,254.24	+ 114.03	+ 2.19

4.5. It should be noted that the Cabinet Secretary for Finance made no specific reference in her 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%. In 2018/19, 2 Welsh authorities increased their Council Tax by more than 5% and at least 9 authorities are considering raising their Council Tax by more than 5% in 2019/20, with 1 authority considering an increase in excess of 10%.

4.6. 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 £1,246.94, which is 6.5% higher than the 2018/19 figure.

5. GENERAL AND SPECIFIC RESERVES, CONTINGENCIES AND FINANCIAL RISK

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

- Any projected overspend in 2018/19 has direct implications for the 2019/20 budget, i.e. will services which are currently overspending face the same budget pressures in 2019/20 and, as a result, will they be able to deliver services within the proposed budget in 2019/20. In addition, any overspend in 2018/19 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 £3.55m is currently being forecast for 2018/19 and this is an important factor to take into consideration. An additional £1.54m has been included into the standstill budget, around £720k will be received in additional grant funding outside the settlement and the services are in the process of implementing projects which are expected to reduce their costs by £460k, leaving a potential overspend in 2019/20 of £0.83m which is unfunded.
- The demand for Adult Services, Children's Services and additional specialist educational services and associated costs has increased over the past two to three years. The standstill budget is based on the current level of demand but there is still a significant risk that the demand for these services will continue to grow given that we have an ageing population and the improvement in processes within Children's Services which may identify further children which require intervention by the Authority;

- The revised standstill budget for 2019/20 includes savings proposals of £3.747m. If implemented, they will need to be delivered in order to achieve a balanced budget for 2019/20. 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 2.1% 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 2019, 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.

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

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

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

5.5. As at 31 March 2018, the Council's general reserves stood at £6.899m, which is equivalent to 5.3% of the Council's net revenue budget for 2018/19, 7.4% 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 2019/20 standstill revenue budget, this would require a level of general reserves of approximately £6.7m. This takes into account that the majority of secondary schools no longer have any reserves to fall back on and that primary schools are increasingly relying on their service reserves to balance their budgets. If the delegated schools budget is taken out of the calculation, the general level of reserves required would be £4.8m.

5.6. During 2018/19, 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:-

- Continued funding of the Energy Island Team - £125k;
- Funding of Melin Llynnon for the 2018 season - £42k;
- Funding additional agency social workers in the Children's Team - £268k;
- Funding improvements to the Mill Bank Car Park - £24k;
- Additional funding of the pension deficit contribution - £131k.

In addition, it is currently projected that the revenue budget will overspend by £2.35m in 2018/19 which will have to be funded from general reserves. Taking all of these factors into account, it is estimated that the level of general balances will fall to approximately £4m by the end of the 2018/19 financial year, which is equivalent to 3% of the 2019/20 standstill revenue budget.

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

5.8. It is the professional opinion of the Section 151 Officer that the level of general reserves has now reached a critical point and should not be allowed to fall any further. Having as little as 3% of financial reserves is a financial risk to the Authority and this risk increases the longer the reserves remain at this low level. In the medium term, the Council's financial plan must include budgeting for a surplus which can be used to restore the level of the general reserves back to the minimum figure of £6.7m. It is accepted that this cannot be achieved in one financial year and it may take between 3 to 5 years for this to be achieved and this annual contribution to the reserves will have to take place during a period of continued austerity and the need to find further savings.

5.9. The Council also holds £9.9m as earmarked and restricted reserves (as at 31 March 2018). The majority of these reserves are necessary and are identified to fund specific projects, relate to the balance of unallocated grants or are available to fund potential risks should they materialise into an issue. These earmarked and restricted reserves continue to be used and it is estimated that the balance will have fallen to £6.3m by the end of the 2018/19 financial year. The majority of the £6.3m is to cover potential risks e.g. uninsured risks, to hold unallocated grants and to fund projects which are partly underway and will be completed during 2019/20.

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

5.11. The standstill revenue budget for 2019/20 includes £0.977m of earmarked and general contingencies. Items included under this heading include a general contingency £395k, salary and grading contingency £400k, and £182k for time limited funding including Haulfre, Regional Growth bid and the North Wales STEM project. Contingency budgets provide a level of mitigation against the risk of the Council experiencing unforeseen or increased costs during the year. Reducing the level of general contingency budgets would result in unforeseen or increased costs having to be funded from general balances.

6. ROBUSTNESS OF ESTIMATES

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

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

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

- **Inflation Risk** – This is the risk that actual inflation could turn out to be significantly different to the assumption made in the budget. For 2019/20, inflation has been included in the budget as follows: pay awards as per the Employer's pay offer for NJC staff and for Teachers, price inflation (2.1%). Following the result of the EU referendum, inflation rose to above 3% but has since fallen back and currently stands at 2.1% (CPI – December 2018). The latest forecasts do not show that inflation will rise significantly during 2019/20 and it is expected to be on or around the Government's target of 2%. Approximately £68m 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 £680k 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 2019, they will not rise significantly. The majority of the interest paid by the Council relates to fixed rate loans which will not change should the interest rate rise. Therefore, the interest rate risk is considered low and, as in previous years, this is a compensating risk for inflation risk, because if one increases the other is likely to increase also.

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

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

- **Optimum Risk –** Probably the greatest risk in current circumstances is that the Authority, Members and Officers, have been over-optimistic in the savings that will be achieved or that demand for services, particularly social care, will not increase significantly. If these projects should run into difficulties and fail to achieve the savings taken out of the budget or that demand rises sharply, 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 and this would result in the Council Tax being set at a level that is higher than required, which is something that Members are keen to avoid;

- **Savings Risks –** The initial budget proposal included £3.747m 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.
- **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 £400k has been set aside in the 2019/20 standstill budget to cover any redundancy costs that arise during the year in order to mitigate this risk. In 2018/19, £300k was allocated to cover staff redundancy costs but an additional £250k will have to be released from earmarked reserves to meet the actual final 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 £400k contingency will be insufficient to meet the costs.
- **Council Tax Premium –** Given the proposed increase in the level of the premium to 35% for second homes and 100% for empty properties, two risks arise. The first is that the increase encourages taxpayers to take action in order that they are no longer liable to pay the premium i.e. they sell or let the property or actively try to sell or let the property. This will reduce the properties liable for the premium, thereby reducing the income generated. This risk is mitigated to some extent as the taxbase is based on 80% of the properties identified as properties currently paying the premium and 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. As a result, this risk is considered to be very low. The second risk relates to non-payment of the premium. Any increase in the premium may increase the number of people who are unwilling or unable to pay the premium. Although the Council has various options which it can follow to ensure that the debt is paid, ultimately some debts may remain uncollected and will need to be written off.
- **Demand Risk –** As noted previously in the report, and as we have experienced in the past two financial years, there has been an increase in the demand for services, particularly in social care and education, and these increases have put a financial strain on the Authority and has resulted in significant budget overspends. The standstill budget for 2019/20 has taken into account the increased demand but any further increases would be unfunded and increase the risk of further overspending in 2019/20.

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

7. SCRUTINY COMMITTEE

7.1. The 2019/20 budget setting was given further consideration by the Corporate Scrutiny Committee at its meeting of 4 February, 2019.

7.2. The report of the Scrutiny Manager was presented which outlined the context to the 2019/20 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 2019/20. 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 2019/20 budget proposals;

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

7.3. Having considered and deliberated on the information presented both in written form and orally at the meeting, including representations made by the primary and secondary sector Head teacher representatives and having regard to the key messages from the public consultation on the 2019/20 Budget proposals and their impact on citizens, the Corporate Scrutiny Committee resolved:

- The Committee recognises the pressures on the Council's Budget and on services and notes the effects that implementing the savings proposals is likely to have on services. The Committee notes in particular the severe impact which implementing the proposed reduction in School Budgets could have on schools and their staff and potentially, on their capacity to deliver education of the highest quality.
- That in light of the above, the Committee recommends to the Executive that it considers increasing the Council Tax for 2019/20 by a minimum of 10% in order to maintain services and to reduce the reduction in the Delegated Schools Budget.
- The Committee notes the proposed Capital Budget for 2019/20 without amendment.
- The Committee notes the key messages from the Public Consultation exercise and notes also that the additional suggestions and ideas presented by respondents will be scrutinised further by the Finance Scrutiny Panel as a basis for possible savings in 2020/21 and beyond.
- The Committee recommends to the Executive that in order to further improve the consultation process for future years, the process should reflect and/or address the following –
  - Demographic profile of respondents
  - Differentiation between service users/non-users
  - Prevention of multiple/duplicate responses by respondents
  - How different percentage increases in Council Tax are linked to service cuts/gains.

8. BUDGET PRESSURES AND SAVINGS

8.1. The Council's monitoring report to the end of quarter 2 shows that budget pressures are being felt in Children's Services and Adult Services and also in the Out of County Education budget and Education Transport budgets. 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 underlying budget pressures of £2.0m in Children's Services, £1.0m in Adult Services and £550k 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.

8.2. In setting the 2019/20 standstill budget, some additional funding was allocated to meet these additional budget pressures. However, since the draft budget was drawn up, there have been further increases in the demand for services, in particular in Adult Services, and as a result there is a need to reconsider the level of additional funding required to be included in the budget as shown in Table 5 below.

Table 5
Potential Additional Budget Pressures Arising from Increased Demand

Service	Estimated Overspend in 2018/19 £'m	Additional Funding Allowed for in the Standstill Budget £'m	Additional Grant Funding £'m	Further Efficiency Savings Identified £'m	Potential Additional Budget Pressure in 2019/20 £'m
Adult Services	1.00	-	(0.67)	-	0.33
Children's Services	2.00	(1.34)	(0.05)	(0.31)	0.30
Education	0.55	(0.20)	-	(0.15)	0.20
Total	**3.55**	**(1.54)**	**(0.72)**	**(0.46)**	**0.83**

8.3. Given that the level of the Council's general reserves has fallen below the minimum recommended level in 2018/19, it is a significant financial risk to use further balances to cover the cost of overspending budgets in 2019/20 or to hope that the demand in these services falls in 2019/20.

8.4. In determining the delegated school's budget for 2019/20, the 2018/19 budget was initially increased by £2.43m to reflect the increased costs faced by schools in 2019/20. These include the pay awards to school staff (£0.81m), the increased employer pension contributions for teachers (£0.79m), general price inflation (£0.71m) and an increase in pupil numbers (£0.12m). However, as part of the savings proposals, the delegated schools budget was then reduced by 5% of the 2018/19 budget, £1.739m. The net effect of these changes was that the delegated schools budget would increase by £0.69m or 1.95%.

8.5. Although the cash budget for schools would increase under the proposals, it would not fund all of the budget pressures and would require schools to reduce expenditure in 2019/20. Having considered representations made by the School's Finance Forum and others during the consultation process, the Executive were eager to try and reduce the impact on schools if possible. The final budget proposal will, therefore, only reduce the delegated schools budget by £800k, rather than the £1.739m originally proposed. As a result, the delegated schools budget will increase in cash terms by £1.63m or 4.7%.

8.6. In 2019/20, the employers' contribution for teachers' pensions increases from 16.48% of the pay to 23.6%. This increases the pension costs for the Authority by £800k. Discussions are ongoing as to whether these increased costs will be funded by the UK Government but, at the time of writing, no decision has been made. Should the Council receive any further funding, the Executive will consider how to use any additional funding at the point when the additional sum allocated is known.

9. PROPOSED BUDGET AND COUNCIL TAX LEVEL

9.1. 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 2019/20, after allowing for £3.747m of proposed savings, is set at £133.921m (see Table 2).

- That the following adjustments are made to the savings proposals:-
    1. The reduction in the delegated schools' budget of £1.739m is reduced to £800k and that this reduction is allocated pro rata to each of the 3 sectors based on the 2018/19 budget. This increases the final budget for 2019/20 by £939k. In addition, the Local Authority Education Grant of £173.8k is delegated to schools to further reduce the reduction in the delegated schools budget to £626.2k in 2019/20.
    2. The proposed increase of 20p in the cost of school meals is reduced to an increase of 10p (inflation only). This increases the final budget for 2019/20 by £43k.
    3. Not to terminate the nappy collection service. This increases the final budget by £30k.
    4. An additional service pressures budget of £277k is created which will be held to fund any additional costs which may arise during the year due to an increase in the demand for services.
- That the Council Tax is increased by 9.5% in 2019/20, which raises the Band D Council Tax by £108.36 to £1,248.57.
- That any remaining balance required to balance the budget fully is added back to the general contingency.

9.2. Table 6 below summarises the movement in the 2019/20 budget taking into account the proposals set out in paragraph 10.1 above.

Table 6
Proposed Budget Requirement and Funding 2019/20

Budget Requirement	£'m	£'m
Final Budget 2018/19		130.945
Committed Charges and Inflation		6.457
Standstill Budget as at 12 November 2018		**137.402**
Initial Savings Proposals		(3.747)
Initial Budget Proposal as at 12 November 2018		**133.655**
Adjustments to Standstill Budget – see Table 2		0.266
Standstill Budget as at 18 February 2019		**133.921**
Final Budget Proposals – paragraph 9.1		
Reduction in Savings applied to delegated schools budgets	1.113	
Use of Local Authority Education Grant	(0.174)	
Reduce the increase in school meal prices	0.043	
Continue with nappy collection service	0.030	
Contingency for Increased Service Demand	0.277	
		1.289
Final Proposed Budget Requirement		**135.210**
Funded By:		
Revenue Support Grant	73.037	
Non-Domestic Rates	22.754	
Total AEF		95.791
Council Tax (including Premium)		39.419
Total Funding		**135.210**

9.3. The revised reduction in the delegated schools budget then has to be allocated between the 3 sectors on the basis of the 2018/19 budget share. This gives a budget reduction for the 3 sectors as shown in Table 7 below.

Table 7
Allocation of the Reduction in the Delegated Schools Budget

Sector	2018/19 Budget £'m	% of Total 2018/19 Budget	2019/20 Budget Reduction £
Primary	19.260	55.4%	0.347
Secondary	13.998	40.3%	0.252
Special	1.514	4.3%	0.027
TOTAL	**34.772**	**100.0%**	**0.626**

10. EQUALITIES IMPACT ASSESSMENT

10.1. 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.

10.2. As part of the 2019/20 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.

10.3. 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 5).

11. UPDATING THE MEDIUM TERM FINANCIAL STRATEGY

11.1. The initial budget proposals to the Executive on 12 November 2018 was based on the Medium Term Financial Strategy approved by the Executive in September 2018 (see Table 1). This estimated that the total AEF would reduce by 1% in 2018/19 and that Council Tax would rise by 5% and that the premium on second homes and empty properties would remain unchanged.

11.2. The actual settlement reduced the AEF by 0.3% 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 9 of the 22 Councils actually increased in cash terms.

11.3. 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.

11.4. No indication has been given by Welsh Government as to the level of future funding and, in the absence of this information, the Medium Term Financial Plan continues to assume no increase in the level of the AEF over the next 3 years.

11.5. Inflation and pay awards are assumed to be in line with each other over the next 3 years with an assumed annual increase of 2%. Demand is anticipated to remain at the current level across the services but, as has been shown over the past 2 years, this may be an optimistic assumption.

11.6. Council Tax is assumed to continue to grow by 5% per annum. If the actual rise was less than this figure, each 1% below the 5% would require additional savings of £0.41m.

11.7. Table 8 shows the revised Medium Term Financial Plan but a more detailed revision will be undertaken over the coming months and will be presented to the Executive in September 2019.

Table 8
Medium Term Financial Plan 2020/21 – 2022/23

	2019/20 Proposed Budget £'m	2020/21 £'m	2021/22 £'m	2022/23 £'m
Net Revenue Budget B/F		**135.21**	**137.18**	**139.25**
Budget Pressures and Inflation		2.70	2.75	2.79
Contribution to General Balances		0.50	0.75	0.75
Revised Budget	**135.21**	**138.41**	**140.68**	**142.79**
Aggregate External Finance (AEF)	(95.79)	(95.79)	(95.79)	(95.79)
Council Tax	(39.42)	(41.39)	(43.46)	(45.63)
Total Funding	**135.21**	**(137.18)**	**(139.25)**	**(141.42)**
Savings Required	**0.00**	**1.23**	**1.43**	**1.37**

12. CONCLUSIONS

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

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

- Ensure that the financial resources allocated to each service is sufficient to meet the current budget pressures and fulfil the demand for the statutory functions which the services must provide.
- Addresses the underlying financial pressures in the Services which have been impacted most by an increased demand for services; Education, Children's Services and Adults Services.
- Avoid setting a budget that further erodes the Council reserves, either by using reserves to balance the budget or by setting an unachievable budget, which will ultimately result in overspending at the end of the 2019/20 financial year.
- To set a level of Council Tax which is comparable with the Welsh Government's assessment of where Anglesey's Council Tax should be and is in line with the Council Tax set by other Welsh authorities of a similar size and type.

13. RECOMMENDATIONS

13.1. The Executive is recommended to approve the final budget proposal as set out in Paragraph 9 to the full Council meeting on 27 February 2019.

Response to the Executive Committee's Initial Budget Proposals – 2019/20

ISLE OF ANGLESEY COUNTY COUNCIL

January 2019

Analyst – Alwyn Williams, Performance & Business Analyst

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

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

1. *Introduction*

1.1. The Council recently undertook a consultation exercise on the initial budget proposals agreed for consultation by the Executive Committee between 16 November and 31 December, 2018. The 7 week consultation period focused on approximately 15 proposals.

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

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

- Learning
- Social Services
- Reduction of Budgets
- Buses, Parking and Regeneration
- Council Tax
- Tax Premiums
- Ideas

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 increasing Band 'D' Council Tax levels by £2.19 per week to stopping the nappy collection to only providing the statutory minimum of nursery provision 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 further engagement exercises with :

- A focus group session for young people from our secondary schools in the Council Chamber
- Sessions with secondary school council's together with further sessions with Young Farmers and the Urdd.
- 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
- A Town and Community Councils Forum on 28th November, 2018

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

In addition, this year we sought our residents' views on ideas where we could make further savings or increase our income over the years to come to plug the budgetary gap envisaged as a result of our Medium Term Financial Plan. 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 year's consultation 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 which could be developed for the years ahead.

2. ***Findings***

2.1. The response to the initial budget proposals for 19/20 over a period of 7 weeks was balanced with a number of positive and negative comments surrounding the various proposals. This year the rate of responses has risen considerably with approximately 5,400 responses received against a total of 17 proposals averaging approx. 317 responses to each proposal. This is considerably higher than in previous years which is welcomed and has been achieved 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 this year was the online survey – in excess of 95% responded through this channel which is a further increase compared to past years and perhaps demonstrates once again residents greater willingness to participate using this means.

