Public Document Pack

Dr Gwynne Jones.
Prif Weithredwr – Chief Executive

CYNGOR SIR YNYS MÔN
ISLE OF ANGLESEY COUNTY COUNCIL
Swyddfeydd y Cyngor - Council Offices
LLANGEFNI
Ynys Môn - Anglesey
LL77 7TW

Ffôn / tel (01248) 752500
Ffacs / fax (01248) 750839

RHYBUDD O GYFARFOD	NOTICE OF MEETING
PWYLLGOR GWAITH	**THE EXECUTIVE**
DYDD LLUN 18 CHWEFROR 2018 10.00 o'r gloch	**MONDAY 18 FEBRUARY 2019 10.00 am**
SIAMBR Y CYNGOR SWYDDFEYDD Y CYNGOR LLANGEFNI	**COUNCIL CHAMBER COUNCIL OFFICES LLANGEFNI**
Swyddog Pwyllgor **Ann Holmes 01248 752518**	Committee Officer

AELODAU/MEMBERS

Plaid Cymru/Party of Wales

Llinos Medi Huws, Carwyn Jones, R Meirion Jones, Alun W Mummery, Robert G Parry, OBE, FRAgS, Robin Wyn Williams

Annibynnol/Independent

Richard Dew, Dafydd Rhys Thomas, Ieuan Williams

COPI ER GWYBODAETH / COPY FOR INFORMATION

I Aelodau'r Cyngor Sir / To the Members of the County Council

Bydd aelod sydd ddim ar y Pwyllgor Gwaith yn cael gwahoddiad i'r cyfarfod i siarad (ond nid i bleidleisio) os ydy o/hi wedi gofyn am gael rhoddi eitem ar y rhaglen dan Reolau Gweithdrefn y Pwyllgor Gwaith. Efallai bydd y Pwyllgor Gwaith yn ystyried ceisiadau gan aelodau sydd ddim ar y Pwyllgor Gwaith i siarad ar faterion eraill.

A non-Executive member will be invited to the meeting and may speak (but not vote) during the meeting, if he/she has requested the item to be placed on the agenda under the Executive Procedure Rules. Requests by non-Executive members to speak on other matters may be considered at the discretion of The Executive.

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

A G E N D A

1 **DECLARATION OF INTEREST**

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

2 **URGENT MATTERS CERTIFIED BY THE CHIEF EXECUTIVE OR HIS APPOINTED OFFICER**

No urgent matters at the time of dispatch of this agenda.

3 **MINUTES** (Pages 1 - 6)

To submit for confirmation, the draft minutes of the meeting of the Executive held on 28 January 2019.

4 **REVENUE BUDGET MONITORING - QUARTER 3, 2018/19** (Pages 7 - 40)

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

5 **CAPITAL BUDGET MONITORING - QUARTER 3, 2018/19** (Pages 41 - 50)

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

6 **HRA BUDGET MONITORING - QUARTER 3, 2018/19** (Pages 51 - 58)

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

7 **DISCRETIONARY BUSINESS RATE RELIEF POLICY** (Pages 59 - 64)

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

8 **CHARGES FOR NON-RESIDENTIAL SERVICES 2019/20** (Pages 65 - 72)

To submit a report by the Head of Adults' Services.

9 **STANDARD CHARGE FOR COUNCIL CARE HOMES 2019/20** (Pages 73 - 76)

To submit a report by the Head of Adults' Services.

10 **INDEPENDENT SECTOR CARE HOME FEES 2019/20** (Pages 77 - 86)

To submit a report by the Head of Adults' Services.

11 **HOUSING RENTS AND HOUSING SERVICES CHARGES 2019/20** (Pages 87 - 94)

To submit a report by the Head of Housing Services.