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 the previous years, 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 62,000+ people.

2.5. We posted the consultation on social media several times over the 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 website, 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 1,300 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. Ireland
2.8.3. Austria
2.8.4. India
2.8.5. Netherlands
2.8.6. Canada
2.8.7. Germany

2.9. Nonetheless, the majority of visits to our website were by UK citizens (approx. 94%).

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

3.1. The results of the consultation this year similar to last years have been balanced on the whole, with viewpoints in favour of and against a number of proposals. There were specific fields where a clear opinion was offered as a result of this year's consultation. These fields will become evident as part of this report. (see below)

3.2. 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 outlined at the top of this report.

3.3. ***Point to note*** – against the proposals that follow there are the % responses to the closed questions asked as part of the survey and thereafter a commentary of the comments posted associated with those proposals.

3.4. ***Learning***. There were 4 proposals to consider as part of the consultation –

- Only buy the statutory minimum of nursery provision i.e. two terms instead of three
  - ***37% agree / 63% disagree***
- Provide schools with a cash settlement which is lower than the full cost of their forecasted budget pressures in 2019/20
  - ***15% agree / 85% disagree***
- Increase cost of school meals (primary & secondary) by 20p –
  - ***64% agree / 36% disagree***
- Move to a secondary catchment area model for school assistants in order to make more efficient and effective use of staff.
  - ***49% agree / 51% disagree***

The total value of the 4 proposals above was - £1,977,000.

3.4.1. The respondents to the set questions obviously seem to disagree with the majority of the proposals with the most overwhelming disagreement being evidenced against the proposal to fund schools at a lower level than their forecasted costs. The increase in school meals proposal was the only one of the four that was supported by almost two/thirds of the respondents.

3.4.2. In addition to the above conclusion a number of comments were received (68), indicating some strong viewpoints. Although those viewpoints weren't always associated with the actual proposals and in the main tended to be against and not supportive of these savings proposals.

3.4.3. For example, some talk about the lack of responsibility by parents in educating their children, whilst others talk about the continued need to rationalise schools and sell redundant buildings to maximise resource. It has been noted that the process of modernising schools needs to be speeded up. Others take a hard-line view that no cuts should be made to the education service as this is the education of our future and undertaking such steps would only be a short-term mind-set which would undoubtedly put added pressure on teaching staff.

3.4.4. In the same vein, some comments reflect the feeling and the need that the Council should ring-fence any additional resource allocated by Welsh Government through the budget setting process or any increase in Council Tax made by the Authority to the Education service and in particular school provision to assist school budgets.

3.4.5. Responses from School Councils, Urdd and the Young Framers Club are also concerned and not very supportive of these proposals e.g. Bodedern's School Council response was emphatic in their position –

3.4.5.1. increase Council Tax,
3.4.5.2. do not cut school budgets
3.4.5.3. look elsewhere like waste management to make savings

3.4.6. The Town & Community Council Forum noted that a cut to schools and children's services would realise fake savings and the Council should look at increasing Council Tax as opposed to making such cuts.

3.4.7. Therefore, to close on the proposals to make savings through the schools' and their associated costs, it seems that there is an obvious split with the majority against such saving proposal and some in favour. The discussion above demonstrates some of those tensions.

3.5. **Social Services** – 3 proposals were being proposed from Social Care and these were as follows -

- Reducing demand for homecare services and supported living support
    - ***22% agree / 78% disagree***

- Increase number of clients arranging own care through DD and increasing standard charge of care at Council run homes to closer reflect the cost of provision
    - ***47% agree / 53% disagree***

- Reducing demand for residential and nursing placements by continuing with our drive to promote independence within the community
    - ***64% agree – 36% disagree***

The total value of these 3 proposals were - £255,000

3.5.1. In addition 22 comments were received and the responses range from those that acknowledge that community independence still requires support to the need to be cautious that any cut would overburden community workers.

3.5.2. Other note that there is a need for families to 'take more responsibility for their loved ones' which again resonates with the drive to enable people to be as independent as possible into old age.

3.5.3. There is also an acceptance that by living longer, care needs become more complicated and that the Council should develop the role and status of paid-carers and provide a career structure which reflects the importance of their work and responsibilities.

3.5.4. Some question whether what's put forward can actually be realised i.e. if a person requires these services then there is no alternative. Is reducing demand a true possibility and by aiming to do so is there a risk that we will actually be increasing costs as good quality home care is the first line of defence in the community and prevention? Some note that there is a desperate need to invest in high quality community based provision in order to assist the agenda.

3.5.5. There is also the questioning surrounding nursing placements and whether it should be considered as part of this consultation and that perhaps it would be better suited in an NHS consultation.

3.5.6. Finally on this part of the consultation the fact is noted that with statistics demonstrating that people are living longer some state that this budget should be maintained or even increased as there will always be a need for it.

3.6. **Reducing Budgets** – 2 proposals were put forward under this theme

- Reducing or deleting the following budgetary lines –

  Talent (libraries book buying fund) / Melin Llynnon (Marketing budget) / Gaol & Courthouse (marketing budget) / Coastal Path / Structures & Traffic / Maritime (blue flags) / Outdoor facilities following transfer of assets to community / central procurement / training budget for summer placements / tourism and countryside

  - ***38% agree / 62% disagree***

- Stopping the nappy collection service

  - ***55% agree / 45% disagree***

3.6.1. The total value of these proposals were £188,000

3.6.2. 38 comments were received associated with these proposals and these ranged from those that were unhappy with the fact that a number were combined together and consulted upon therefore making it difficult for them to have a full understanding of the financial position, to those who vehemently disagree with any reduction related to the Library provision (Talnet – Libraries book buying fund).

3.6.3. Indeed it appears that the Library service is well-regarded from a few respondents and that these should be viewed as potential community hubs into the future.

3.6.4. Others note that the proposals which were combined together as proposals are good solutions and there is scope to further centralise marketing, through greater service utilisation of central corporate communications staff.

3.6.5. Those who are against the removal of the nappy collection proposal have undoubtedly voiced their concern as they note that this service is a necessity and if cut a review of black bin collection needs to be undertaken with a view that it should become a more regular occurrence than the 3 weekly service currently in operation.

3.6.6. One proposal questions why Oriel Ynys Mon isn't up for deletion under section 1 and others point to the fact of how important tourism is to the island and their concerns are noted to the proposals to cut tourism related activities at a delicate time for the economy under the 'looming brexit'.

3.6.7. To close this field therefore, the questions highlighted under 3.6 demonstrate a position against the proposed cuts and the discussion above provides a taste of the views of those who disagree with those proposals.

3.7. **Buses, Parking & Regeneration** is the next theme which includes 3 proposals –

- Reduce capacity within the Regeneration Function
  - ***Agree 64% / Disagree 36%***

- Increasing the annual parking voucher fee by £20 to realise more income
    - ***Agree 75% / Disagree 25%***
- Realise savings within bus services by stopping the following journeys
    - 50b Amlwch to Llangefni (service 32 on Saturday mornings)
    - 63a – 63 Service which travels from Amlwch to Llanerchymedd to Bangor via Brynteg on Saturday afternoons
    - 43a – Daily 43 a service which services estates and residential areas in Menai Bridge and Llanfairpwll together with providing a service between Caernarfon and Llangefni
    - ***Agree 70% / Disagree 30%***

3.7.1. These proposals are different to the other fields which have been consulted upon and provide an overwhelming support for the savings identified.

3.7.2. Having noted this, it is also important to draw the committee's attention the fact that a petition has been received by the Council which is against the cut to the 43a bus service which services Menai Bridge and Llanfairpwll. This petition (wording noted in appendix B) is signed by 229 individuals from both Menai Bridge and Llanfairpwll.

3.7.3. Of the other comments (22 in total) there is a consistent message of the need to review a greater number of bus journeys across the island but keeping in mind some journeys are the only way certain people are able to travel and from a sustainable model this needs further consideration.

3.7.4. There is a tension between some respondents who see the need to increase the parking voucher further whilst others believe the Council should do more to increase the free parking provision across the island but most notably in the town centres.

3.7.5. This field is undoubtedly different to its counterparts and apart from the petition received the majority of respondents agree with the said proposals.

3.8. Council Tax – this year the proposals put forward for consultation did not divulge % figures but instead used monetary figures which it was envisaged would make it clearer for respondents around its impact on day to day living. The questions asked were as follows -

- Would respondents be happy to pay on average (Band D property) an extra £2.19 a week on your Council Tax in order to protect the Council's key statutory services and enable us to meet the islands growing service pressures and demands

    - Agree 43% (66 respondents) / Disagree 57% (89 respondents)

- If no, please tick which weekly increase on your Council Tax you would be happy to pay (only select one box) –

Proposal	% response	No. of responses
£1.97 extra a week	5%	4
£1.75 extra a week	3%	2
£1.53 extra a week	9%	7
£1.32 extra a week	5%	4
£1.10 extra a week	77%	58

3.8.1. What the above demonstrates is that the willingness or not to pay an extra £2.19 a week in Council Tax wasn't as overwhelmingly opposed as some of our other proposals put forward during this year's consultation.

3.8.2. Of those who did oppose it, it appears that the favoured option of an increase in Council Tax is the minimal increase proposed of £1.10 extra a week.

3.8.3. 58 comments were received in line with this proposal and their differing views can be encapsulated as follows.

3.8.4. The majority of the comments received were against the raise in Council Tax. Indeed, a recurring theme coming from the comments is that the residents who responded did not see why they should be asked to pay more Council Tax when the services they receive are decreasing. It was noted by a number that if it were to rise then we should expect improved services and the other proposals put forward by this consultation should be scrapped. Criticism was also apparent with the fact that Anglesey compares itself with other authorities on a council tax basis and this it was noted was flawed due to the average lower wages and smaller population of the island.

3.8.5. A couple of respondents criticised the fact that no %'s were noted within the consultation and that using monetary terms (£'s) did not give the full picture.

3.8.6. Having said that, it is apparent that 9 of the 58 respondents who provided comments were agreed to the increase in council tax, indeed the common theme running throughout those responses were the fact that if there was an increase in council tax costs, then all the additional funding gained should be used to lessen the cut if not completely ring-fenced for the benefit of education and the schools.

3.8.7. Whilst on the whole, the opposition to the increase in Council Tax was apparent, some felt there was a need for it and that as a Council it should be undertaken.

3.9. Council Tax – Premiums

3.9.1. The survey was responded to by almost 1000 people and was by far the element of the survey which had the most responses out of the budget consultation.

3.9.2. Approximately 70% of those that responded also included additional comments to support their cases.

3.9.3. Many of the comments however failed to understand the difference between a long term empty home and a second home which is unoccupied during long periods during the year. This caused some difficulties when analysing the data but many of the themes were similar.

3.9.4. Below is a breakdown of the two questions asked along with themes coming from the responses:

- ***D*o you think we should increase our Council Tax Premium on Long-term empty properties from 25% to 100%?**

3.9.5. This question on the survey was responded to 979 times.

3.9.5.1. 56% do not agree with the increase to 100%
3.9.5.2. 44% do agree.

3.9.6. Of the 979 responses there were 678 additional comments, not all responses related to the empty properties but mainly second homes.

3.9.7. Themes within the comments against the premium on empty homes include:

3.9.7.1. Empty Homes do not use as many Council Services
3.9.7.2. Money being used to renovate empty homes will be lost resulting in them being empty for longer
3.9.7.3. Some empty homes are difficult to sell
3.9.7.4. Generational Family Homes
3.9.7.5. Financial Hardship
3.9.7.6. Forced to sell up

3.9.8. Themes in favour of the premium on empty homes include:

3.9.8.1. Increase results in empty homes being brought back into use
3.9.8.2. Increase but do so slowly over time e.g. Year 1 -50%, Year 2 - 75%...
3.9.8.3. Increase for only the longer term empty homes, e.g. over 2 years
3.9.8.4. Offer scheme to reduce the number of empty homes
3.9.8.5. Compulsory purchase long term empty homes

- ***Do you think we should increase our Council Tax Premium on Second homes from 25% to 35%?***

3.10. This question on the survey was responded to 992 times.

3.10.1. 83% do not agree with the increase
3.10.2. 17% do agree.

3.11. Of the 992 responses 689 additional comments were received, although like above not all comments were to do with the council tax premiums on second homes.

3.11.1. Themes within the comments against the increase in the premium on second homes include:

3.11.1.1. Economic Benefits to the Island will be lost
3.11.1.2. Tourism will be affected
3.11.1.3. Second Homes use less council services
3.11.1.4. Many Second Homes are future Retirement Homes
3.11.1.5. Forced to sell up
3.11.1.6. Second Homes should pay less council tax not more
3.11.1.7. Short Sighted decision
3.11.1.8. Discrimination
3.11.1.9. Change second home to main residence
3.11.1.10. Themes in favour of the premium on second homes include:
3.11.1.11. Second Homes Council Tax should be increased even further as they can afford it
3.11.1.12. The increase could lead to more homes for local people

3.12. These views are also reflected in the 50 or so e-mails received on this matter. Those that have contacted the Council through this means have undoubtedly demonstrated their displeasure with such proposals and are against it.

3.13. The word cloud below (Fig 1) gives a summary of the comments. Larger words are discussed more often in the comments and smaller words less so.

Fig 1.

4. Final Conclusion

4.1. To close therefore, it seems from the responses to the types of savings proposed in respect of the 2019/20 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 most controversial areas (responses over 70%) whereby there is a resounding disagreement with the proposals. These are:

4.1.1.1. *The Council tax – Premiums on 2nd Homes*
4.1.1.2. *The cuts to school budgets and*
4.1.1.3. *Making savings by reducing the demand for homecare and supported living care*

4.1.2. It is also noted here that the response rate to this year's consultation has been much greater than over past years and it is proposed that a full appraisal of this year's consultation process is undertaken to learn lessons and provide a sound base from which to improve again next year.

4.1.3. **Based on these conclusions, it is recommended that –**

4.1.3.1. **the Scrutiny Committee and Executive Committee consider the response as part of their discussions before making final recommendations**
4.1.3.2. **the Corporate Scrutiny Committee's Finance Panel considers further the areas of savings that have been proposed by our citizens (Appendix A) as the first part of the process for setting the 2020/21 budget.**

Appendix ‘A’ – Summary of Responses / Ideas

1. **Bin Collection Services**

   - Suspend the green bin collection service between October and March.
   - Stop the green bin collection service completely.
   - Reduce green and black bin collections to once a month
   - Large recycling bins (different colour for different recycling materials) to be collected once a month – encourage people to recycle more and reduce waste so that the black bin can also be collected once a month.

2. **Libraries**

   - Closure of underused libraries.
   - Centralise libraries or merge them with Secondary School libraries.
   - Provide activities for children in libraries and charge a small fee.
   - Charge an entrance fee to Oriel Môn.

3. **Schools**

   - Close schools for children at 1pm every Friday. This will enable teachers to take their 10% non-contact time at the same time – promoting collaboration and reducing core staffing costs (i.e. supply teachers’ costs for the 10%).
   - Also an option to reduce other staffing costs during this period – this could save over £100,000 per year in large schools.
   - Increase the cost of school meals – however, to do this there must be an improvement in the quality of school meals (from £2.40 to £3.00).
   - 4.5 day week for schools?
   - Heater on all the time in school – unable to control it. On/off button only.
   - Fine parents that bus their children to primary schools outside the appropriate catchment area by introducing a licence.
   - Charge for school buses for secondary pupils.

4. **Public Transport**

   - Combine the 62 & 61 bus service to link Bangor and Holyhead with places like Cemaes and Cemlyn.
   - Review the bus system – reduce / merge journeys.

5. **Tourism**

   - Raise the profile of tourism on the Island – we must invest to make money.
   - Anglesey missing an opportunity to promote the island’s culture and legends.
   - Charge a toll on visitors to cross the bridges when they visit the Island.
   - Develop tourism – including a tourist centre.

6. **Tax Increase**

   - 10% increase in tax.
   - Increase the tax to the same level as Gwynedd.
   - Charge an additional tax on houses that are purchased as personal holiday homes – local people buying a second house to rent out for income shouldn’t be penalised.
   - Increase the premium on second homes / holiday homes to 100%.

7. Staffing Suggestions

- Make staff redundant
- Internal re-structuring
- Stop advertising jobs
- The Executive is too big – needs to be reduced in size
- Look at 'middle management' and higher tiers in all departments – is there a need for so many officers?
- There's no need for two assistant chief executives.
- Reduce the use of 'consultants' and give the responsibility to officers that have the same qualifications.

8. Employment

- Reduce staff salaries
- Cut pay for staff earning over £40,000
- Stop paying overtime and bonuses to staff

9. Parking Charges

- Charge staff for parking their cars – at the offices.
- All staff who park in Council spaces (including offices and schools) should be charged £200 per year (depending on pay grade) – the sum to be deducted by payroll.

10. Reducing the number of Councillors

- A small island does not need 30 elected members.
- Review the number of councillors by area (2 would be sufficient)
- Reduce councillors' expenses
- Reduce expenditure on councillors – such as buying i-pads
- Reduce local councillors' salaries.

Appendix 'B' – Petition against proposal to cut bus service

Dear Sir /Madam

Please find enclosed our petition ruling against the final decision to withdraw from the service 43/47 running through Llanfair P.G also the surrounding villages of Menai Bridge All names on this petition have been written down by people who use this service only. We will continue to collect names up until the end of March. Also please note all the names on the petition are from people who use the bus and not from general public.

The community feel that yes the service needs looking at and at the worse Reducing / Fine turning but not withdrawing. Thou we know the service has been reduced in use, the service is being used by all walks of life the Disabled, Sick, Enabled, Young, Students, Elderly and more. We wish to put to you if the service is taken away we want to know what will happen and where and how do some of the passengers get around and go about their business, shopping, visiting family members and much more.

Park and ride Llanfairpwll

We have people visiting their sick and dying Family members / Wives there is no other service passing through here so how will these public passengers visit them in the Fairways nursing home located behind the park and ride.

Llanfair Doctors and Dental surgery

We have Elderly, Sick and Disabled people who visit here on a daily basis people who physically can't walk long distance and are coming from the higher end of Llanfair PG and the surrounding villages of Tyddyn To.

Co-op Llanfairpwll

We have the local community who are unable to walk who go on a daily basis to get their shopping needs there is usually around 30 minutes between each service and for those who are unable to stay on their feet very long go and do their shopping.

E.G we have one gentleman who can spend a max hour and a half on his feet his visit to the shop consists of a journey on the bus do his shopping and gets next bus back, his visit will after withdrawal will end up around 3 and a half hours how will that impact his life.

Ysbyty Gwynedd

How are people who live where there will be no bus meant to get to appointments and emergencies.

We also have a lady who goes to the surgery 2 times a week for her tablets and shopping she struggles on a daily basis anyway but in some cases the driver helps her off with her shopping. This lady lives in the top end of Llanfair and certainly can't walk long distance. She is so disabled she gets off the bus backwards

Withdrawal of the service will have a massive impact on most of the community who use this service. Yes in some cases they can use an alternate service but in lots of cases the busses are full and full of children in the morning and evening so where are the elderly sick and disabled meant to sit. We also carry students and vulranable children for their school and in these dark wet mornings what will happen to them. Not only will it have an impact on people's lives it will also have some impact on local businesses who reply on this service.

This service is also linked to a service 46 which serves Bangor – Llangefni also Bangor – Caernarfon also Llangefni – Caernarfon and Llangefni – Caernarfon This service carries children to school, Students to college, Council workers to work in Llangefni and local community shoppers, what will happen to this service.

There is also the job loss of 3 drivers who serve the community on this service.

Before plans to withdraw service we the community feel we need a meeting so we can talk about the impact this will make on our community.

Please contact me on the address and telephone number at top of this petition if you wish to talk and for further information.

Appendix 3 2019 / 20 Revenue Budget Savings to be Implemented				
Service	**Budget**	**Savings Proposal**	**Equality Impact Assessment Reference**	**Savings to be Implemented £**
Highways, Waste & Property	Highways – Public Transport	Realising savings within the bus service by stopping the following journeys which are low in use – 50b - 07.13 from Amlwch to Llangefni (service 32) on Saturday mornings 63a – 63 Service which travels from Amlwch to Llanerchymedd to Bangor (via Brynteg) on Saturday afternoons 43a – Daily (43a) Service which services estates and residential areas in Menai Bridge and Llanfairpwll together with providing a service between Caernarfon and Llangefni	EA 1	133
Highways, Waste & Property	Highways – Car Parking	Increase the annual parking voucher fee by £20 to realise more income	Not Required	8
Highways, Waste & Property	Highways – Transport	Review the future of all school crossing patrols	EA 2	58
Highways, Waste & Property	Highways – Maintenance	Reduce the budgets for maintenance of Coastal Path, Structures and Traffic	Not Required	15
Highways, Waste & Property	Highways – Maintenance	Reduce Street Lighting R & M budgets as a result of the installation of more LED street lights	Not Required	42
Highways, Waste & Property	Highways – Maintenance	Stop using safecote additive for gritting	Not Required	25
Highways, Waste & Property	Highways – Maintenance	Increase the private street works income budget to reflect the current level of income received	Not Required	100
Highways, Waste & Property	Waste	Transfer the responsibility for certain public conveniences to communities	Not Required	10
Highways, Waste & Property	Highways – Fleet	More use of LPG and electric cars	Not Required	40
Highways, Waste & Property	Property – Industrial Units	Additional income from new industrial units	Not Required	14
Highways, Waste & Property	Property – Administration	Restructure of the Property Management Team	Not Required	85

Appendix 3

2019 / 20 Revenue Budget Savings to be Implemented

Service	Budget	Savings Proposal	Equality Impact Assessment Reference	Savings to be Implemented £
Highways, Waste & Property	Property – Public Buildings	Savings on energy budgets following capital investment	Not Required	30
Highways, Waste & Property	Property – Public Buildings	Rationalise the management of cleaning staff	Not Required	20
Highways, Waste & Property	Property – Public Buildings	Reduce building/ running costs budget following the disposal of Shirehall Llangefni	Not Required	20
Total for Highways, Waste & Property				**600**
Adult Services	Elderly	Reduce demand for residential and nursing placements by 2.5% per annum	EA 3	111
Adult Services	Elderly	Reduce demand for homecare services by 53 hours per week	EA 3	46
Adult Services	Mental Health / Physical Disabilities	Reduce demand for supported living support by 50 hours per week	EA 3	38
Adult Services	Physical Disabilities	Increase the number of clients using direct payments by 10 clients per annum	Not Required	30
Adult Services	Elderly	Increase the standard charge cost of care at Council run homes to closer reflect the cost of providing the service	Not Required	30
Adult Services	Mental Health / Physical Disabilities	Commence charging the statutory allowed for all adult clients consistently across all ages and disabilities	Not Required	250
Adult Services	Provider Unit	Full year saving following the closure of Plas Penlan	Not Required	70
Adult Services	Elderly	Outsource more homecare packages to the private providers	Not Required	11
Total for Adult Services				**586**
Learning & Culture	Libraries	Reduce book purchasing fund	Not Required	20
Learning & Culture	Libraries	Delete unused budget - Talnet	Not Required	20
Learning & Culture	Schools	Provide schools with a cash settlement which is lower than the full cost of all the budget pressures faced by schools in 2019/20	EA 4	626
Learning & Culture	Education	Only purchase the statutory minimum of nursery provision from nursery organisations	EA 5	89

				Appendix 3
2019 / 20 Revenue Budget Savings to be Implemented				
Service	**Budget**	**Savings Proposal**	**Equality Impact Assessment Reference**	**Savings to be Implemented £**
Learning & Culture	Education	Review the delivery of integration services in order to use the available resources more efficiently	Not Required	106
Learning & Culture	Culture	Delete marketing budgets for Melin Llynnon, Beaumaris Gaol and South Stack – no longer required	Not Required	15
Learning & Culture	Youth Service	Close 1 club and reduce the number of weeks other clubs are open along with no longer paying children to work in the Coffee Bar at Clwb Jesse Hughes	Not Required	10
Learning & Culture	Culture	Staff Re-structure	Not Required	36
Learning & Culture	Culture	Reduce Arts Grants budget to reflect the actual sum required	Not Required	15
Learning & Culture	Culture	Increase the income budget for Oriel Ynys Môn to reflect the current performance	Not Required	30
Total for Learning & Culture				**967**
Regulation and Economic	Maritime	Reduce Maritime budgets	Not Required	16
Regulation and Economic	Economic Development	Reduce capacity within the Regeneration Function	Not Required	66
Regulation and Economic	Tourism	Reduce Tourism and Countryside budgets	Not Required	5
Regulation and Economic	Leisure	Reduce the Outdoor Facilities budget following the transfer of assets from the Leisure Function	Not Required	42
Regulation and Economic	Public Protection	Reduce capacity within the Public Protection Function	Not Required	42
Total for Regulation and Economic Development				**171**
Housing	Housing	Staffing restructure	Not Required	54
Total for Housing Services				**54**

Appendix 3

2019 / 20 Revenue Budget Savings to be Implemented

Service	Budget	Savings Proposal	Equality Impact Assessment Reference	Savings to be Implemented £
Resources	Procurement	Reduce central procurement budgets	Not Required	5
Resources	Administration	Staffing restructure	Not Required	25
Total For Resources				**30**
Transformation	Human Resources	Reduce training budget for summer placements	Not Required	20
Transformation	I.T.	Reduce telephone budgets following the termination of unused or low use telephone lines	Not Required	20
Transformation	I.T.	Delete video conferencing budget – system no longer used	Not Required	3
Total For Transformation				**43**
Corporate	Pensions	Reduce historic pension budgets to reflect the reduced costs	Not Required	100
Corporate	Corporate & Democratic	Reduce external audit fees to reflect the revised service and cost	Not Required	10
Total For Corporate				**110**
TOTAL SAVINGS PROPOSALS				**2,561**

FINAL BUDGET PROPOSAL 2019/20 BY SERVICE

APPENDIX 4

	Standstill Budget Following Provisional Settlement	Adjustment to Standstill	Savings	Grant Funding	Budget Pressures	Final Proposed Budget 2019/20
	£	£	£	£	£	£
Education and Culture	51,438,078	(33,790)	(966,983)	(172,800)	-	50,264,505
Adult Services	25,450,316	171,860	(586,000)	-	-	25,036,176
Children's Services	9,997,900	(141,882)	-	-	-	9,856,018
Housing Services	1,095,656	169,880	(54,000)	-	-	1,211,536
Highways, Waste and Property	15,191,699	(7,940)	(600,000)	-	-	14,583,759
Economic and Community Regeneration	3,971,504	26,590	(171,373)	-	-	3,826,721
Corporate Transformation	4,511,407	2,360	(42,890)	-	-	4,470,877
Resources (including Benefits Granted)	3,312,327	(164,560)	(30,000)	-	-	3,117,767
Council Business	1,570,765	54,016	-	-	-	1,624,781
Corporate Management	685,796	-	-	-	-	685,796
Total Service Budgets	**117,225,448**	**76,534**	**(2,451,246)**	**(172,800)**	**-**	**114,677,936**
Corporate and Democratic Costs	3,479,598	(11,578)	(110,000)	-	-	3,358,020
Recharges to HRA	(677,950)	-	-	-	-	(677,950)
Levies	3,551,629	(24,677)	-	-	-	3,526,952
Capital Financing	6,989,932	-	-	-	-	6,989,932
Discretionary Rate Relief	60,000	-	-	-	-	60,000
Council Tax Reduction Scheme	5,164,000	225,000	-	-	-	5,389,000
Total Allocated Budgets	**135,792,657**	**265,279**	**(2,561,246)**	**(172,800)**	**-**	**133,323,890**
General & Other Contingencies	1,609,180	-	-	-	277,118	1,886,298
Total Budget 2019/20	**137,401,837**	**265,279**	**(2,561,246)**	**(172,800)**	**277,118**	**135,210,188**
Funded By						
Revenue Support Grant	(72,405,175)	(632,163)	-	-	-	(73,037,338)
Non Domestic Rates	(22,753,674)	-	-	-	-	(22,753,674)
Council Tax Including Council Tax Premium	(36,842,437)	(2,576,739)	-	-	-	(39,419,176)
Council Reserves	-	-	-	-	-	
Total Funding	**(132,001,286)**	**(3,208,902)**	**-**	**-**	**-**	**135,210,188**
Difference Budget to Funding	**5,400,551**	**(2,943,623)**	**(2,561,246)**	**(172,800)**	**277,118**	**-**

APPENDIX 5 – EIA 1

Isle of Anglesey County Council – **Budget Proposals 2019/20 Impact Assessment Template**

Step 1: The Proposal and Associated Risks	
1 - What is the budget proposal you are assessing?	Public Transport The Highways Department have undertaken a review of bus services, identifying routes with low passenger numbers and a high subsidy. **Contract 50b** - Propose to cease operating 0713 departure from Amlwch to Llangefni under the 32 service number and propose to cease operating the journeys involved with this contract on a Saturday. This contract no longer operates at the time of writing on a Saturday afternoon, saving of £10.7k. **Contract 63a** - Propose to cease operating the 63 service from Amlwch to Llannerch-y-medd to Bangor (via Brynteg) on Saturday afternoons, saving of £6.2k. **Contract 43a** - Propose to cease operating every journey involved with this contract, saving of £95k. The current journeys serve housing estates and residential areas in Menai Bridge and Llanfairpwll and a single journey operating directly between Caernarfon and Llangefni.
2 - Who is the lead Officer responsible for the proposal?	Huw Percy, Interim Head of Service, Highways, Waste & Property Iwan Cadwaladr, Senior Engineer Transportation
3 – Is this a new proposal or one that's been previously considered?	New proposal

Step 1: The Proposal and Associated Risks	
4 – Which group of stakeholders will be effected by this proposal?	Bus passengers will be affected by this proposal. Particularly those users less-able to walk to the nearest bus stop.
5 – How will this group of stakeholders be effected?	The journeys in question will not be available to passengers.
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 which may lead to more car journeys or the individuals being unable to travel. The regular passengers on the journeys in question will have to walk further to an alternative bus stop for 43a ceased services or use two connecting services.
8 – Would there be any associated risks if a decision was taken to agree to the proposal **e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims.	There is a risk that reducing the public transport service budget could affect Bus Services Support Grant levels in the future. These grants are currently under review.
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	Before changing or ceasing any major bus journeys a further consultation exercise will be required. This involves consulting with specific users groups, councillors, town/community councils and members of the public over 3 months. There is a requirement to give the bus operators 84 days' notice.

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. In some cases, alternative journeys are available (journeys involved with contract 43a specifically). Passengers in Menai Bridge would have to walk to the B5420 and use the 62 service bus. Passengers in Llanfairpwll would have to walk to the A5 and use the 4/X4/42 service bus. Passengers travelling from Llangefni to Caernarfon would have to make a connection in Bangor or Ysbyty Gwynedd.
11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?	Alternative bus journeys would be available for the affected bus passengers, but there would be a longer walk to those services. There are bus stops and shelters on the proposed routes and a more frequent service.
12 – Is there a need to re-consider this proposal as a result of undertaking this impact assessment? (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 3: 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
	3 months consultation with users	IC	Commence November
	84-day Notice period to bus operators	IC	Commence December

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

Step 1: The Proposal and Associated Risks	
1 - What is the budget proposal you are assessing?	Cease School Crossing Patrol Service
2 - Who is the lead Officer responsible for the proposal?	Huw Percy, Interim Head of Service, Highways, Waste & Property Jennifer Clark, Senior Engineer Strategic Transport and Road Safety
3 – Is this a new proposal or one that's been previously considered?	New - previous policy was one of not replacing school crossing patrols who left the service.
4 – Which group of stakeholders will be effected by this proposal?	School Crossing Patrols - Kingsland, Holyhead Cybi, Holyhead (x 2) Llanfawr, Holyhead (1x permanent, 1 x relief) St. Mary's, Holyhead Y Graig, Llangefni Amlwch Llanfechell Caergeiliog Llannerch-y-medd Primary school children walking to school at the above schools. Parents are responsible for primary school age children at the above schools.

Step 1: The Proposal and Associated Risks	
5 – How will this group of stakeholders be effected?	All staff affected would lose their posts. Children/parents - it is currently the parents' responsibility to make sure children get to school safely - this will not change.
6 – Are you aware of any other proposal which could affect this group?	No
7 – Are there any risks associated with this proposal?	Financial - redundancy costs.
8 – Would there be any associated risks if a decision was taken to agree to the proposal **e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims.	Removing school crossing patrols might increase the risk of children being involved in collisions. Possible increased congestion outside schools and potential health implications due to less walking. Negative publicity to the Council.
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 would need to be consultation with the affected School Crossing Patrols and Schools.

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)	Removing patrols may increase the risk of children being involved in collisions, which may be mitigated by improving physical crossing facilities – an assessment will be required at all schools to identify any necessary provision where there is none currently, and to check the suitability of facilities where they exist. ***School*** — ***Current facilities*** Kingsland, Holyhead — No crossing Cybi, Holyhead — Zebra crossings exist at both sides of the school but not at the locations used by the SCPs Llanfawr, Holyhead — No crossing St. Mary's, Holyhead — No crossing Y Graig, Llangefni — Puffin crossing at SCP location, toucan crossing outside the school Amlwch — Zebra crossing Llanfechell — No crossing Caergeiliog — Traffic island Llannerch-y-medd — No crossing Road Safety lessons will be provided by the Road Safety staff at the affected schools - at no extra cost to the Authority. Education Service/Schools - Update their School Travel Plans

Step 2: Assessment Result	
11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?	The School Crossing Patrol (SCP) service is a non-statutory function. The Council currently follows the SCP service guidelines criteria for assessing sites which uses the PV2 formula as its basis (P =Number of Pedestrians, V= Number of Vehicles). The relationship PV2 provides a measure of both the potential conflict and the delays experienced by pedestrians. It also accounts for the need to help small numbers of pedestrians to cross roads safely when traffic flows are heavy and the delays long; and conversely, large numbers of pedestrians when traffic was lighter and the delays shorter. All SCP sites on Ynys Mon were assessed in 2007 and based on the PV2 formula, no sites were justified. The Authority therefore adopted the policy of of not replacing SCPs who left the service. The PV2 figures have been reviewed and are anticipated to remain significantly below the threshold. The three routes to the new Ysgol Cybi site were assessed in September 2017 and all locations were below the threshold. There are puffin or zebra crossings outside four of the schools (the ones located on the busiest roads) and road safety lessons will be provided.
12 – Is there a need to re-consider this proposal as a result of undertaking this impact assessment? (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 3: 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
	Review any marginal sites	JC	November 2018
	Consult with Staff	JC	December 2018

Isle of Anglesey County Council – **Budget Proposals 2019/20 Impact Assessment Template**

Step 1: The Proposal and Associated Risks	
1 - What is the budget proposal you are assessing?	Managing Requirements in several areas. The specific areas are 1) Number of placements within homes; 2) Number of hours of home care provided; 3) Support in supported living projects.
2 - Who is the lead Officer responsible for the proposal?	Head of Adults - Alwyn Jones - with support from members of the team, specifically Iola Richards and Barbara Williams, Senior Managers within the department
3 – Is this a new proposal or one that's been previously considered?	Annual offer.
4 – Which group of stakeholders will be effected by this proposal?	Individuals within service and those who wish to receive services for the future
5 – How will this group of stakeholders be effected?	There will be a change in the offer that individuals receive from the service with less pressure on solving individuals' demands and more focus on their personal resources and trying to avoid the services that increase dependency
6 – Are you aware of any other proposal which could affect this group?	Due to the nature of this saving, there is no link to any other saving
7 – Are there any risks associated with this proposal?	There is a risk that will continue to arise due to the demographic pressures of a change in practice within the service

Step 1: The Proposal and Associated Risks	
8 – Would there be any associated risks if a decision was taken to agree to the proposal **e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims.	No, reduced dependence on service and increased in independence can be positive
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)	Impact = Reduction in service offer Mitigation = Offer support based on individual assets and meet personal results
11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?	n/a

12 – Is there a need to re-consider this proposal as a result of undertaking this impact assessment? (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 3: Action Plan

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

Ref	Proposed actions	Lead officer	Timescale

APPENDIX 5 – EIA 4

Isle of Anglesey County Council – **Budget Proposals 2019/20 Impact Assessment Template**

Step 1: The Proposal and Associated Risks	
1 - What is the budget proposal you are assessing?	Providing schools with a settlement which is lower than the full price of the whole pressure on them during 19/20
2 - Who is the lead Officer responsible for the proposal?	Arwyn Williams
3 – Is this a new proposal or one that's been previously considered?	Yearly consideration in recent years
4 – Which group of stakeholders will be affected by this proposal?	Effect on school staff and on the capacity to sustain / raise standards Indirect effect on pupils and on the provision and support given to them
5 – How will this group of stakeholders be affected?	Adhering to the cut which is being consulted upon, unavoidably there will be job cuts – that being of teachers, assistants or administrative staff. Job cuts will place additional stress and pressure on the staff remaining in our schools, and will affect the maintenance, provision and resources for pupils.
6 – Are you aware of any other proposal which could affect this group?	See number 4 above.