12 **USE OF RESERVES AND BALANCES** (Pages 95 - 116)

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

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

13 **<u>MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2019/20</u>** (Pages 117 - 170)

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

14 **<u>CAPITAL STRATEGY AND CAPITAL PROGRAMME 2019/20 TO 2021/22</u>** (Pages 171 - 192)

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

15 **<u>TREASURY MANAGEMENT STRATEGY 2019/20</u>** (Pages 193 - 232)

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

16 **<u>CAPITAL BUDGET 2019/20</u>** (Pages 233 - 244)

To submit a report by the Head of Function (Resources)/Section 51 Officer.

17 **<u>THE EXECUTIVE'S FORWARD WORK PROGRAMME</u>** (Pages 245 - 256)

To submit a report by the Head of Democratic Services.

18 **<u>CHANGES TO THE CONSTITUTION: 4.5 SCRUTINY PROCEDURE RULES - 4.5.4 EDUCATION REPRESENTATIVES</u>** (Pages 257 - 262)

To submit a report by the Head of Function (Council Business)/Monitoring Officer.

19 **<u>CHILDCARE SUFFICIENCY ASSESSMENT PROGRESS REPORT AND ACTION PLAN</u>** (Pages 263 - 286)

To submit a report by the Head of Learning.

This page is intentionally left blank

THE EXECUTIVE

Minutes of the meeting held on 28 January, 2019

PRESENT:	Councillor Llinos Medi Huws (Chair) Councillor Ieuan Williams (Vice-Chair) Councillors Richard Dew, Carwyn Jones, R. Meirion Jones, Alun Mummery, R.G.Parry, OBE, FRAgS, Dafydd Rhys Thomas, Robin Williams
IN ATTENDANCE:	Chief Executive Assistant Chief Executive (Partnerships, Community and Service Improvement) Assistant Chief Executive (Governance and Business Process Transformation)/Statutory Director of Social Services Head of Function (Resources) & Section 151 Officer Head of Democratic Services (for item 5) Head of Housing Services (for item 8) Housing Service Manager (Strategy Commissioning & Policy)(for item 8) Committee Officer (ATH)
APOLOGIES:	None
ALSO PRESENT:	Councillors Aled Morris Jones, Eric Jones, R. Llewelyn Jones

---

1. DECLARATION OF INTEREST

No declaration of interest was made.

2. URGENT MATTERS CERTIFIED BY THE CHIEF EXECUTIVE OR HIS APPOINTED OFFICER

None to report.

3. MINUTES

The minutes of the previous meeting of the Executive held on 17 December, 2018 were presented for confirmation.

It was resolved that the minutes of the previous meeting of the Executive held on 17 December, 2018 be confirmed as correct subject to noting Councillor Richard Dew as present at the meeting.

4. MINUTES – CORPORATE PARENTING PANEL

The minutes of the meeting of the Corporate Parenting Panel held on 10 December, 2018 were presented for adoption.

It was resolved that the minutes of the meeting of the Corporate Parenting Panel held on 10 December, 2018 be adopted.

5. THE EXECUTIVE'S FORWARD WORK PROGRAMME

The report of the Head of Democratic Services incorporating the Executive's Forward Work Programme for the period from February, 2019 to September, 2019 was presented for the Executive's consideration.