Step 1: The Proposal and Associated Risks	
7 – Are there any risks associated with this proposal?	Yes:- • Deterioration of provision quality and standards • Negative effect on staff welfare and morale • Staff leaving work – clear pressure on Headteachers due to having to implement the cuts • Increased number of our schools going into debt • Less leadership time for Headteachers in our primary schools, especially in the smaller schools • Substantial impact on the budgets of secondary schools and large primary schools
8 – Would there be any associated risks if a decision was taken to agree to the proposal? **e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims.	• Staff leaving their jobs / the profession • More difficulty in attracting headteachers • Estyn inspection results have been positive lately, and this is likely to be affected over a period of time due to full implementation of the cut.
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?	• School Finance Forum, 6th of February

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 full cut will affect standards, provision and maintenance for pupils in our schools. Staff welfare and morale will be affected. Hard to mitigate; schools will basically have to find different ways of providing the service on less finance. With some schools it could be argued that this is possible, but with other schools it's very difficult to see how it's possible without either going into debt or endangering standards. A good number of Headteachers and Governing Body Chairs have contacted the Head of Learning noting that they cannot see how there are means to implement the cut. Officers of the education and finance departments have been working with headteachers and governing bodies to try to find ways to cut the 5%.
11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?	The priority will be to ensure pupil safeguarding and safety and to maintain standards. Raising standards will be very challenging considering the effect of cuts on those schools that don't have clear areas where finances could be cut.
12 – Is there a need to re-consider this proposal as a result of undertaking this impact assessment? (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)	The cut will mean that the majority of schools will be going into debt if they don't cut jobs. Most schools that continue to be in debt will be able to put a recovery plan in place over the years, but some schools will struggle to put a plan of this kind in place. Some schools are facing a state of going into debt (some of which will be substantial debts) or not being able to staff classes. The greatest price to pay is the possible effect this could have on the education of Anglesey's children. As a result, although the cut is possible, I believe it should be reconsidered since its effect would be so damaging.

Step 3 – 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 2019/20 Impact Assessment Template**

Step 1: The Proposal and Associated Risks	
1 - What is the budget proposal you are assessing?	Contributing towards maintaining the statutory stage of nursery provision
2 - Who is the lead Officer responsible for the proposal?	Arwyn Williams
3 – Is this a new proposal or one that's been previously considered?	This was considered some years ago.
4 – Which group of stakeholders will be affected by this proposal?	Playgroups – staff, volunteers and committees Parents of pupils attending a playgroup in the term of their child's 3rd birthday.
5 – How will this group of stakeholders be affected?	By accepting the proposal, the council won't be contributing towards nursery education between the 1st of September and the 31st of December. The statute is to provide 10 hours of education in the term following the pupil's 3rd birthday. Provision will be for pupils that are three years old before August 31st in their primary school (except for Talwrn, Corn Hir, Henblas and Llandegfan). Pupils that are 3 years old between September the 1st and December 31st will receive nursery education in the first term after this, i.e. from 1st of January onwards. There will be opportunities for playgroups to attract income by providing care around the 10 hours, and for pupils that aren't in their first term after their 3rd birthday.

Step 1: The Proposal and Associated Risks	
6 – Are you aware of any other proposal which could affect this group?	-
7 – Are there any risks associated with this proposal?	Playgroups must take advantage of providing 30 hour care opportunities in order to create another source of income during the first term.
8 – Would there be any associated risks if a decision was taken to agree to the proposal? **e.g.** decreasing investment in road maintenance might cause greater number of potholes which may cause greater number of insurance claims.	It's possible that there will be a side-effect on the nursery provision that could in its turn impact how ready pupils are to start in a school nursery class.
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?	Discussion to continue with nursery classes and Mudiad Meithrin.

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)	In order to mitigate, playgroups are encouraged to attract another source of income during the first term of the academic year. An officer from the education department has already started discussions with a Mudiad Meithrin officer in regards to this.
11 – Is there a strategy in place to deal with those effects which aren't unlawful but cannot be mitigated or avoided?	
12 – Is there a need to re-consider this proposal as a result if undertaking this impact assessment? (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 3 – 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

REPORT TO:	**COUNTY COUNCIL**
DATE:	**27 FEBRUARY 2019**
SUBJECT:	**CAPITAL BUDGET 2019/20**
PORTFOLIO HOLDER(S):	**COUNCILLOR R WILLIAMS**
HEAD OF SERVICE:	**MARC JONES (EXT. 2601)**
REPORT AUTHOR: TEL: E-MAIL:	**MARC JONES** **EXT. 2601** **rmjfi@ynysmon.gov.uk**
LOCAL MEMBERS:	**n/a**

A - Recommendation/s and reason/s

1. PURPOSE OF THE REPORT

1.1 The full Council is required to approve a Capital Programme for 2019/20.

2. RECOMMENDATIONS

- To recommend the following capital programme for 2019/20:-

	£'m	£m
Committed Schemes Brought Forward from 2018/19	6.429	
Investing in Existing Assets	2.539	
Highway Resurfacing	1.359	
New Schemes for 2019/20	2.146	
21st Century Schools	4.809	
Total General Fund Capital Schemes		**17.282**
HRA Capital Schemes		13.110
Total Draft Capital Programme 2019/20		**30.392**
Funded By :		
Funding B/F from 2018/19		1.099
Supported Borrowing	2.026	
Supported Borrowing – 21st Century Schools	1.640	
Unsupported Borrowing – 21st Century Schools	0.402	
HRA Unsupported Borrowing	1.000	
Total New Borrowing		**5.068**
General Capital Grant	1.327	
External Grants	11.671	
Highways Refurbishment Grant	0.580	
Total Grant Funding		**13.578**
Funding Reallocated from other postponed projects		1.197
HRA Reserves		9.450
TOTAL FUNDING		**30.392**

- To agree to utilise the balance of the general capital grant £893k as part of the funding of the 2020/21 capital programme (Appendix 1 – paragraph 2.4 – 2.6).

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

A number of additional schemes are to be considered in the capital programme with the main driving factor in funding being affordability and the maximisation of external grant funding. The proposed capital programme and the additional Capital schemes, if supported, do not commit the Council to a level of borrowing which increases minimum revenue provision or interest payments to an unaffordable level.

C - Why is this decision for the Executive?

The matter is delegated to the Executive to propose the capital budget.

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

Yes

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

N/A

DD -	Who did you consult?	What did they say?
1	**Chief Executive / Strategic Leadership Team (SLT)** (mandatory)	Comments incorporated in the report
2	**Finance / Section 151** (mandatory)	n/a – this is the Section151 Officer's report
3	**Legal / Monitoring Officer** (mandatory)	Comments incorporated in the report
4	**Human Resources (HR)**	
5	**Property**	
6	**Information Communication Technology (ICT)**	
7	**Scrutiny**	
8	**Local Members**	
9	**Any external bodies / other/s**	

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

F - Appendices:

Appendix 1 – Report on the Capital Budget 2019/20
Appendix 2 – Proposed Capital Budget 2019/20

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

Capital Strategy Report – Executive Committee 30 October 2017
Capital Budget 2018/19 – Full Council 28 February 2018
Capital Budget 2019/20 – Executive Committee 12 November 2018

1. INTRODUCTION

1.1. At its meeting on 12 November 2018, the Executive recommended to approve the following provisional Capital Programme for 2019/20 as shown in Table 1 below:-

Table 1
Draft Capital Programme 2019/20

	£'m	
Committed Schemes Brought Forward from 2018/19	13.429	
Investing in Existing Assets	2.539	
Highways Resurfacing	1.359	
New Schemes for 2019/20	2.146	
21st Century Schools	7.563	
Total General Fund Capital Schemes		**27.036**
HRA Capital Schemes		13.110
Total Draft Capital Programme 2019/20		**40.146**
Funded By:		
Funding B/F from 2018/19		1.099
Supported Borrowing	2.026	
Supported Borrowing – 21st Century Schools	1.943	
Unsupported Borrowing – 21st Century Schools	1.847	
HRA Unsupported Borrowing	1.000	
Total New Borrowing		6.816
General Capital Grant	1.327	
External Grants	19.677	
Highways Refurbishment Grant	0.580	
Total Grant Funding		21.584
Funding Reallocated from other postponed projects		1.197
HRA Reserves		9.450
Total Funding		**40.146**

2. ADDITIONAL INFORMATION TO BE CONSIDERED

2.1. No comments were received during the consultation, regarding the draft capital programme.

2.2. The recent announcement of the suspension of the Wylfa Newydd project will result in a delay in the project to improve the A5025 from Valley to Wylfa. As it is unclear when the project will re-commence the expenditure on the road improvements project has been deleted from the final proposal. The project was to be fully funded by external grants and the necessary adjustment to the funding has also been made.

2.3. The 21st Century Schools programme is regularly reviewed and any updates are agreed with the Welsh Government. The progress on the extension to Ysgol Y Graig has been delayed and the planned expenditure for 2019/20 has been revised down for £3.120m (November 18 draft programme) to £0.666m. In addition expenditure on the reorganisation of schools in the Amlwch area has been revised down from £0.400m to £0.100m. The overall capital programme for 21st Century Schools for 2019/20 has therefore been revised down to £4.809m with the funding adjusted accordingly.

2.4. The provisional settlement included a General Capital Grant of £1.327m. However, the final settlement included an additional £0.738m, taking the revised grant to £2.065m.

2.5. The additional general capital grant could be dealt with in 3 ways:-

- Invite further bids from services for capital funding for new projects. These would be assessed in the normal way, with any approved schemes added to the 2019/20 capital programme.
- Increase the sums allocated to the projects, which maintain existing assets – Buildings, Vehicles, IT Infrastructure.
- Not to allocate the grant in 2019/20 but to use it as part of the funding for the 2020/21 capital programme.

2.6. Given that the funding in 2020/21 is likely to be limited and the fact that income from capital receipts will be negligible (excluding the sale of school sites where the capital receipt has already been allocated), it would be prudent and a better use of the funding to use the funding as part of the 2020/21 capital programme. The additional general capital grant can be utilised as part of the funding for the entire programme, rather than using it in 2019/20 on projects, which may not fit the overall capital strategy.

3. RECOMMENDATIONS

3.1. The full Council is requested to recommend the following capital budget be approved for 2019/20, as shown in Table 2 below. (A more detailed breakdown is attached as Appendix 2).

Table 2
Final Proposed Capital Programme 2019/20

	£'m	
Committed Schemes Brought Forward from 2018/19	6.429	
Investing in Existing Assets	2.539	
Highway Resurfacing	1.359	
New Schemes for 2019/20	2.146	
21st Century Schools	4.809	
Total General Fund Capital Schemes		**17.282**
HRA Capital Schemes		13.110
Total Draft Capital Programme 2019/20		**30.392**
Funded By:		
Funding B/F from 2018/19		1.099
Supported Borrowing	2.026	
Supported Borrowing – 21st Century Schools	1.640	
Unsupported Borrowing – 21st Century Schools	0.402	
HRA Unsupported Borrowing	1.000	
Total New Borrowing		5.068
General Capital Grant	1.327	
External Grants	11.671	
Highways Refurbishment Grant	0.580	
Total Grant Funding		13.578
Funding Reallocated from other postponed projects		1.197
HRA Reserves		9.450
Total Funding		**30.392**

3.2. That the unallocated balance of the General Capital Grant is not used in 2019/20 but held until 2020/21 and used as part of the funding for that project.

APPENDIX 2

PROPOSED CAPITAL PROGRAMME 2019/20

Scheme	Category	2019/20 Budget £'000	Funded By										
			External Grants £'000	Funding B/F from 2018/19 £	General Capital Grant £	Supported Borrowing £	Highways Refurbishment Grant £	Re-allocated Funding £	Un-supported Borrowing 21st Century Schools £	Supported Borrowing 21st Century Schools £	Un-supported Borrowing HRA £	HRA Revenue / Reserves £
Holy Island Visitor Gateway	Committed Schemes B/F	1,000	950	50	-	-	-	-	-	-	-	-
Holyhead and Llangefni Strategic Infrastructure	Committed Schemes B/F	3,400	3,330	70	-	-	-	-	-	-	-	-
Flood Alleviation Schemes	Committed Schemes B/F	900	765	100	-	35	-	-	-	-	-	-
Gypsy and Traveller Sites	Committed Schemes B/F	779	-	779	-	-	-	-	-	-	-	-
Holyhead Market Hall	Committed Schemes B/F	350	250	100	-	-	-	-	-	-	-	-
TOTAL COMMITTED SCHEMES B/F		**6,429**	**5,295**	**1,099**	**-**	**35**	**-**	**-**	**-**	**-**	**-**	**-**

Scheme	Category	2019/20 Budget £'000	Funded By									
			External Grants £'000	Funding B/F from 2018/19 £	General Capital Grant £	Supported Borrowing £	Highways Refurbishment Grant £	Re-allocated Funding £	Un-supported Borrowing 21st Century Schools £	Supported Borrowing 21st Century Schools £	Un-supported Borrowing HRA £	HRA Revenue / Reserves £
Replacement Vehicles	Investing in Existing Assets	150	-	-	150	-	-	-	-	-	-	-
IT Infrastructure	Investing in Existing Assets	439	-	-	427	12	-	-	-	-	-	-
School Refurbishment	Investing in Existing Assets	500	-	-	-	500	-	-	-	-	-	-
Non School Refurbishment	Investing in Existing Assets	400	-	-	-	400	-	-	-	-	-	-
Disabled Access – Education Buildings	Investing in Existing Assets	300	-	-	-	300	-	-	-	-	-	-
Disabled Facilities Grants	Investing in Existing Assets	750	-	-	750	-	-	-	-	-	-	-
TOTAL INVESTING IN EXISTING ASSETS		**2,539**	**-**	**-**	**1,327**	**1,212**	**-**	**-**	**-**	**-**	**-**	**-**

Scheme	Category	2019/20 Budget £'000	Funded By									
			External Grants £'000	Funding B/F from 2018/19 £	General Capital Grant £	Supported Borrowing £	Highways Refurbishment Grant £	Re-allocated Funding £	Un-supported Borrowing 21st Century Schools £	Supported Borrowing 21st Century Schools £	Un-supported Borrowing HRA £	HRA Revenue / Reserves £
Highway Refurbishment	Highway Refurbishment	1,359	-	-	-	779	580	-	-	-	-	-
TOTAL HIGHWAY RESURFACING		**1,359**	**-**	**-**	**-**	**779**	**580**	**-**	**-**	**-**	**-**	**-**
Ysgol Santes Dwynwen	21st Century Schools	85	-	-	-	-	-	-	85	-	-	-
Ysgol Rhyd Y Llan	21st Century Schools	37	-	-	-	-	-	-	37	-	-	-
Ysgol Y Graig Extension	21st Century Schools	666	313	-	-	-	-	-	40	313	-	-
Ysgol Bro Llangefni	21st Century Schools	3,521	2,324	-	-	-	-	-	-	1,197	-	-
Ysgol Beaumaris, Llandegfan and Llangoed	21st Century Schools	400	130	-	-	-	-	-	140	130	-	-
Ysgol Syr Thomas Jones and nearby primary schools	21st Century Schools	100	-	-	-	-	-	-	100	-	-	-
TOTAL 21st CENTURY SCHOOLS		**4,809**	**2,767**	**-**	**-**	**-**	**-**	**-**	**402**	**1,640**	**-**	**-**
Build New Council Houses	HRA	6,891	-	-	-	-	-	-	-	-	-	6,891

Scheme	Category	2019/20 Budget £'000	Funded By									
			External Grants £'000	Funding B/F from 2018/19 £	General Capital Grant £	Supported Borrowing £	Highways Refurbishment Grant £	Re-allocated Funding £	Un-supported Borrowing 21st Century Schools £	Supported Borrowing 21st Century Schools £	Un-supported Borrowing HRA £	HRA Revenue / Reserves £
Planned Refurbishment & WHQS Improvements	HRA	4,496	2,660	-	-	-	-	-	-	-	1,000	836
New Developments / Repurchase of former Right to Buy properties	HRA	1,723	-	-	-	-	-	-	-	-	-	1,723
TOTAL HRA		**13,110**	**2,660**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,000**	**9,450**
Upgrade Pay & Display Machines in Car Parks	New Capital projects	0,030	-	-	-	-	-	0,030	-	-	-	-
Plas Mona Refurbishment	New Capital projects	0,035	-	-	-	-	-	0,035	-	-	-	-
Plas Crigyll Refurbishment	New Capital projects	0,085	-	-	-	-	-	0,085	-	-	-	-
Upgrade Meeting Rooms Equipment	New Capital projects	0,025	-	-	-	-	-	0,025	-	-	-	-
School Safety	New Capital projects	0,200	-	-	-	-	-	0,200	-	-	-	-

Scheme	Category	2019/20 Budget £'000	Funded By									
			External Grants £'000	Funding B/F from 2018/19 £	General Capital Grant £	Supported Borrowing £	Highways Refurbishment Grant £	Re-allocated Funding £	Un-supported Borrowing 21st Century Schools £	Supported Borrowing 21st Century Schools £	Un-supported Borrowing HRA £	HRA Revenue / Reserves £
Funding in the event of late offer from WG regarding Drainage Works	New Capital projects	0,200	0,170	-	-	-	-	0,030	-	-	-	-
Anglesey Connected (AC) to PSBA transition	New Capital projects	0,060	-	-	-	-	-	0,060	-	-	-	-
Drainage Studies and Design Work	New Capital projects	0,166	0,141	-	-	-	-	0,025	-	-	-	-
Flood defence Traeth Coch	New Capital projects	0,850	0,638	-	-	-	-	0,212	-	-	-	-
Economic Development – To seek Match Funding	New Capital projects	0,095	-	-	-	-	-	0,095	-	-	-	-
Invest To Save - Energy Efficiency in Corporate Buildings	New Capital projects	0,250	-	-	-	-	-	0,250	-	-	-	-
Invest To Save - Purchase new vehicles	New Capital projects	0,150	-	-	-	-	-	0,150	-	-	-	-
TOTAL NEW CAPITAL PROJECTS		**2,146**	**0,949**	**-**	**-**	**-**	**-**	**1,197**	**-**	**-**	**-**	**-**

Scheme	Category	2019/20 Budget £'000	Funded By									
			External Grants £'000	Funding B/F from 2018/19 £	General Capital Grant £	Supported Borrowing £	Highways Refurbishment Grant £	Re-allocated Funding £	Un-supported Borrowing 21st Century Schools £	Supported Borrowing 21st Century Schools £	Un-supported Borrowing HRA £	HRA Revenue / Reserves £
TOTAL CAPITAL PROGRAMME 2019/20		**30,392**	**11,671**	**1,099**	**1,327**	**2,026**	**580**	**1,197**	**402**	**1,640**	**1,000**	**9,450**

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**COUNTY COUNCIL**
DATE:	**27 FEBRUARY 2019**
SUBJECT:	**TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20**
LEAD OFFICER:	**MARC JONES**
CONTACT OFFICER:	**GARETH ROBERTS (TEL: EXT 2675)**
Nature and reason for reporting For scrutiny - consistent with professional guidance.	

1. This report is presented to ensure that the Council is implementing best practice in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management. The code recommends that prior to being presented for adoption, members should scrutinise the Treasury Management Strategy Statement (which includes the Annual Investment Strategy, the annual MRP Policy Statement, the annual Treasury Management Policy Statement and the Treasury Management Scheme of Delegation). This Authority's scheme of delegation charges the Audit Committee with this function. This report was presented to the Audit Committee on 12 February 2019 where it was resolved to forward to the Executive Committee on 18 February 2019 with no comments. The Executive Committee resolved to forward to this Committee with no comments.

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 was a change to the TMP's in the 2018/19 Treasury Management Strategy Statement which was to increase the minimum cash balance from £5m to £6m in accordance with the latest approved reserve policy.

3. In terms of updates to the Treasury Management Strategy Statement there are no proposed amendment to the core principals and policies of the 2018/19 Statement.

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

5. Recommendations

- Note the contents of the covering report; and
- To approve the 2019/20 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).

ANNEX A

TREASURY MANAGEMENT STRATEGY STATEMENT

ANNUAL INVESTMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND TREASURY MANAGEMENT POLICY STATEMENT 2019/20

1. BACKGROUND

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

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

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

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

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

2. CIPFA CODE OF PRACTICE ON TREASURY MANAGEMENT

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

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

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

3. EXTERNAL CONTEXT

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

- Weakening economic growth in the US, China and the Eurozone
- Continued low levels of inflation in the UK with rates being on or close to the Bank of England's target of 2%.
- A potential for interest rates rises from late 2019 onwards.
- Continuing uncertainty surrounding Brexit and its impact on the UK and Eurozone economy.
- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years

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

Table 1
Prospects for Interest Rates to March 2022

Annual Average (%)	Bank Rate (%)	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
December 2018	0.75	2.00	2.90	2.70
March 2019	0.75	2.10	2.90	2.70
June 2019	1.00	2.20	3.00	2.80
September 2019	1.00	2.20	3.10	2.90
December 2019	1.00	2.30	3.10	2.90
March 2020	1.25	2.30	3.20	3.00
June 2020	1.25	2.40	3.30	3.10
September 2020	1.25	2.50	3.30	3.10
December 2020	1.50	2.50	3.40	3.20
March 2021	1.50	2.60	3.40	3.20
June 2021	1.75	2.60	3.50	3.30
September 2021	1.75	2.70	3.50	3.30
December 2021	1.75	2.80	3.60	3.40
March 2022	2.00	2.80	3.60	3.40

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

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

2018/19: 0.75%;

2019/20: 1.00%;

2020/21: 1.50%;

2021/22: 1.75%;

2022/23: 1.75%;

2023/24: 2.00%;

2024/25 Onwards: 2.50%

4. THE COUNCIL'S CURRENT POSITION

4.1. Borrowing

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

Table 2
Summary of the Council's Current Outstanding Loans

PWLB LOANS					
	PWL / PWLB Maturity	**PWLB EIP/ Annuity**	**Market Loans**	**PWLB Variable**	**Total Maturing**
Loan Outstanding	**£121,184k**	**£236k**	**£0k**	**£0k**	**£121,415k**
Average life(years)	24.63	7.61	0.00	0.00	24.60
Average rate (%)	5.26	9.41	0.00	0.00	5.15

OTHER LOANS						
	Welsh Government	**Salix Loan 1**	**Salix Loan 2**	**Salix Loan 3**	**Salix Loan 4**	**Total**
Outstanding Balance	£88k	£90k	£319k	£635k	£264k	£1,397k
Repayment Date	2020/21	2024/25	2025/26	2028/29	2027/28	
Interest Rate (%)	0.00	0.00	0.00	0.00	0.00	

4.2. Investments

4.2.1. Any surplus cash is currently invested in short term deposit and call accounts. The balance invested in these accounts changes daily (balance as at 31 December 2018 was £5.7m.

4.2.2. Under the current treasury management strategy, the council invests surplus cash ensuring first of all the security of the deposit, secondly the liquidity of the deposit and finally the return on the investment. In practice, in order to ensure the first and second principles, the rate of return on investments is sacrificed and the current average return on investments is 0.38%.

5. IMPACT OF FUTURE PLANS ON BORROWING

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

Table 3
Proposed Capital Expenditure Programme 2019/20 – 2021/22

	2019/20 £'000	2020/21 £'000	2021/22 £'000
Non - HRA	**14,620**	**20,321**	**20,607**
HRA	**13,110**	**18,431**	**19,744**
Commercial Activities / Non Financial Investment	**3,400**	**100**	**0**
TOTAL EXPENDITURE	**31,130**	**38,852**	**40,351**
Financed By			
Capital Grants	**14,316**	**12,324**	**9,424**
Capital Receipts	**0**	**0**	**0**
Reserves	**0**	**0**	**0**
Revenue	**9,450**	**9,471**	**10,634**
Balance Funded from Borrowing	**7,364**	**17,057**	**20,293**

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

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

5.4. In order to ensure that the Council has sufficient funds available to repay debt as it falls due, the Council is required to make a charge to the revenue account each year and this charge is known as the Minimum Revenue Provision. Regulations require that the Council approves an MRP statement in advance of each financial year. The policy for 2019/20 is set out in **Appendix 6**. The Council's MRP was substantially revised in 2018 but there are no changes from that revised policy for 2019/20. By making the MRP charge each year, the Council's cash balances are replenished and that in turn reduces the level of internal borrowing.

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

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

Table 4
Capital Financing Requirement and Borrowing 2018/19 to 2021/22

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Capital Financing Requirement				
Opening Balance of CFR	**136,866**	**141,191**	**145,101**	**158,468**
Capital Expenditure	32,956	38,130	38,852	40,351
External Capital Grants	(15,605)	(21,316)	(12,324)	(9,424)
Capital Receipts	(1,826)	0	0	0
Revenue Contribution & Reserves	(7,958)	(9,450)	(9,471)	(10,634)
Minimum Revenue Provision	(3,242)	(3,454)	(3,690)	(3,940)
CLOSING BALANCE OF CFR	**141,191**	**145,101**	**158,468**	**174,821**
External Borrowing				
Opening Balance of External Borrowing	**117,029**	**122,812**	**124,996**	**137,339**
Borrowing to Fund Capital Expenditure	898	7,364	17,057	20,293
Borrowing to Fund Loan Repayments	5,000	0	0	0
Borrowing to Replace Internal Borrowing	10,000	0	0	0
Loan Repayments	(10,115)	(5,180)	(4,714)	(173)
Closing Balance of External Borrowing	**122,812**	**124,996**	**137,339**	**157,459**
Internal Borrowing				
Opening Balance of Internal Borrowing	**19,837**	**18,379**	**20,105**	**21,129**
Replacement of Internal Borrowing	(10,000)	0	0	0
Funding Loan Repayments from Ext. Borrowing	(5,000)	0	0	0
External Loan Repayments	10,115	5,180	4,714	173
Borrowing to Fund Capital Expenditure	6,669	0	0	0
Minimum Revenue Provision	(3,242)	(3,454)	(3,690)	(3,940)
Closing Balance of Internal Borrowing	**18,379**	**20,105**	**21,129**	**17,362**
TOTAL BORROWING	**141,191**	**145,101**	**158,468**	**174,821**

6. BORROWING STRATEGY

6.1. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This approach is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered. As part of this strategy the ability to externally borrow to repay the reserves and balances if needed is important. Table 4 indicates that £18.379m may need to be externally borrowed if urgently required. This is the amount of council reserves and balances used in the past to fund the capital programme instead of taking out borrowing.

6.2. Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 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.

6.3. External v Internal Borrowing

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

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

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

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

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

6.3.4. However, short term savings by avoiding new long term external borrowing in 2018/19 must also be weighed against the potential for incurring additional long term extra costs, by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be higher. Additionally, the cash flow implications of internalising borrowing require regular review and will limit the potential extent of internalising borrowing.

6.3.5. Against this background, caution will be adopted with the 2019/20 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.

6.4. Borrowing in Advance of Need

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

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

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

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

6.5. Debt Rescheduling

6.5.1. 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).

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

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

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

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

6.6. Debt Profile

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

7. INVESTMENT STRATEGY

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

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

7.2. Management of Risk

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

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

- Welsh Government's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

- The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

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

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

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

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

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

5. **Non-specified investments limit**. The Council has determined that it will limit the maximum total exposure to non-specified investments as being X% of the total investment portfolio,

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

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

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 7.1).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 7.x).

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

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

12. As a result of the change in accounting standards for 2018/19 under **IFRS 9,** this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

7.3. Creditworthiness Policy

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

- It maintains a policy covering 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.

7.3.2. The S151 Officer will maintain a counterparty list in compliance with the criteria set out in **Appendix 8** and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

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

7.3.4. 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.

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

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

7.3.6. 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

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

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

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

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

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

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

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

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

7.4. Country Limits

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

8. GOVERNANCE AND CONTROL

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

8.2. Corporate Governance includes the following elements:-

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

8.3. Role of the Section 151 Officer and Members

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

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

8.3.3. Members also play an important role in not just authorising the relevant decisions but also in scrutinising treasury management processes, decisions and performance. In order to undertake this role The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. In order to support the scrutiny role of the members of the Audit and Governance Committee, the committee's members received training in treasury management, delivered by the appointed treasury management consultants on November 8 2017. Further training will be arranged when required. The training needs of treasury management officers are regularly reviewed and addressed.

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

8.4. Treasury Management Advice

8.4.1. The Council uses The Link Asset Services 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, with Link Asset Services (previously Capita Asset Services) being the successful tender.

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

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

8.5. Prudential and Treasury Indicators

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

8.6. Reporting

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

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

- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury management indicators;
- an Investment Strategy (the parameters on how investments are to be managed);

- a Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time);
- a Treasury Management Policy Statement (definition of the policies and objectives of the treasury management function); and
- the capital plans (including the associated prudential indicators).

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

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

APPENDICES

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

Treasury Management Policy Statement

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

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

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

APPENDIX 2

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

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

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

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

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

The Code then goes on to say that:

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

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

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

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

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

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

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

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

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

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

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

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

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

Economic Background

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the eurozone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to an acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

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 period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of 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 a 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 also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we did, indeed, see a sharp fall in equity values in the last quarter of 2018. 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, conversely, 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.** At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and is likely to cause a recession in the US economy.

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK. The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.1% in December 2018. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate.

As for the **labour market** figures in October**,** unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.2%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, the Brexit deal put forward by the Conservative minority government was defeated on 15 January. It is unclear at the time of writing, how this situation will move forward. *(Officers are likely to need to verbally update members as events are constantly evolving.)* However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit though the risks are increasing that it may not be possible to get full agreement by the UK and EU before 29 March 2019, in which case this withdrawal date is likely to be pushed back to a new date. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2% (annualised rate) in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in November. However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the speed and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world falling under the weight of fears around the Fed's actions, the trade war between the US and China and an expectation that world growth will slow.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation if an agreement is not reached soon between the US and China.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of its manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds

and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.2 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in 2020 which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

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

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has now substantially diminished.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

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

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **eurozone sovereign debt crisis**, possibly in **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. The EU rejected the initial proposed Italian budget and demanded cuts in government spending which the Italian government initially refused. However, a fudge was subsequently agreed, but only by *delaying* the planned increases in expenditure to a later year. This can has therefore only been kicked down the road to a later time. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the words and actions of the Italian government and consequently, Italian bond yields have risen – at a time when the government faces having to refinance large amounts of debt maturing in 2019.

- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018, (a new party leader has now been elected). However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- **Other minority eurozone governments.** Spain, Portugal, Ireland, the Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with. The Belgian coalition collapsed in December 2018 but a minority caretaker government has been appointed until the May EU wide general elections.
- **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while **Italy,** in 2018, also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. Throughout the last quarter of 2018, we saw sharp falls in equity markets interspersed with occasional partial rallies. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

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

- **Brexit** – if both sides were to agree by 29 March a compromise that quickly removed all threats of economic and political disruption and so led to an early boost to UK economic growth.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed Funds Rate and in the pace and strength of reversal of QE, 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.
- The **Bank of England is too slow** in its 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, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Brexit timetable and process

- March 2017: UK government notified the European Council of its intention to leave under the Treaty on European Union Article 50 on 29 March 2019.
- 25.11.18 EU27 leaders endorsed the withdrawal agreement
- Dec 2018 vote in the UK Parliament on the agreement was postponed
- 21.12.18 – 8.1.19 UK parliamentary recess
- 15.1.19 Brexit deal defeated in the Commons vote by a large margin
- By 29.3.19 second vote (?) in UK parliament
- By 29.3.19 if the UK Parliament approves a deal, then ratification by the EU Parliament requires a simple majority
- By 29.3.19 if the UK and EU parliaments agree the deal, the EU Council needs to approve the deal; 20 countries representing 65% of the EU population must agree
- 29.3.19 Either the UK leaves the EU, or asks the EU for agreement to an extension of the Article 50 period if the UK Parliament has been unable to agree on a Brexit deal.
- 29.3.19: if an agreement is reached with the EU on the terms of Brexit, then this will be followed by a proposed **transitional period ending around December 2020.**
- 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 may leave the single market and tariff free trade at different times during the 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.

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

Rhagolygon Graddfeydd Llog 2019/2022
Interest Rate Forecasts 2019/2022

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

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
Capital Economics	0.75%	1.00%	1.25%	1.50%	1.70%	1.75%	2.00%	2.00%	-	-	-	-	-
5yr PWLB Rate													
Link Asset Services	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
Capital Economics	2.03%	2.15%	2.40%	2.65%	2.70%	2.75%	2.80%	2.85%	-	-	-	-	-
10yr PWLB Rate													
Link Asset Services	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
Capital Economics	2.43%	2.55%	2.80%	3.05%	3.05%	3.05%	3.05%	3.05%	-	-	-	-	-
25yr PWLB Rate													
Link Asset Services	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.96%	3.08%	3.33%	3.58%	3.53%	3.48%	3.43%	3.38%	-	-	-	-	-
50yr PWLB Rate													
Link Asset Services	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	2.78%	2.90%	3.15%	3.40%	3.40%	3.40%	3.40%	3.40%	-	-	-	-	-

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

DADANSODDIAD BENTHYCIADAU YN AEDDFEDU 2018/19 YMLAEN GAN PWLB / PWLB LOANS MATURITY ANALYSIS 2018/19 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 %**
2019/20	5,000	11	0	0	5,011	4.1
2020/21	4,500	12	0	0	4,512	3.7
2021/22	0	14	0	0	14	0.0
2022/23	2,285	15	0	0	2,300	1.9
2023/24	1,854	16	0	0	1,870	1.5
2024/25	0	18	0	0	18	0.0
2025/26	0	20	0	0	20	0.0
2026/27	1,381	22	0	0	1,403	1.2
2027/28	2,165	24	0	0	2,189	1.8
2028/29	262	26	0	0	288	0.2
2029/30	1,539	21	0	0	1,560	1.3
2030/31	451	15	0	0	466	0.4
2031/32	1,941	9	0	0	1,950	1.6
2032/33	315	8	0	0	323	0.3
2033/34	637	0	0	0	637	0.5
2034/35	624	0	0	0	624	0.5
2035/36	611	0	0	0	611	0.5
2036/37	599	0	0	0	599	0.5
2037/38	587	0	0	0	587	0.5
2038/39	225	0	0	0	225	0.2
2039/40	5,000	0	0	0	5,000	4.1
2040/41	3,500	0	0	0	3,500	2.9
2042/43	1,000	0	0	0	1,000	0.8
2043/44	1,020	0	0	0	1,020	0.8
2044/45	1,010	0	0	0	1,010	0.8
2045/46	11,464	0	0	0	11,464	9.4
2050/51	2,000	0	0	0	2,000	1.6
2052/53	28,238	0	0	0	28,238	23.3
2054/55	3,000	0	0	0	3,000	2.5
2055/56	3,500	0	0	0	3,500	2.9
2056/57	5,000	0	0	0	5,000	4.1
2057/58	8,513	0	0	0	8,513	7.0
2059/60	1,763	0	0	0	1,763	1.5
2066/67	6,200	0	0	0	6,200	5.1
2068/69	15,000	0	0	0	15,000	12.4
	121,184	**236**	**0**	**0**	**121,415**	**100.0**
Cyfartaledd bywyd (blynyddoedd)/ Average life(years)	24.63	7.61	0.00	0.00	24.60	
Cyfartaledd graddfa (%)/ Average rate (%)	5.26	9.41	0.00	0.00	5.15	

PROFFIL AD-DALU BENTHYCIADAU ERAILL 2018/19 YMLAEN / OTHER LOANS REPAYMENT PROFILE 2018/19 ONWARDS						
	Llywodraeth Cymru / Welsh Government £’000	**Benthycaf Salix Loan 1** £’000	**Benthycaf Salix Loan 2** £’000	**Benthycaf Salix Loan 3** £’000	**Benthycaf Salix Loan 4** £’000	**Cyfanswm / Total** £’000
2019/20	44	16	46	63	0	169
2020/21	43	16	46	63	33	201
2021/22	0	17	46	63	33	159
2022/23	0	17	46	63	33	159
2023/24	0	17	45	63	33	158
2024/25	0	8	45	64	33	150
2025/26	0	0	45	64	33	142
2026/27	0	0	0	64	33	97
2027/28	0	0	0	64	33	97
2028/29	0	0	0	64	0	64

Minimum Revenue Provision Policy Statement 2019/20

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

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

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

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

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

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

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

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

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

Specified and Non-Specified Investments

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

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

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

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

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

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

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

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

During 2019/20 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 2019/20 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.

APPENDIX 8

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.

APPENDIX 9

Approved countries for investments [correct as at 8 November 2018]

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

Based on lowest available rating

AAA

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

AA+

- Finland
- U.S.A.