The Head of Democratic Services updated the Executive as follows –

Items new to the Work Programme -

- Item 1 – Toilet Strategy Consultation the decision on which is delegated to the Portfolio Holder and is scheduled to be issued in January/February, 2019.
- Item 7 – Capital Strategy to be considered by the Executive at its 18 February, 2019 meeting.
- Item 8 – Capital Budget, 2019/20 to be considered by the Executive at its 18 February, 2019 meeting.
- Item 14 – Changes to the Constitution (Scrutiny Procedure Rules) to be considered by the Executive at its 18 February, 2019 meeting.
- Item 23 – Discretionary Housing Payments Policy to be considered by the Executive at its 25 March, 2019 meeting.
- Item 24 – Further Education Trust Annual Report to be considered by the Executive at its 25 March, 2019 meeting.
- Item 25 – Housing Revenue Account Business Plan to be considered by the Executive at its 25 March, 2019 meeting.
- Item 26 – Supporting People Commissioning Panel to be considered by the Executive at its 25 March, 2019 meeting.
- Item 27 – Schools' Modernisation (Report on objections to the refurbishment and expansion of Ysgol Llandegfan, closure of Ysgol Beaumaris and refurbishment of Ysgol Llangoed) to be considered by the Executive at its 25 March, 2019 meeting.
- Item 28 – Schools' Modernisation (Report on objections to the expansion of Ysgol y Graig and closure of Ysgol Talwrn) to be considered by the Executive at its 25 March, 2019 meeting.
- Item 37 – Corporate Scorecard 2019/20 Quarter 1 to be considered by the Executive at its September, 2019 meeting
- Item 38 – 2019/20 Revenue and Capital Budget Monitoring Report Quarter 1 to be considered by the Executive at its September, 2019 meeting.

Changes since the publication of the agenda and the report above –

- Item 17 – School Transport Policy re-scheduled for consideration from the 18 February, 2019 meeting of the Executive to the 25 March, 2019 meeting.
- Item 22 – Delivery of Leisure provision for future generations – Service request to re-schedule the item from the Executive's 25 March, 2019 meeting to a later meeting on a date to be confirmed.

It was resolved to confirm the Updated Forward Work Programme for the period February to September, 2019 with the additional changes outlined at the meeting.

6. CARE INSPECTORATE WALES (CIW) INSPECTION REPORT ON THE CHILDREN AND FAMILIES' SERVICES

The report of the Head of Children and Families' Services summarising the outcome of CIW's re-inspection of Children and Families' Services at the Isle of Anglesey County Council in October, 2018 was presented for the Executive's consideration. Also presented was a copy of CIW's re-inspection report.

The Chair and Portfolio Member for Social Services reported that CIW's report following its re-inspection of Children and Families' Services at the Council is a positive report which acknowledges the significant improvements made by Anglesey's Children's Services in a number of key areas since the original inspection in November, 2016. However, the report also identifies areas for further development and these will be the focus of attention for the Children's Services Improvement Panel and will be clearly highlighted in the new Service Improvement Plan which is intended to take the service forwards. The Portfolio Member said that Children's Services are a crucial component of Local Authority provision, and in Anglesey as in other areas of Wales, Children's Services are facing a number of challenges; this was recognised by Council Leaders who shared their concerns about the future of Children's Services and the financial pressures which meeting growing demand in Children's Services are putting on Council budgets at a recent meeting of the Wales Local Government Association. The improvements achieved by Anglesey's Children's Services over the course of the last two years are as a result of Members and Officers working collaboratively with the objective being that these improvements should also lead to improved outcomes for children and their families. The positive impacts of a service that is performing well need to be reflected within communities and in the lives of looked after children and their families. The Chair thanked the Interim Head of Children's Services for putting together the initial Service Improvement Plan after the 2016 inspection, the Head of Children and Families' Services for taking the Plan forwards and the Chief Executive, Assistant Chief Executive/ Statutory Head of Social Services, and Strategic Leadership Team for their guidance and support.

The Assistant Chief Executive (Governance and Business Process Transformation)/ Statutory Director of Social Services said that she was grateful to CIW both for their inspection work in 2016 and 2018 and their contribution to the Service's improvement work by way of encouragement and support ensuring that the Service remained on the right pathway throughout the improvement process of the last two years. The Officer emphasised that work still remains to be done, and that improving Children and Families' Services is a continual process. The areas for development identified by CIW are ones that the Service agrees with and has recognised, the feeling being that the Service is increasingly self-aware and knows where it is at, and where it wishes to be. The table in the report which provides the Service's position on each of the 14 areas for development represents the kernel of a new Service Improvement Plan; it will be added to by the Service based on its understanding of the areas which it wishes to develop for example, the Small Group Homes initiative and After-Care. The new SIP will be developed over the next few months before it is presented to the Children's Services Improvement Panel and thereafter to the Corporate Scrutiny Committee and to the Executive. The Officer said that it is essential that the Service maintains the momentum of improvement achieved in the last two years and that it continues to work collaboratively with Members and partners to further improve services. The Assistant Chief Executive/Statutory Director of Social Services thanked the Children's Services Improvement Panel, the Strategic Leadership Team and the Service's partners for all contributing to the improvement process with the greatest thanks being due to Children and Families' Services staff and the Service's Management Team.

The Chair referred to the 17 January, 2019 meeting of the Corporate Scrutiny Committee at which CIW's Re-Inspection Report of Anglesey's Children's Services was considered.

She outlined the Scrutiny Committee's conclusions based on the Scrutiny Manager's summary of the Committee's discussions as follows –

- That the Scrutiny Committee was gratified by the conclusions of CIW's re-Inspection report noting that the main messages accord with the Authority's understanding of the Service.
- That CIWs report does not say anything that Management and Elected Members are not already aware of.
- That CIW had confirmed at the meeting that all statutory responsibilities within Children's Services are being met and that at the time of the inspection there were no areas of concern that needed to be escalated.
- That CIW had confirmed that the outline SIP is robust and covers the identified areas for development.
- That CIW had confirmed that the Children's Services Improvement Panel has a continuing role to play in monitoring and overseeing the ongoing process of improvement.
- That the Scrutiny Committee recognised that the momentum of improvement needs to be maintained in order to ensure continuous improvement and assured CIW that this would be the case. The Committee will keep a watching brief over this work.
- The Scrutiny Committee congratulated all those involved in the improvement journey thus far comprising of Elected Members, Management and the Service's staff and, having considered the report and the presentation by CIW, the Committee accepted both CIW's report and the Service's position in terms of the steps to be taken to address areas for development, and recommended the report to the Executive.

The Chief Executive said that he was pleased with the improvements to which the report by CIW testifies. He thanked the staff of Children and Families' Services for the hard work which had produced those improvements and was confident that the high level of commitment would be maintained in the knowledge that further work needs to be done.

Councillor Aled Morris Jones, Chair of the Corporate Scrutiny Committee - having not been present for the first part of this item – reiterated the Scrutiny Committee's commitment to securing further improvements in Children's Services noting that the improvement journey is a continuous one; its recognition of the contribution made by the Children's Services Improvement Panel and the continuing role which the Panel has to play in supporting improvements into the future, and its appreciation of the work of staff in what can be both a challenging and inspiring environment. He thanked the Assistant Chief Executive/ Statutory Director of Social Services for her leadership and guidance during the improvement period.

The Executive acknowledged the hard work on which the significant improvements in Children's Services as recognised by CIW, were founded. The Executive in welcoming the report stressed that the momentum must be maintained; to that end it proposed that the Executive should continue to receive the quarterly progress reports on improvements in Children and Families' Services that have formed part of the reporting process on the Service's improvement journey over the last two years, enabling the Executive to keep an eye on the extent and pace pf progress.

It was resolved –

- **To accept the Care Inspectorate Wales's Inspection of Children's Services Isle of Anglesey County Council Report.**

- **To accept and agree with the Children and Families Services' service position and steps to be taken to ensure that the service addresses areas for development.**
- **That the Executive continues to receive quarterly progress update reports on improvements in Children and Families' Services.**

7. TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2018/19

The report of the Head of Function (Resources)/Section 151 Officer incorporating a review of the Treasury Management position and activity mid-way through the 2018/19 financial year was presented for the Executive's consideration.

The Portfolio Member for Finance reported that the mid-year review report on the Council's Treasury Management activities has been prepared in accordance with the requirements of CIPFA's Code of Practice on Treasury Management; the report will also be presented to the Full Council under the terms of the Council's Constitution.