AA

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

AA-

- Belgium
- Qatar

APPENDIX 10

Treasury management scheme of delegation

(i) County Council

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

(ii) Executive Committee

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

(iii) Audit Committee

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

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

The Treasury Management role of the Section 151 Officer

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

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

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

PRUDENTIAL & TREASURY INDICATORS **APPENDIX 11**
BUDGET SETTING 2019/20

No.	**Indicator**					
	Affordability	**2017/18 out-turn**	**2018/19 estimate**	**2019/20 proposal**	**2020/21 proposal**	**2021/22 proposal**
1,2	Estimates of [or actual] ratio of financing costs to net revenue stream:					
	Council Fund	6.10%	4.95%	5.23%	5.28%	5.63%
	Housing Revenue Account (inclusive of settlement)	22.36%	16.86%	15.57%	16.08%	16.16%
	Total	7.98%	6.37%	6.51%	6.65%	7.03%
Prudence						
3	Gross debt and the Capital Financing Requirement (CFR)	✓	✓	✓	✓	✓
	Is the gross external debt < the CFR for the preceding year plus the estimates of any additional CFR for the current and the next two financial years?			✓	✓	✓
Capital Expenditure		**£000**	**£000**	**£000**	**£000**	**£000**
4,5	Estimates of [or actual] capital expenditure					
	Council Fund	20,064	23,685	18,020	20,421	20,607
	Housing Revenue Account	9,291	10,372	13,110	18,431	19,744
	Total	29,355	34,057	31,130	38,852	40,351
6,7	Estimates of [or actual] Capital Financing Requirement					
	Council Fund	95,218	100,376	104,103	111,991	122,822
	Housing Revenue Account	41,648	40,815	40,998	46,479	51,999
	Total	136,866	141,191	145,101	158,469	174,821
External Debt		**£000**	**£000**	**£000**	**£000**	**£000**
8	Authorised Limit					
	: General Borrowing	166,000	174,000	175,000	189,000	205,000
	: Other long term liabilities	3,000	3,000	3,000	3,000	3,000
	: Total	169,000	177,000	178,000	192,000	208,000

9	Operational Boundary					
	: General Borrowing	161,000	161,000	170,000	184,000	200,000
	: Other long term liabilities	3,000	3,000	3,000	3,000	3,000
	: Total	164,000	164,000	173,000	187,000	203,000
10	Actual External Debt	117,029				
Treasury Management		**2016/17 out-turn**	**2017/18 estimate**	**2018/19 proposal**	**2019/20 proposal**	**2020/21 proposal**
11	The Local Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services	✓	✓	✓	✓	✓
		£000	**£000**	**£000**	**£000**	**£000**
12	Gross and net debt	100%	100%	100%	100%	100%
	The upper limit on the net debt as a proportion of gross debt					
13	The upper limit on fixed rate exposures:	149,000	157,000	158,000	172,000	188,000
	(net principal outstanding)					
14	The upper limit on variable rate exposures:	20,000	20,000	20,000	20,000	20,000
	(net principal outstanding)					
15	The limit for total principal sums invested for periods longer than 364 days	15,000	15,000	15,000	15,000	15,000
	(any long term investments carried forward from previous years will be included in each year's limit)					
			2019/20 upper limit		**2019/20 lower limit**	
16	The upper and lower limits for the maturity structure of fixed rate borrowing					
	• under 12 months		20%		0%	
	• 12 months and within 24 months		20%		0%	
	• 24 months and within 5 years		50%		0%	
	• 5 years and within 10 years		75%		0%	
	• 10 years and above		100%		0%	
			no change		no change	

Information on Prudential & Treasury Management indicators

A) Affordability

1 & 2 Ratio of financing costs to net revenue stream

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

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

B) Prudence

3 Gross Debt and the CFR

The Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 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

4 & 5 Estimates of Capital Expenditure

This is the forecast Capital Expenditure from 2018/19 to 2021/22, and is based on the Capital Programme for 2018/19 and the Capital Strategy for 2019/20.

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

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

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

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

CH) External Debt

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This page is intentionally left blank

PENDERFYNIAD DRAFFT
AR OSOD
Y DRETH GYNGOR
2019/20

\- - - - - -

DRAFT RESOLUTION
ON SETTING
THE COUNCIL TAX
2019/20

DRAFT COUNCIL TAX RESOLUTION

1. RESOLVED

(a) Pursuant to the recommendations of the Executive, to adopt the Medium Term Financial Plan at Section 11 Medium Term Financial Plan and 2019/20 Budget at Section 9, 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 2019/20 as shown at Appendix 4 Medium Term Financial Plan and 2019/20 Budget.

(c) Pursuant to the recommendations of the Executive, to adopt a capital budget as shown in the Capital Budget Report 2019/20 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 2019/20 Budget in order to give effect to the Council's decisions.

(d) To delegate to the Executive Committee, for the financial year 2019/20, 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 2019/20 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 2019/20 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 2020, the following powers:-

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

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

(iii) powers to transfer budgets between capital projects in the Capital Budget Report 2019/20 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 2019/20 and onwards as shown in the report on Treasury Management Strategy Statement 2019/20.

(ff) To approve the Treasury Management Strategy Statement for 2019/20.

(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 2019/20 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 2019/20 the decision of the County Council on 6 March 2007 to set the discount level applicable to the prescribed Class C of dwellings under Section 12 of the Local Government Finance Act 1992 (as amended), as described by the Local Authorities (Calculation of Tax Base) and Council Tax (Prescribed Classes of Dwellings) (Wales) (Amendment) Regulations 2004 as follows:-

Prescribed Class C	Nil Discount

4. **RESOLVED** to disapply any discount(s) granted to long-term empty dwellings and dwelling occupied periodically (usually known as second homes) and to vary the Full Council's decision made on 28 February 2018 and apply for the financial year 2019/20 a higher amount of Council Tax (called a Council Tax Premium) of 100% of the standard rate of Council Tax for long-term empty dwellings and for dwellings occupied periodically (usually known as second homes) to apply a higher amount of Council Tax (called a Council tax Premium) of 35% under Sections 12A and 12B of the Local Government Finance Act 1992 as inserted by Section 139 of the Housing (Wales) Act 2014.

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

6. That it is noted that a resolution of the Executive on 26 November 2018 approved the amount calculated by the Isle of Anglesey County Council for its council tax base for 2019/20 and to further note that the full Council in its meeting on the 11 December 2018 approved that the local Council Tax Reduction Scheme will continue unchanged for 2019/20. It is also noted that the full Council on 28 February 2018 adopted and approved a local Council Tax Discretionary Policy under section 13A of the Local Government Finance Act 1992, delegating to the Executive the power to revoke, re-enact and/or amend the Policy.

7. At its meeting on 26 November 2018, 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 2019/20, as follows:-

   a) 31,571.46 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	1,506.32
Beaumaris	1,095.94
Holyhead	3,927.52
Llangefni	1,965.35
Menai Bridge	1,443.42
Llanddaniel-fab	379.48
Llanddona	400.39
Cwm Cadnant	1,171.95
Llanfair Pwllgwyngyll	1,323.32
Llanfihangel Ysgeifiog	693.04
Bodorgan	459.96
Llangoed	663.77
Llangristiolus & Cerrig Ceinwen	632.10
Llanidan	421.79
Rhosyr	1,027.19
Penmynydd	246.31
Pentraeth	571.10
Moelfre	631.10
Llanbadrig	696.84
Llanddyfnan	508.21
Llaneilian	579.31
Llannerch-y-medd	532.02
Llaneugrad	185.47
Llanfair Mathafarn Eithaf	1,871.09
Cylch y Garn	403.68
Mechell	565.96
Rhos-y-bol	484.57
Aberffraw	302.95
Bodedern	430.87

Bodffordd	414.40
Trearddur	1,303.70
Tref Alaw	266.72
Llanfachraeth	231.49
Llanfaelog	1,298.09
Llanfaethlu	293.54
Llanfair-yn-Neubwll	565.06
Valley	993.83
Bryngwran	365.99
Rhoscolyn	360.99
Trewalchmai	356.63

8. That the following amounts be now calculated by the Council for the year 2019/20, in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

a) £193,484,077 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (d) of the Act.

b) £56,832,650 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) £136,651,427 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) £ 95,791,012 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) £ 1,294.22 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) £ 1,441,310 being the aggregate amount of all special items referred to in Section 34(1) of the Act.

e) £ 1,248.57 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**

		D
Amlwch	£	1,314.09
Beaumaris	£	1,275.48
Holyhead	£	1,378.80
Llangefni	£	1,328.49
Menai Bridge	£	1,315.71
Llanddaniel-fab	£	1,272.24
Llanddona	£	1,264.14
Cwm Cadnant	£	1,275.39
Llanfair Pwllgwyngyll	£	1,283.31
Llanfihangel Ysgeifiog	£	1,274.49
Bodorgan	£	1,273.50
Llangoed	£	1,265.31
Llangristiolus & Cerrig Ceinwen	£	1,261.17
Llanidan	£	1,272.24
Rhosyr	£	1,274.22
Penmynydd	£	1,275.93
Pentraeth	£	1,274.76
Moelfre	£	1,266.75
Llanbadrig	£	1,287.27
Llanddyfnan	£	1,266.21
Llaneilian	£	1,270.53
Llannerch-y-medd	£	1,279.53
Llaneugrad	£	1,270.08
Llanfair Mathafarn Eithaf	£	1,276.29
Cylch y Garn	£	1,264.86
Mechell	£	1,264.86
Rhos-y-bol	£	1,264.05
Aberffraw	£	1,273.32
Bodedern	£	1,271.70
Bodffordd	£	1,273.77
Trearddur	£	1,275.39
Tref Alaw	£	1,273.86
Llanfachraeth	£	1,283.40
Llanfaelog	£	1,278.18
Llanfaethlu	£	1,268.10
Llanfair-yn-Neubwll	£	1,274.22
Valley	£	1,281.06
Bryngwran	£	1,276.38
Rhoscolyn	£	1,259.64
Trewalchmai	£	1,272.33

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

Valuation Bands

ff) Part of the Council Area		A	B	C	D	E	F	G	H	I
Amlwch	£	876.06	1,022.07	1,168.08	1,314.09	1,606.11	1,898.13	2,190.15	2,628.18	3,066.21
Beaumaris	£	850.32	992.04	1,133.76	1,275.48	1,558.92	1,842.36	2,125.80	2,550.96	2,976.12
Holyhead	£	919.20	1,072.40	1,225.60	1,378.80	1,685.20	1,991.60	2,298.00	2,757.60	3,217.20
Llangefni	£	885.66	1,033.27	1,180.88	1,328.49	1,623.71	1,918.93	2,214.15	2,656.98	3,099.81
Menai Bridge	£	877.14	1,023.33	1,169.52	1,315.71	1,608.09	1,900.47	2,192.85	2,631.42	3,069.99
Llanddaniel-fab	£	848.16	989.52	1,130.88	1,272.24	1,554.96	1,837.68	2,120.40	2,544.48	2,968.56
Llanddona	£	842.76	983.22	1,123.68	1,264.14	1,545.06	1,825.98	2,106.90	2,528.28	2,949.66
Cwm Cadnant	£	850.26	991.97	1,133.68	1,275.39	1,558.81	1,842.23	2,125.65	2,550.78	2,975.91
Llanfair Pwllgwyngyll	£	855.54	998.13	1,140.72	1,283.31	1,568.49	1,853.67	2,138.85	2,566.62	2,994.39
Llanfihangel Ysgeifiog	£	849.66	991.27	1,132.88	1,274.49	1,557.71	1,840.93	2,124.15	2,548.98	2,973.81
Bodorgan	£	849.00	990.50	1,132.00	1,273.50	1,556.50	1,839.50	2,122.50	2,547.00	2,971.50
Llangoed	£	843.54	984.13	1,124.72	1,265.31	1,546.49	1,827.67	2,108.85	2,530.62	2,952.39
Llangristiolus & Cerrig Ceinwen	£	840.78	980.91	1,121.04	1,261.17	1,541.43	1,821.69	2,101.95	2,522.34	2,942.73
Llanidan	£	848.16	989.52	1,130.88	1,272.24	1,554.96	1,837.68	2,120.40	2,544.48	2,968.56
Rhosyr	£	849.48	991.06	1,132.64	1,274.22	1,557.38	1,840.54	2,123.70	2,548.44	2,973.18
Penmynydd	£	850.62	992.39	1,134.16	1,275.93	1,559.47	1,843.01	2,126.55	2,551.86	2,977.17
Pentraeth	£	849.84	991.48	1,133.12	1,274.76	1,558.04	1,841.32	2,124.60	2,549.52	2,974.44
Moelfre	£	844.50	985.25	1,126.00	1,266.75	1,548.25	1,829.75	2,111.25	2,533.50	2,955.75
Llanbadrig	£	858.18	1,001.21	1,144.24	1,287.27	1,573.33	1,859.39	2,145.45	2,574.54	3,003.63
Llanddyfnan	£	844.14	984.83	1,125.52	1,266.21	1,547.59	1,828.97	2,110.35	2,532.42	2,954.49
Llaneilian	£	847.02	988.19	1,129.36	1,270.53	1,552.87	1,835.21	2,117.55	2,541.06	2,964.57
Llanerch-y-medd	£	853.02	995.19	1,137.36	1,279.53	1,563.87	1,848.21	2,132.55	2,559.06	2,985.57
Llaneugrad	£	846.72	987.84	1,128.96	1,270.08	1,552.32	1,834.56	2,116.80	2,540.16	2,963.52
Llanfair Mathafarn Eithaf	£	850.86	992.67	1,134.48	1,276.29	1,559.91	1,843.53	2,127.15	2,552.58	2,978.01
Cylch y Garn	£	843.24	983.78	1,124.32	1,264.86	1,545.94	1,827.02	2,108.10	2,529.72	2,951.34
Mechell	£	843.24	983.78	1,124.32	1,264.86	1,545.94	1,827.02	2,108.10	2,529.72	2,951.34
Rhos-y-bol	£	842.70	983.15	1,123.60	1,264.05	1,544.95	1,825.85	2,106.75	2,528.10	2,949.45
Aberffraw	£	848.88	990.36	1,131.84	1,273.32	1,556.28	1,839.24	2,122.20	2,546.64	2,971.08
Bodedern	£	847.80	989.10	1,130.40	1,271.70	1,554.30	1,836.90	2,119.50	2,543.40	2,967.30
Bodffordd	£	849.18	990.71	1,132.24	1,273.77	1,556.83	1,839.89	2,122.95	2,547.54	2,972.13
Trearddur	£	850.26	991.97	1,133.68	1,275.39	1,558.81	1,842.23	2,125.65	2,550.78	2,975.91
Tref Alaw	£	849.24	990.78	1,132.32	1,273.86	1,556.94	1,840.02	2,123.10	2,547.72	2,972.34
Llanfachraeth	£	855.60	998.20	1,140.80	1,283.40	1,568.60	1,853.80	2,139.00	2,566.80	2,994.60
Llanfaelog	£	852.12	994.14	1,136.16	1,278.18	1,562.22	1,846.26	2,130.30	2,556.36	2,982.42
Llanfaethlu	£	845.40	986.30	1,127.20	1,268.10	1,549.90	1,831.70	2,113.50	2,536.20	2,958.90
Llanfair-yn-Neubwll	£	849.48	991.06	1,132.64	1,274.22	1,557.38	1,840.54	2,123.70	2,548.44	2,973.18
Valley	£	854.04	996.38	1,138.72	1,281.06	1,565.74	1,850.42	2,135.10	2,562.12	2,989.14
Bryngwran	£	850.92	992.74	1,134.56	1,276.38	1,560.02	1,843.66	2,127.30	2,552.76	2,978.22
Rhoscolyn	£	839.76	979.72	1,119.68	1,259.64	1,539.56	1,819.48	2,099.40	2,519.28	2,939.16
Trewalchmai	£	848.22	989.59	1,130.96	1,272.33	1,555.07	1,837.81	2,120.55	2,544.66	2,968.77

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 2019/20, 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	£	185.40	216.30	247.20	278.10	339.90	401.70	463.50	556.20	648.90