The Head of Function (Resources)/Section 151 Officer said that the report had been considered and accepted without additional comment by the Audit and Governance Committee. The main points can be summarised as follows –

- The Council held £6.089m of investments as at 30 September, 2018 details of which are contained in Appendix 4 to the report. Performance for the year to date in terms of investment return at £0.023m exceeds the budgeted return of £0.017m the reason being the increase in bank rate from 0.5% to 0.75% in August, 2018.
- The projected Capital Financing requirement (CFR) for 2018/19 in £142m. This denotes the Council's underlying need to borrow in order to fund capital expenditure and is financed both through external borrowing - £125.6m and internal borrowing - £16.4m made up of the Council's cash balances. In January, 2019 borrowing from the PWLB (£5m) matured and was repaid along with borrowing from North Yorkshire County Council (also £5m); this provided an opportunity to re-structure the Council's borrowings leading to borrowing of £15m consisting of £5m to make the repayment to PWLB; £5m to repay North Yorkshire County Council and £5m to re-balance the proportion of internal borrowing compared to external borrowing in order to increase the Council's cash balances.
- The Council sets Prudential Indicators as part of its Treasury Management Strategy for the year ahead; these are designed to control the Council's borrowing ensuring that it does not borrow to a level that is unsustainable in the long-term. The indicators are referred to in section 7 of the report. It is not envisaged that there will be any difficulties in complying with the indicators in the current year. Table 7.5.1 of the report shows the balance between external and internal borrowing with the total sum of internal borrowing having been revised down from the original estimate of £27.467m to £16.409m as a result of reduced capital expenditure and the re-structuring referred to previously.

It was resolved to approve the Treasury Management mid-year review report 2018/19 and to forward the report to the Full Council without further comment.

8. LOCAL TENANT PARTICIPATION STRATEGY 2018-23

The report of the Head of Housing Services incorporating the Local Tenant Participation Strategy for the period 2018-23 was presented for the Executive's consideration.

The Portfolio Member for Housing and Supporting Communities reported that Welsh Government expects Social Landlords to agree and publish a Participation Strategy for Housing Services. By providing a strategy that offers a range of methods to take part, tenants are able to choose how and when they wish to participate. The Portfolio Member said that it is important that the Council approves Tenant Participation as a significant strategy.

The Housing Service Manager (Strategy Commissioning & Policy) confirmed that Tenant Participation is regarded as important by the Housing Service. The Service uses a variety of methods to engage with tenants at different levels. The Officer said that progress towards achieving active tenant participation has been made in the last year.

It was resolved to approve the Local Tenants' Participation Strategy.

Councillor Llinos Medi Huws
Chair

DRAFT

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	**EXECUTIVE COMMITTEE**
DATE:	**18 FEBRUARY 2019**
SUBJECT:	**REVENUE BUDGET MONITORING, QUARTER 3 2018/19**
PORTFOLIO HOLDER(S):	**COUNCILLOR ROBIN WYN WILLIAMS**
HEAD OF SERVICE:	**MARC JONES**
REPORT AUTHOR: TEL: E-MAIL:	**BETHAN HUGHES-OWEN/CLAIRE KLIMASZEWSKI** 01248 752663/751865 clkfi@ynysmon.gov.uk
LOCAL MEMBERS:	**n/a**

A - Recommendation/s and reason/s

1. In February 2018, the Council set a net budget for 2018/19 with net service expenditure of £130.870m to be funded from Council Tax income, NDR and general grants. An additional £0.075m was approved for expenditure on unplanned items as contingencies. The budget for the Council Tax Premium was reduced subsequently by £0.045m. The total budget for 2018/19 is, therefore, £130.900m.

2. The budget for 2018/19 included required savings of £2.522m. These have been incorporated into the individual service budgets and achievement or non-achievement of these is reflected in the net (under)/overspends shown. While significant savings were once more required to balance the budget, £0.707m of additional budget was allocated for additional budget pressures.