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

Valuation Bands

f) Part of the Council's Area		A	B	C	D	E	F	G	H	I
Amlwch	£	1,061.46	1,238.37	1,415.28	1,592.19	1,946.01	2,299.83	2,653.65	3,184.38	3,715.11
Beaumaris	£	1,035.72	1,208.34	1,380.96	1,553.58	1,898.82	2,244.06	2,589.30	3,107.16	3,625.02
Holyhead	£	1,104.60	1,288.70	1,472.80	1,656.90	2,025.10	2,393.30	2,761.50	3,313.80	3,866.10
Llangefni	£	1,071.06	1,249.57	1,428.08	1,606.59	1,963.61	2,320.63	2,677.65	3,213.18	3,748.71
Menai Bridge	£	1,062.54	1,239.63	1,416.72	1,593.81	1,947.99	2,302.17	2,656.35	3,187.62	3,718.89
Llanddaniel-fab	£	1,033.56	1,205.82	1,378.08	1,550.34	1,894.86	2,239.38	2,583.90	3,100.68	3,617.46
Llanddona	£	1,028.16	1,199.52	1,370.88	1,542.24	1,884.96	2,227.68	2,570.40	3,084.48	3,598.56
Cwm Cadnant	£	1,035.66	1,208.27	1,380.88	1,553.49	1,898.71	2,243.93	2,589.15	3,106.98	3,624.81
Llanfair Pwllgwyngyll	£	1,040.94	1,214.43	1,387.92	1,561.41	1,908.39	2,255.37	2,602.35	3,122.82	3,643.29
Llanfihangel Ysgeifiog	£	1,035.06	1,207.57	1,380.08	1,552.59	1,897.61	2,242.63	2,587.65	3,105.18	3,622.71
Bodorgan	£	1,034.40	1,206.80	1,379.20	1,551.60	1,896.40	2,241.20	2,586.00	3,103.20	3,620.40
Llangoed	£	1,028.94	1,200.43	1,371.92	1,543.41	1,886.39	2,229.37	2,572.35	3,086.82	3,601.29
Llangristiolus & Cerrig Ceir	£	1,026.18	1,197.21	1,368.24	1,539.27	1,881.33	2,223.39	2,565.45	3,078.54	3,591.63
Llanidan	£	1,033.56	1,205.82	1,378.08	1,550.34	1,894.86	2,239.38	2,583.90	3,100.68	3,617.46
Rhosyr	£	1,034.88	1,207.36	1,379.84	1,552.32	1,897.28	2,242.24	2,587.20	3,104.64	3,622.08
Penmynydd	£	1,036.02	1,208.69	1,381.36	1,554.03	1,899.37	2,244.71	2,590.05	3,108.06	3,626.07
Pentraeth	£	1,035.24	1,207.78	1,380.32	1,552.86	1,897.94	2,243.02	2,588.10	3,105.72	3,623.34
Moelfre	£	1,029.90	1,201.55	1,373.20	1,544.85	1,888.15	2,231.45	2,574.75	3,089.70	3,604.65
Llanbadrig	£	1,043.58	1,217.51	1,391.44	1,565.37	1,913.23	2,261.09	2,608.95	3,130.74	3,652.53
Llanddyfnan	£	1,029.54	1,201.13	1,372.72	1,544.31	1,887.49	2,230.67	2,573.85	3,088.62	3,603.39
Llaneilian	£	1,032.42	1,204.49	1,376.56	1,548.63	1,892.77	2,236.91	2,581.05	3,097.26	3,613.47
Llanerch-y-medd	£	1,038.42	1,211.49	1,384.56	1,557.63	1,903.77	2,249.91	2,596.05	3,115.26	3,634.47
Llaneugrad	£	1,032.12	1,204.14	1,376.16	1,548.18	1,892.22	2,236.26	2,580.30	3,096.36	3,612.42
Llanfair Mathafarn Eithaf	£	1,036.26	1,208.97	1,381.68	1,554.39	1,899.81	2,245.23	2,590.65	3,108.78	3,626.91
Cylch y Garn	£	1,028.64	1,200.08	1,371.52	1,542.96	1,885.84	2,228.72	2,571.60	3,085.92	3,600.24
Mechell	£	1,028.64	1,200.08	1,371.52	1,542.96	1,885.84	2,228.72	2,571.60	3,085.92	3,600.24
Rhos-y-bol	£	1,028.10	1,199.45	1,370.80	1,542.15	1,884.85	2,227.55	2,570.25	3,084.30	3,598.35
Aberffraw	£	1,034.28	1,206.66	1,379.04	1,551.42	1,896.18	2,240.94	2,585.70	3,102.84	3,619.98
Bodedern	£	1,033.20	1,205.40	1,377.60	1,549.80	1,894.20	2,238.60	2,583.00	3,099.60	3,616.20
Bodffordd	£	1,034.58	1,207.01	1,379.44	1,551.87	1,896.73	2,241.59	2,586.45	3,103.74	3,621.03
Trearddur	£	1,035.66	1,208.27	1,380.88	1,553.49	1,898.71	2,243.93	2,589.15	3,106.98	3,624.81
Tref Alaw	£	1,034.64	1,207.08	1,379.52	1,551.96	1,896.84	2,241.72	2,586.60	3,103.92	3,621.24
Llanfachraeth	£	1,041.00	1,214.50	1,388.00	1,561.50	1,908.50	2,255.50	2,602.50	3,123.00	3,643.50
Llanfaelog	£	1,037.52	1,210.44	1,383.36	1,556.28	1,902.12	2,247.96	2,593.80	3,112.56	3,631.32
Llanfaethlu	£	1,030.80	1,202.60	1,374.40	1,546.20	1,889.80	2,233.40	2,577.00	3,092.40	3,607.80
Llanfair-yn-Neubwll	£	1,034.88	1,207.36	1,379.84	1,552.32	1,897.28	2,242.24	2,587.20	3,104.64	3,622.08
Valley	£	1,039.44	1,212.68	1,385.92	1,559.16	1,905.64	2,252.12	2,598.60	3,118.32	3,638.04
Bryngwran	£	1,036.32	1,209.04	1,381.76	1,554.48	1,899.92	2,245.36	2,590.80	3,108.96	3,627.12
Rhoscolyn	£	1,025.16	1,196.02	1,366.88	1,537.74	1,879.46	2,221.18	2,562.90	3,075.48	3,588.06
Trewalchmai	£	1,033.62	1,205.89	1,378.16	1,550.43	1,894.97	2,239.51	2,584.05	3,100.86	3,617.67

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**COUNTY COUNCIL**
DATE:	**27 FEBRUARY 2019**
SUBJECT:	**TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2018/19**
PORTFOLIO HOLDER(S):	**COUNCILLOR ROBIN WILLIAMS**
HEAD OF SERVICE:	**MARC JONES, HEAD OF FUNCTION (RESOURCES) & SECTION 151 OFFICER (EXT. 2601)**
REPORT AUTHOR: TEL: E-MAIL:	**GARETH ROBERTS** 01248 752675 GarethJRoberts@anglesey.gov.uk
LOCAL MEMBERS:	**n/a**

1. Background

1.1 Capital Strategy

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

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

A report setting out our Capital Strategy will be taken to the full Council before 31st March 2019.

1.2 Treasury Management

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

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

Accordingly, treasury management is defined as:-

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

2. Introduction

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

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

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

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

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

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

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

- An economic update for the first part of the 2018/19 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2018/19;
- A review of the Council's borrowing strategy for 2018/19;
- A review of any debt rescheduling undertaken during 2018/19;
- A summary of activity since Quarter 2; and
- A review of compliance with Treasury and Prudential Limits for 2018/19.

3. Economic Update

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

	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021
Bank Rate (%)	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
5yr PWLB rate (%)	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB rate (%)	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB rate (%)	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB rate (%)	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

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

4. Treasury Management Strategy Statement and Annual Investment Strategy Update

4.1 The Treasury Management Strategy Statement (TMSS) for 2018/19 was approved by this Council on 28 February 2018. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5. Investment Portfolio 2018/19

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

5.2 The Council held £6.089m of investments as at 30 September 2018 (£5.993m at 31 March 2018) and the investment portfolio yield for the first six months of the year was 0.65%. A full list of investments as at 30th September 2018 can be found in Appendix 3. A summary of the investments and rates can be found in Appendix 4.

5.3 The approved limits within the Annual Investment Strategy were not breached during the first six months of 2018/19.

5.4 The Council's budgeted investment return for the whole of 2018/19 is £0.017m and performance for the year to date exceeds the budget, with £0.023m received to the end of Quarter 2. The reason for this is the increase in bank rate from 0.5% to 0.75% that occurred in August 2018.

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

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

6. Borrowing

6.1 The projected capital financing requirement (CFR) for 2018/19 is £142.0m. 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 £125.6m and will have used £16.4m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

6.2 No borrowing was undertaken during the first half of this financial year. However, it is anticipated that borrowing will need to be undertaken during the second half of the financial year.

6.3 During the first half of the financial year a short-term borrowing from the Tyne & Wear Pension Fund matured and was repaid. The borrowing was for £5m and was taken out on 19/01/18 at an interest rate of 0.50%. It was repaid on 19/04/18.

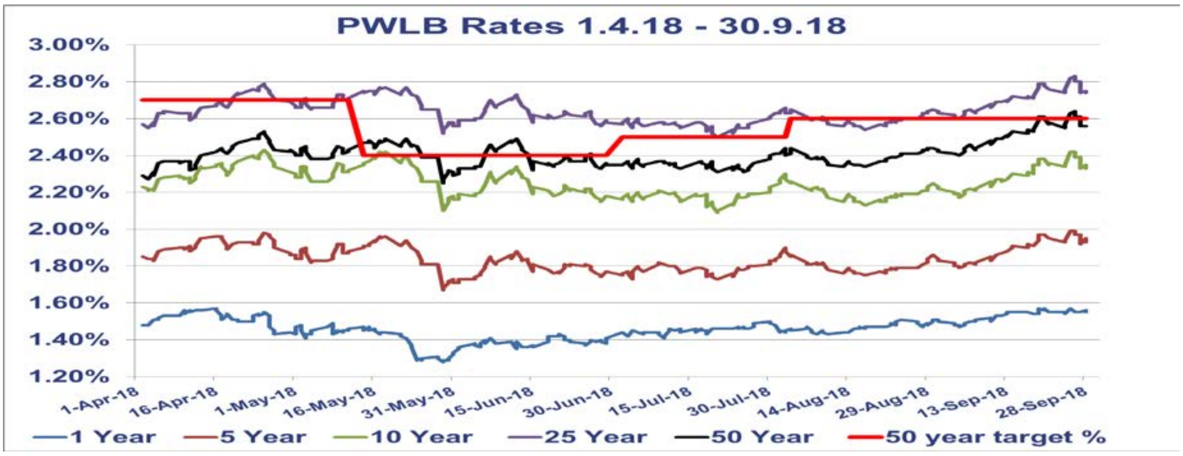
6.4 Debt rescheduling opportunities have been very limited in the current economic climate, given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has, therefore, been undertaken to date in the current financial year.

6.5 Since Quarter 2 ended, the Authority has arranged to borrow £5m from North Yorkshire County Council. The borrowing will take place from 16/10/18 until 16/01/19 at a rate of 0.85%. 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.

6.6 Appendix 6 shows additional graphs including Comparison of borrowing parameters to actual external borrowing, as provided by Link Asset Services.

6.7 Appendix 7 shows additional information including on LOBO's, as provided by Link Asset Services.

The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date: -



	1 Year	5 Year	10 Year	25 Year	50 Year
3.4.18	**1.48%**	**1.84%**	**2.22%**	**2.55%**	**2.27%**
30.9.18	**1.55%**	**1.93%**	**2.33%**	**2.74%**	**2.56%**
Low	**1.28%**	**1.67%**	**2.09%**	**2.50%**	**2.25%**
Date	**01/06/2018**	**29/05/2018**	**20/07/2018**	**20/07/2018**	**29/05/2018**
High	**1.57%**	**1.99%**	**2.43%**	**2.83%**	**2.64%**
Date	**17/04/2018**	**25/09/2018**	**25/04/2018**	**25/09/2018**	**25/09/2018**
Average	**1.46%**	**1.84%**	**2.25%**	**2.64%**	**2.41%**

7 The Council's Capital Position (Prudential Indicators)

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

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

7.2 Prudential Indicator for Capital Expenditure

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

Capital Expenditure	2018/19 Original Estimate £'000	Position as at 30 September 2018 £'000	2018/19 Current Estimate £'000
Council Fund	44,891	8,169	23,685
HRA	15,998	3,103	10,372
Total	60,889	11,272	34,057

7.2.1 The projected expenditure shows that the majority of projects are on target to be completed within budget but there are 4 major projects (Gypsy and Travellers Sites, Improvements to the A5025 to Wylfa, 21st Century School at Llangefni and the acquisition of HRA properties) which are expected to significantly underspend the budget in 2018/19, and this is reflected in the above table. A full breakdown on the planned capital expenditure for 2018/19 is provided in the Capital Budget Monitoring Report Q2, presented to the Executive on 26 November 2018.

7.3 Changes to the Financing of the Capital Programme

7.3.1 There are some changes to the financing of the capital programme as can be seen in table below. The main reason for the change is as noted in paragraph 7.2.1, there will be significant underspend on four capital schemes in 2018/19. However, these four schemes will slip into 2019/20 along with their funding and it is not anticipated, at this point, that any funding will be lost due to the delays.

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

Capital Financing	**2018/19 Original Estimate £'000**	**2018/19 Revised Estimate £'000**
Capital Grants	33,411	15,628
Capital Receipts	1,228	1,346
Reserves	474	972
Revenue Contribution	13,329	7,703
Supported Borrowing	5,064	3,853
Unsupported Borrowing	5,999	4,181
Loan	374	374
Underspend from 2017/18	1,010	0
Total	**60,889**	**34,057**

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

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

7.4.2 Prudential Indicator – Capital Financing Requirement

	2018/19 Operational Boundary as per TMSS 2018/19 £000	2018/19 Opening Borrowing Position £000	Amount Within the Boundary £000	2018/19 Estimate Borrowing Position £000	Amount Within The Boundary £000
Prudential Indicator – External Debt/ The Operational Boundary					
Borrowing	169,000	116,425	52,575	124,455	44,545
Other long term liabilities	3,000	1,353	1,647	1,168	1,832
Total Debt 31 March	**172,000**	**117,778**	**54,222**	**125,623**	**46,377**

7.4.3 Prudential Indicator – Capital Financing Requirement (CFR)

7.4.3.1 We are currently slightly below the original forecast Capital Financing Requirement due to the forecast underspend in borrowing, mainly down to the 21st Century schools programme and the revised funding method for the Seiriol Extra Care.

	2018/19 Original Estimate £000	2018/19 Revised Estimate £000
Prudential Indicator – Capital Financing Requirement		
CFR – Council Fund	104,425	101,217
CFR – HRA	40,815	40,815
Total CFR	145,060	142,032
Net movement in CFR	**8,194**	**5,166**

Original CFR Forecast	**145,060**
Underspend in Unsupported Borrowing due to revised Band A Matrix with greater weighting for Capital Grants for Llangefni New Build rather than borrowing	-1,818
Underspend in Supported Borrowing mainly due to revised funding method for Seiriol Extra Care	-1,210
Revised CFR Forecast	**142,032**

7.5 Limits to Borrowing Activity

7.5.1 The first key control over the treasury activity is a prudential indicator to ensure that, over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2018/19 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.

	2018/19 Original Estimate £000	Current Position at 30 September 2018 £000	2018/19 Revised Estimate £000
External Borrowing	116,425	111,420	124,455
Internal Borrowing	27,467	n/a	16,409
Plus other long term liabilities	1,168	1,168	1,168
CFR (year-end position)	**145,060**	**n/a**	**142,032**

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

7.5.3 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members, currently £177m. 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	2018/19 Original Indicator	Current Borrowing Position as at 30 September 2018 £'000
Borrowing	174,000	111,420
Other long term liabilities	3,000	1,168
Total	**177,000**	**112,588**

8. Recommendation

8.1 To consider the content of the report.

MARC JONES
HEAD OF FUNCTION (RESOURCES) & SECTION 151 OFFICER **21 NOVEMBER 2018**

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

United Kingdom
The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

As for the labour market, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

United States of America
President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.

Eurozone
Growth was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

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

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

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

The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. We do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. We also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

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

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. This is likely to lead to friction with the EU when setting the target for the fiscal deficit in the national budget. Unsurprisingly, investors have taken a dim view of this and so Italian bond yields have been rising.
- Austria, the Czech Republic and Hungary now form a strongly anti-immigration bloc within the EU while Italy, this year, has also elected a strongly anti-immigration government. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position as a result of the rise of the anti-immigration AfD party. To compound this, the result of the Swedish general election in September 2018 has left an anti-immigration party potentially holding the balance of power in forming a coalition government. The challenges from these political developments could put considerable pressure on the cohesion of the EU and could spill over into impacting the euro, EU financial policy and financial markets.
- The imposition of trade tariffs by President Trump could negatively impact world growth. President Trump's specific actions against Turkey pose a particular risk to its economy which could, in turn, negatively impact Spanish and French banks which have significant exposures to loans to Turkey.
- Weak capitalisation of some European banks.
- Rising interest rates in the US could negatively impact emerging countries which have borrowed heavily in dollar denominated debt, so causing an investor flight to safe havens e.g. UK gilts.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

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

- President Trump's fiscal plans to stimulate economic expansion causing a significant increase in inflation in the US and causing further sell offs of government bonds in major western countries.

- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, 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.
- The Bank of England is too slow in its 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, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Crynodeb Benthyca a Buddsoddi – Chwarteroedd 1 a 2 2018/19
Borrowing and Investment Summary – Quarters 1 and 2 2018/19

	30 Medi / Sept 2018		30 Mehefin / June 2018	
	£m	% (paid on borrowing and received on investment)	£m	% (paid on borrowing and received on investment)
Benthyca – graddfa sefydlog Borrowing – fixed rate	111.4	5.15	114.4	5.15
Benthyca – graddfa amrywiol Borrowing – variable rate	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Adneuon – galw hyd at 30 diwrnod Deposits – Call to 30 days	6.1	0.65	8.7	0.38
Adneuon – Tymor sefydlog < 1 bl. Deposits – Fixed Term < 1 year	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Adneuon – Tymor sefydlog 1 bl. + Deposits – Fixed Term 1 year +	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Cyfanswm Adneuon Total Deposits	6.1	0.65	8.7	0.38
Adneuon Uchaf yn y Chwarter Highest Deposits in the Quarter	14.8	d/b / n/a	22.5	d/b / n/a
Adneuon Isaf yn y Chwarter Lowest Deposits in the Quarter	6.1	d/b / n/a	5.5	d/b / n/a
Cyfartaledd Adneuon yn y Chwarter Average Deposits in the Quarter	10.4	0.48	14.2	0.31

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

ATODIAD / APPENDIX 4

Graddfeydd Credyd Gwrthbartïon buddsoddi a'r adneuon a ddelir gyda phob un ar 30 Medi 2018*
Credit ratings of investment counterparties and deposits held with each as at 30 September 2018*

Grŵp Bancio/ Banking Group	Sefydliad/ Institution	Adneuon / Deposit £'000	Hyd (Galw/ tymor sefydlog) / Duration (Call / Fixed Term**)	Cyfnod (O / I) / Period (From / To)	Graddfa Dychweliad/ Rate of Return %	Graddfa Tymor Hir Fitch Long Term Rating	Graddfa Tymor Byr Fitch Short Term Rating	Graddfa Tymor Hir Moody's Long Term Rating	Graddfa Tymor Byr Moody's Short Term Rating	Graddfa Tymor Hir Standard & Poor's Long Term Rating	Graddfa Tymor Byr Standard & Poor's Short Term Rating	Lliw Sector/Hyd Awgrymiedig/ Sector Colour / Suggested Duration
Lloyds Banking Group plc	Bank of Scotland plc	6.086	Galw/ Call	n/a	0.65	A+	F1	Aa3	P-1	A+	A-1	Glas – 12 mis/ Blue -12m months
Santander Group plc	Santander UK plc	0.001	Galw/ Call	n/a	0.40	A	F1	Aa3	P-1	A	A-1	Coch – 6 mis/ Red - 6 months
The Royal Bank of Scotland Group plc	The Royal Bank of Scotland plc (Part / Nationalised)	0.002	Galw/ Call	n/a	0.25	BBB+	F2	Baa2	P-2	BBB-	A-3	Glas - 12 mis / Blue - 12 months

* Ceir y Rhestr Benthyca Cymeradwyedig yn Atodiad 6 o'r Datganiad Strategaeth Rheoli Trysorlys 2018/19/Strategaeth Buddsoddi Blynyddol/ The Approved Lending List can be found at Appendix 6 of the 2018/19 Treasury Management Strategy Statement / Annual Investment Strategy

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

Approved countries for investments

Based upon lowest available sovereign credit rating

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

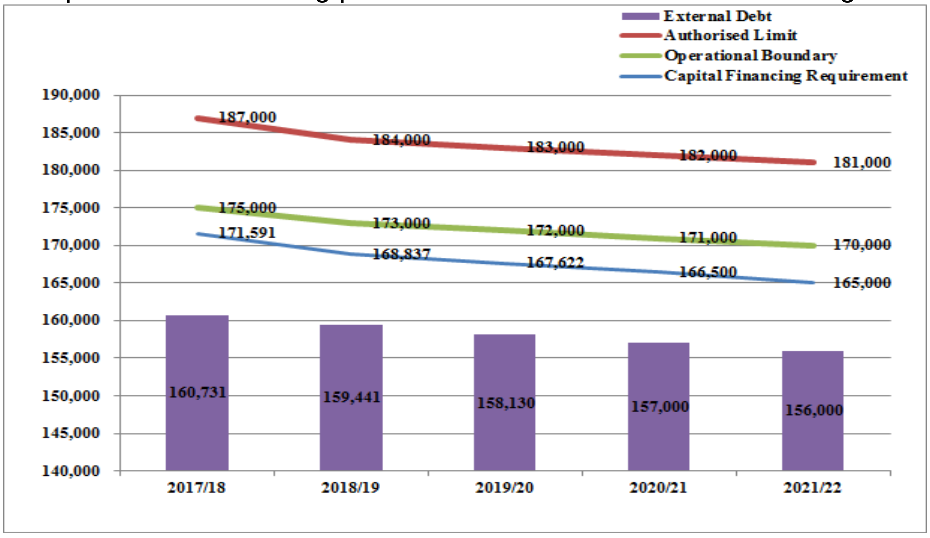
AA+
- Finland
- U.S.A.

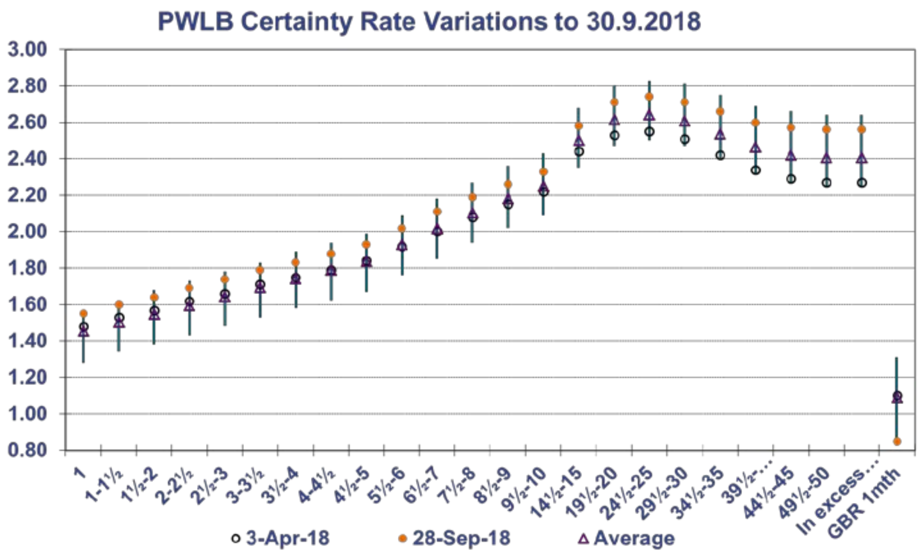
AA
- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-
- Belgium
- Qatar

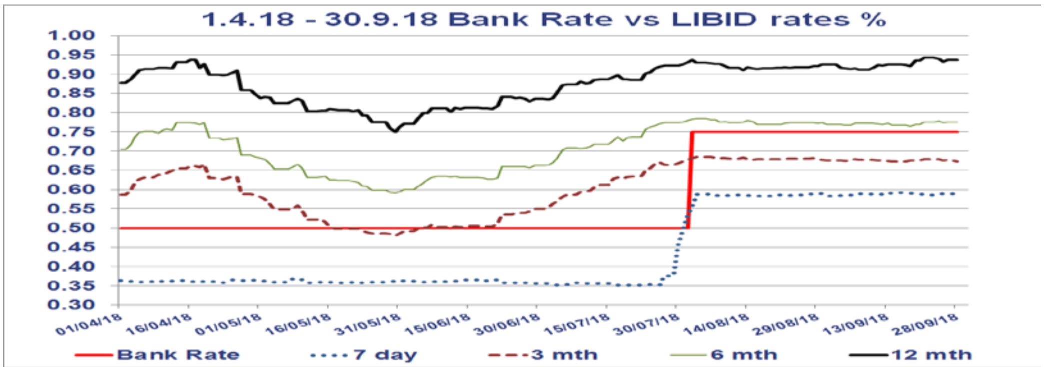
Graffiau Ychwanegol / Additional Graphs

Comparison of borrowing parameters to actual external borrowing





	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.75	0.59	0.60	0.68	0.78	0.94
High Date	02/08/2018	14/09/2018	18/09/2018	06/08/2018	03/08/2018	21/09/2018
Low	0.50	0.35	0.37	0.48	0.59	0.75
Low Date	01/04/2018	19/07/2018	30/05/2018	30/05/2018	30/05/2018	30/05/2018
Average	0.58	0.43	0.47	0.61	0.71	0.87
Spread	0.25	0.24	0.23	0.21	0.19	0.19



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

Gwybodaeth Ychwanegol / Additional information

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

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

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

2. IFRS9 accounting standard
This accounting standard came into effect from 1st April 2018. It means that the category of investments valued under the available for sale category will be removed and any potential fluctuations in market valuations may impact onto the Surplus or Deficit on the Provision of Services, rather than being held on the balance sheet. This change is unlikely to materially affect the commonly used types of treasury management investments but more specialist types of investments, (e.g. pooled funds, third party loans, commercial investments), are likely to be impacted.

3. Changes in risk appetite
The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members’ attention in treasury management update reports.

4. LOBOs

a) **Inverse LOBOs**- Any authority which has these LOBOs may wish to update members on developments in the current financial year.

b) **Rescheduling of LOBOs** into fixed rate debt. We already have paragraph 8. Debt rescheduling so that may be a suitable point to add in information to update members on developments in the current financial year.

5. WELSH AUTHORITIES

Treatment of Money Market Funds and investments involving the purchase of loan capital etc
LAS comment: clients may need to check their current TMSS in order to ascertain whether some additions to approved investments can be made as a result of the updated 2018 regulations. If so, a specific resolution requesting member approval for specific additions of types of investment should be added to this report.

The 2018 No.325 (W.61) Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018 have been issued which have introduced some changes to the treatment of certain types of treasury management investments. Paragraph 9 now makes clear that the following types of investment are not to be treated as being capital expenditure: -

1. A treasury investment involving the acquisition of loan capital, through a bond issued via grant or for financial assistance for a capital purpose will remain capital expenditure;

2. An investment in a money market fund;

3. An investment in the shares of a company to which Part 12 of the Corporation Tax Act 2010(1) (real estate investment trusts) applies;

4. The acquisition of shares in an investment scheme approved by the Treasury under section 11(1) of the Trustee Investments Act 1961(2) (local authority investment schemes).

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

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	**Executive / Council**
Date:	**18.02.2018 / 27.02.2018**
Subject:	**Proposed amendment to paragraph 4.5.4 of the Constitution in relation to education representatives on Scrutiny Committees**
Portfolio Holder(s):	**Councillor Dafydd Rhys Thomas**
Head of Service:	**Lynn Ball – Head of Service (Council Business) / Monitoring Officer**
Report Author: Tel: E-mail:	**Mared Wyn Yaxley – Solicitor** **01248 752566** **mwycs@ynysmon.gov.uk**
Local Members:	**Not a specific ward issue**

A –Recommendation/s and reason/s

1. That Council :

1.1 Agrees to remove the requirement to have "one representative of other faiths or denominations" on a Scrutiny Committee when it deals with Education matters (i.e. sits as a Local Education Authority Scrutiny Committee) as is currently included in paragraph 4.5.4.4 of the Constitution (as shown in **ENCLOSURE 1**), so that paragraph 4.5.4 reads as included in **ENCLOSURE 2**

1.2 Authorises the Council's Head of Function (Council Business) / Monitoring Officer to make the necessary changes to the Constitution to reflect the removal of the requirement noted in 1.1 above.

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

Section 4.5 of the Constitution includes the Scrutiny Procedure Rules.

Paragraph 4.5.4 of the Council's Constitution deals with the legislative requirement to have education representatives with voting rights on Scrutiny Committees when dealing with education matters. The current wording of 4.5.4 is included in **Enclosure 1**.

There is a legislative requirement to appoint Parent Governor representatives and Church representatives to Overview and Scrutiny Committees dealing wholly or partly with education matters. The relevant Act and Regulation are noted in section FF of this report.

In addition to the above statutory requirements, this County Council decided to include a further provision, by way of local choice, to have “one representative of other faiths or denominations” (4.5.4.4 of the Constitution). It is understood that only one other local authority decided to include this requirement. The proposal now is to remove this requirement by deleting 4.5.4.4 of the Constitution so that paragraph 4.5.4 reads as per **Enclosure 2**.

The removal of 4.5.4.4 is satisfactory in terms of the legal requirement. The absence of a further representative of a religious denomination on the Scrutiny Committees does not prejudice their ability to discharge their legal and constitutional responsibilities.

There are Roman Catholic and Church in Wales Schools on the Isle of Anglesey and there are representatives from these denominations on the Scrutiny Committees accordingly (4.5.4.2 and 4.5.4.1 respectively). However, there are no other religious denomination schools in the County. There are no schools which fall within the “other faiths or denominations” category on Anglesey. It would therefore be difficult to determine who would be included within the definition of “other faiths or denominations”.

In addition to this, in light of recent limited interest in recruiting to the other vacancies for co-opted members to serve on Scrutiny Committees, it is anticipated that there would be similar difficulties to recruit someone from “other faiths or denominations”.

The options available to the County Council include:

(a) <u>To maintain the status quo i.e. leave the requirement under 4.5.4.4.</u>
The status quo has been to include the requirement in the Constitution but there has not been a representative in Scrutiny Committee meetings and so it seems futile to have a Constitutional requirement which is not observed.
If the clause is to remain in the Constitution, in order to satisfy the requirement, a selection process would need to be conducted. It may prove challenging to ascertain who is eligible to be included in the pool. From experience in relation to the other recruitment processes, it may prove difficult to appoint an individual.

(b) <u>Remove 4.5.4.4 from the Constitution</u>
There is no legislative requirement as the inclusion was a local choice in any event.
Deleting this requirement would ensure the Constitution reflects practice. There would be a cost saving as no recruitment process would need to be undertaken. Co-opted members are also entitled to receive allowances for the meetings which they attend.

It is proposed that option (b) is adopted so that 4.5.4 of the Constitution reads as **Enclosure 2.**

C – Why is this a decision for the Executive?

As the report proposes to amend the Scrutiny Procedure Rules, which are part of the Constitution, then this report must be considered by the Executive before a final decision is made by Council.

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

Yes, where relevant

D – Is this decision within the budget approved by the Council?
There are no budgetary implications.

DD – Who did you consult?		**What did they say?**
1	**Chief Executive / Senior Leadership Team (SLT)** (mandatory)	Feedback received is supportive
2	**Finance / Section 151** (mandatory)	No comment
3	**Legal / Monitoring Officer** (mandatory)	Supportive
4	**Human Resources (HR)**	
5	**Property**	
6	**Information Communication Technology (ICT)**	
7	**Procurement**	
8	**Scrutiny**	Comments included as part of the report.
9	**Local Members**	Not a specific ward issue
10	**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:
Enclosure 1 : Paragraph 4.5.4 as currently appears in the Constitution **Enclosure 2**: Proposed new paragraph 4.5.4 in the Constitution

FF - Background papers (please contact the author of the Report for any further information):
• Local Government Act 2000 • The Parent Governor Representatives and Church Representatives (Wales) Regulations 2001

ENCLOSURE 1

4.5.4 Education Representatives

Each relevant Scrutiny Committee dealing with education matters shall include in its membership the following voting representatives:

- 4.5.4.1 One Church in Wales representative
- 4.5.4.2 One Roman Catholic representative
- 4.5.4.3 Two parent governor representatives; and
- 4.5.4.4 One representative of other faiths or denominations

A Scrutiny Committee in this paragraph is a Scrutiny Committee of the Local Education Authority, where the Committee's functions relate wholly or in part to any education functions which are the responsibility of the authority's Executive. When the Scrutiny Committee deals with other matters, these representatives shall not vote on those other matters and may only attend as co-opted members of the Committee for discussion of those other matters if invited to do so.

ENCLOSURE 2

4.5.4 Education Representatives

Each relevant Scrutiny Committee dealing with education matters shall include in its membership the following voting representatives:

4.5.4.1 One Church in Wales representative
4.5.4.2 One Roman Catholic representative
4.5.4.3 Two parent governor representatives

A Scrutiny Committee in this paragraph is a Scrutiny Committee of the Local Education Authority, where the Committee's functions relate wholly or in part to any education functions which are the responsibility of the authority's Executive. When the Scrutiny Committee deals with other matters, these representatives shall not vote on those other matters and may only attend as co-opted members of the Committee for discussion of those other matters if invited to do so.

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
MEETING:	County Council
DATE:	27/02/2019
TITLE OF REPORT:	Pay Policy Statement 2019
REPORT BY:	Councillor Dafydd Rhys Thomas
PURPOSE OF REPORT:	To ensure that the Authority satisfies its statutory obligations under the Localism Act 2011 to have a published Pay Policy by 31.3.19

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 2019/20.

Appendix 1 Pay Policy Statement

ISLE OF ANGLESEY COUNTY COUNCIL

PAY POLICY STATEMENT

FEBRUARY 2019

1. Introduction and Purpose

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

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

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

2. Legislative Framework

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

3. Scope of the Pay Policy Statement

The Localism Act 2011 requires authorities to develop and make public their pay policy on all aspects of Chief Officer Remuneration (including on ceasing to hold office), and that pertaining to the ‘lowest paid’ in the authority, explaining their policy on the relationship between remuneration for Chief Officers and other groups. However, in the interests of transparency and accountability the Council has chosen to take a broader approach and produce a policy statement covering all employee groups, with the exception of school teachers as their remuneration is not within local authority control.

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

4. Development of Pay and Reward Strategy

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

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

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

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

5. Pay Structure

The Council uses the nationally negotiated NJC pay spine as the basis for its local grading structure. This determines the salaries of the large majority of the non-teaching workforce, together with the use of other nationally defined rates where relevant. In April 2018 a pay award for NJC employees covering the period from 1 April 2018 to 31 March 2020 was agreed. The Council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine. The Council is committed to fairly determining pay in accordance with equal pay legislation and the local government 'single status' agreement 1997 and has, from 1 December 2015, implemented a Single Status pay and grading structure. The Council's NJC grading structure runs from Grade 1 (scp 10) to Grade 10 (max scp 50) with minimum and maximum hourly rates of pay for 2019/20 being £9.36 and £28.17 respectively.

Once a post has been evaluated, the score will determine into which pay grade or band the post will be assimilated. New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate, with the agreement of the Head of Profession – Transformation & HR.

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

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

The Council expects high levels of performance from all employees and has an Annual Appraisal Scheme in place to monitor, evaluate and manage performance on an ongoing basis.

6. Other Benefits

Subject to qualifying conditions, employees have a right to join the Local Government Pension Scheme. The employee contribution rates, which are defined by statute, currently vary between 5.8% - 11.4% of salary, dependent upon defined pay bands relating to whole-time equivalent salary. The Employer contribution rates are set by Actuaries advising the Gwynedd Pension Fund and reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The current rate is 18.6 and is applicable until 31.3.2020.

The Council has a range of other terms and conditions applicable to its employees, based largely upon National Joint Council terms and conditions, supplemented by locally negotiated conditions and policies. Certain of these terms and conditions result in monetary payments, including car loans, payment of professional fees and honoraria payments for undertaking additional responsibilities. For relevant 'additions to salary of Chief Officers', see paragraph 10 below. Staff terms and conditions are reviewed on a regular basis in consultation and negotiation with our recognised trade unions.

7. Senior Management Remuneration

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

a) Chief Executive/Head of Paid Service
b) Senior Leadership Team (Assistant Chief Executives, Section 151 Officer, Monitoring Officer
c) Heads of Service

Their basic salary as at 1st **April 2019** (following implementation of the Chief Executives' and Chief Officers' pay award) will be as follows;

Senior Officer	Remuneration
Chief Executive	£117,912 per annum (non-incremental) This officer is required to act as Head of Paid Service and will also receive additional fees for Returning Officer duties
Senior Leadership - Assistant Chief Executives - Section 151 Officer - Monitoring Officer	£78,380 - £90,211 per annum
Heads of Service - Children, Adults, Transformation & HR, Learning, Housing, Regulation & Economic Development, Highways, Transportation & Waste	£62,787 - £76,990 per annum

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

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

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

The Local Government (Democracy) (Wales) Act 2013 gives the Independent Remuneration Panel for Wales ("the IRP") powers to make recommendations in relation to the salary of the Head of Paid Service, or any proposed changes to the salary of the Head of Paid Service. 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. Any enhancements provided within the Council's policy are applied to all staff, irrespective of grade or status.

The Council awaits Welsh Government regulations in respect of a possible future cap on public sector exit payments. In the meantime, full Council will have an opportunity to vote on all severance packages over £100,000, the total amount to include severance pay, salary paid in lieu of notice and the cost to the authority of the strain on the pension fund arising from providing early access to pension. Any other payments falling outside the provisions of contractual terms shall be subject to a formal decision made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.

The Council does not currently have any instances of re-engagement of retired Chief Officers. If circumstances arose where this needed to be considered for business-critical reasons, any such decision would be made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such arrangements.

The Council's Restructuring & Redundancy Policy states that any employee who leaves the employment of the Council on voluntary redundancy terms will not be re-employed by the Council for the duration of the redundancy compensation payment period received, e.g. if a member of staff receives 45 weeks' redundancy payment, they cannot be re-employed by the Council for 45 weeks after the termination date. This period will be extended to 12 months if the employee is also in receipt of a pension for which the Council has incurred additional costs. Any re-employment sooner than that noted above would have to be with the express authorisation of the Senior Leadership Team and the Head of Profession – Transformation & HR who would consider each case on its merits.

12. Lowest Paid Employees

The lowest paid persons employed under a contract of employment with the Council are employed on full time 37 hours equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1 April 2019, this point is the recently nationally agreed scale point 3 which will be £18,065 per annum, or £9.36 per hour compared with the National Living Wage of £8.21 per hour at 1 April 2019 and the current Real Living Wage of £9.00 per hour.

The relationship between the rate of pay for the lowest paid and chief officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the 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 6.5:1 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 and ethical pay practices are adopted by external contractors commissioned to deliver services.

14. Publication

Upon approval by the full Council, this statement will published on the Council's Website. In addition, for posts where the full time equivalent salary is at least £60,000, the Council's Annual Statement of Accounts (http://www.anglesey.gov.uk/council-and-democracy/council-finance-and-budgets/statement-of-accounts/statement-of-accounts-2017-2018/) 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 2019