3. This report sets out the financial performance of the Council's services at the end of Quarter 3, which relates to the period 1 April 2018 to 31 December 2018. The projected position for the year as a whole is also summarised.

4. The overall projected financial position for 2018/19, including Corporate Finance and the Council Tax fund, is an overspend of £1.589m. This is 1.21% of the Council's net budget for 2018/19. This is due to similar budget pressures experienced in 2017/18, the most significant of which is the cost of statutory children's services.

5. It is recommended that:-

   (i) To note the position set out in appendices A and B in respect of the Authority's financial performance to date and expected outturn for 2018/19;
   (ii) To note the summary of Contingency budgets for 2018/19 detailed in Appendix C;
   (iii) To note the position of the invest to save programmes in Appendix CH;
   (iv) To note the position of the efficiency savings for 2018/19 in Appendix D;
   (v) To note the monitoring of agency and consultancy costs for 2018/19 in Appendices DD and E.

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

n/a

C - Why is this a decision for the Executive?

This matter is delegated to the Executive.

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

Yes

D - Is this decision within the budget approved by the Council?		
	Yes	
DD - Who did you consult?		**What did they say?**
1	**Chief Executive / Strategic Leadership Team (SLT)** (mandatory)	The SLT receive monthly updates on the Council's financial position and agree with the contents of this report.
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 has no additional comments to make.
4	**Human Resources (HR)**	No comments
5	**Property**	N/A
6	**Information Communication Technology (ICT)**	N/A
7	**Scrutiny**	The Council's financial position is reviewed regularly by the Finance Scrutiny Panel who are fully aware of the Council's financial position
8	**Local Members**	N/A
9	**Any external bodies / other/s**	N/A
E - Risks and any mitigation (if relevant)		
1	**Economic**	
2	**Anti-poverty**	
3	**Crime and Disorder**	
4	**Environmental**	
5	**Equalities**	
6	**Outcome Agreements**	
7	**Other**	

F - Appendices:

- Appendix A - Revenue Budget Monitoring Report – Quarter 3, 2018/19
- Appendix B – Table of Forecast Revenue Outturn 2018/19
- Appendix C – Summary of Contingency Budgets 2018/19
- Appendix CH – Review of the Invest-to-Save projects 2018/19
- Appendix D - Review of Efficiency Savings 2018/19
- Appendix DD - Information regarding monitoring of Agency Staff 2018/19
- Appendix E - Information regarding monitoring of Consultants 2018/19

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

- 2018/19 Revenue Budget (as recommended by this Committee on 19 February 2018 and adopted by the County Council on 28 February 2018).

APPENDIX A

REVENUE BUDGET MONITORING – QUARTER 3 2018/19

1. General Balance

The Council had a final audited balance of £7.601m of earmarked reserves and school reserves amounting to £1.869m at the start of the financial year. The final audited general reserve balance was £6.899m following post-audit adjustments.

The Executive approved the following items to be funded in 2018/19 from the General Reserve:-

Executive Meeting	Amount £000	Purpose
Draft opening balance	-6,899	Final audited general reserve at 31 March 2018.
6 November 2017	125	To fund the Energy Island team.
30 April 2018	42	A budget to fund the costs of operating Melin Llynnon for 2018, to be funded from General Reserve.
21 May 2018	268	For this funding to be released from the Council's reserves to fund experienced agency social workers for 12 months to support and mentor 7 newly qualified social workers.
Section 151 Officer's Delegated Powers	24	Virement to Capital Reserve for Mill Bank Car Park.
Section 151 Officer's Delegated Powers	131	Amendment of treatment of HRA reserve for Pensions Lump Sum.
Revised Council Fund General Balance	**-6,309**	**As mentioned above, this may change following any post-audit adjustments.**

The current predicted outturn for 2018/19 is an estimated overspend of £1.589m. This is a significant improvement on the projected overspend of £2.66m at Quarter 2. If this trend continues in accordance with the Quarter 3 forecast, the Council general reserve is likely to reduce to £4.720m by the year-end. This is well below the minimum balance of the general reserve, which has been set at £6.5m, as approved by full Council on 28 February 2018.

2. Projected Financial Performance by Service

2.1 The details of the financial performance by service for the period and the projected out-turn position for each is set out in Appendix B. An overspend of £2.972m (2.61%) on services is predicted as at 31 March 2019. This is an improvement on the forecast service overspend of £3.561m reported at Quarter 2. In December 2018, the Head of Function (Resources)/ Section 151 Officer, on the authority of SLT, sent a briefing to Heads of Services about the current financial situation and the need to make savings. This suggested a number of measures needed to reduce expenditure/increase income by year-end, such as delaying recruitment on vacant posts, limiting overtime, introducing fee increases earlier, etc. It is commendable that these suggestions were made and that Heads of Services have implemented this advice on expenditure within their control. This will be part of the reason for the improvement in the service overspend. An underspend of £1.21m is estimated on Corporate Finance. In addition, a surplus of £173k is predicted on the collection of Council Tax, of which £218k is due to a surplus on the Council Tax Premium. The current total revenue forecast for 2018/19 is an overspend of £1.589m, which is 1.21% of the Council's total net revenue budget.

2.2 The table below summarises the significant variances (£100k or higher).The forecast takes no account of any further added pressures which may arise if the winter weather is severe (highway winter maintenance, social care costs). The most significant budgetary pressure on the Council continues to be the cost of Corporate Parenting. The Children and Families Services is expected to overspend by £2.009m. This is a statutory, demand-led Service over which there is limited control.

Summary of projected variances at 31 March 2019 based upon financial information as at 31 December 2018	
	(Under) / Overspend £000
Learning	489
Children and Families Services	2,009
Adults	1,035
Highways, Waste and Property	(328)
Regulation and Economic	(169)
Corporate and Democratic Costs	(138)
Uncontrollable costs – bad debt, insurances and pensions capital costs	200
Corporate Finance	(1,210)
Council Tax, including Council Tax Premium	(173)
Other (total of variances less than £100k)	(126)
Total Variance over/(under)spend	**1,589**

3. Explanation of Significant Variances

3.1 Lifelong Learning

3.1.1 Central Education

3.1.1.1 This service was overspent by £540k (12.42%) at the end of Quarter 3. The forecast for the year-end is an overspend of £589k (13.74%). This is an improvement of £38k from the predicted overspend of £627k during Quarter 2.

3.1.1.2 There are a number of over and underspends predicted across the Service. The most significant budgetary pressures are: School Transport – Taxis which is predicted to overspend by £304k, this is slightly more than the costs predicted during Quarter 2 (£296k). The Anglesey and Gwynedd Joint SEN Strategy is expecting to overspend by £117k due to underachievement of income, project management costs for stage 2 of the strategy and additional central recharge costs to Gwynedd for hosting the joint service. This is a £10k improvement from Quarter 2. Secondary integration statutory costs are still forecast to overspend but this is reduced by £42k to £38k compared to Quarter 2 (£80k). The forecast for school meals is an improved position with a reduced overspend of £28k and a reduction of £50k from the overspend of £78k predicted at Quarter 2. Further Education costs are estimated to increase with an overspend from £31k in Quarter 2 to £67k in Quarter 3.

3.1.2 Culture

3.1.2.1 This service was £53k (4.7%) underspent during the period and the forecast outturn for the year is an underspend of £100k (7.57%). This is small reduction of £13k on the underspend predicted during Quarter 2. The majority of the underspend, £50k, is expected within the Library Service on staffing due to vacant posts. An underspend of £40k is predicted on Museums and Galleries due to improved performance of Oriel Ynys Môn. An underspend of £20k is predicted on Talnet. Archives are estimated to overspend by £10k and the service will incur £5k of unbudgeted costs for legal expenses in relation to the ending of the lease of South Stack.

3.2 Adults Social Care

3.2.1 This service was £1,339k (7.41%) overspent for the period, with the forecast outturn for the year as a whole being a predicted overspend of £1,035k (4.21%). This is a continuing trend of increasing costs. The overspend is £169k higher than the overspend of £866k forecast during Quarter 2. This is mainly due to increased client numbers in Services for the Elderly and Mental Health Services.

3.2.2 The elements within the forecast outturn variance are as follows:-

- Services for the Elderly: forecast overspend of £460k, a large increase from an overspend of £52k in Quarter 2. This is mainly due to an increase in client numbers within Nursing and Residential placements and £183k relates to increased costs at Hafan Cefni and Penucheldre due to increased twenty-four hour care for individuals with complex needs.
- Physical Disabilities (PD): forecast overspend of £363k, this is an improvement on the overspend of £426k predicted at Quarter 2. The estimated overspend has reduced due to a budget virement (£45k) and reduction in residential placement costs of £19k.
- Learning Disabilities (LD): forecast overspend of £82k, another large improvement from the overspend of £478k predicted in Quarter 2. This improvement is due to additional Supporting Sustainable Social Services Grant from Welsh Government (£233k) and the transfer of Wales Independent Living Grant (WILG) costs to the relevant services (£313k). Direct Payments have increased mainly due to the transfer of WILG clients to Direct Payments.
- Mental Health (MH): forecast overspend of £237k, an increase of £93k on the forecast overspend of £144k at Quarter 2. This is due to a new client and an increase in a placement cost.
- Provider Unit: forecast underspend of (£32k). This is a significant reduction on the underspend of £160k reported at Quarter 2, due to a virement to Services for the Elderly.
- Management and Support: forecast underspend of (£75k).

3.2.5 Approximately 59% of the Service's budget is demand-led. Work is continuously on-going on predicting future costs of this demand-led budget. The year-end prediction at each month-end is based on the latest available information on each adult placement. This makes predicting the full-year position extremely difficult and can result in large swings from one period to the next.

3.2.6 The third quarter outturn indicates an increased level of demand within the areas of Services for the Elderly. There is still high demand for Learning Disability placements though the costs of this have been mitigated by allocating additional Welsh Government grant to Learning Disability Services. Further assessment of these areas will occur in order to consider any possible steps to manage expenditure over the year.

3.3 Children's Services

3.3.1 The service was overspent by £1,893k (27.83%) during the period and is projected to be overspent by £2,009k (24.15%) for the year as a whole. This is a reduction of £23k since Quarter 2. This includes a projected overspend of £2,150k on Looked-after-Children (LAC). All other sections within Children's Services are underspending with the exception of a forecast overspend of £15k on other Children and Families Services. The cost of corporate parenting, therefore, continues to be the main pressure on the service and the Council. It should be noted that additional funding of £268k has been provided from the Council Fund General Reserve for the service to extend the contracts of agency social workers to support and mentor newly qualified social workers.

3.3.2 The projections are based on:-

- a worst case assumption on the demand/costs for Looked After Children based on the service costs/demand/likely demand for the future;

- assumptions relating to case decisions/developments. These are far from predictable and individual circumstances can, and do, change. Based on the information available at this point, and assumptions relating to case decisions/developments, a best possible projection has been made. The cost of LAC are, by nature, demand led and can vary between £3k - £10k per week in specialist provision.

3.3.3 The Local Authority has to meet the cost of court directed interventions e.g. parent and child residential/supported accommodation assessments, supervised contact and other specialist assessments, which are also unpredictable and demand-led. The Public Law Outline requires that these assessments are in place pre proceedings also, which is placing a demand on the team budgets.

3.4 Housing (Council Fund)

3.4.1 This service was underspent by £128k (8.33%) during the period. The service is expected to be underspent by £45k (4.28%) at the end of the financial year. This is an improvement of £30k on the forecast underspend of £15k during Quarter 2. Homelessness (B and B) costs continue as budgetary pressures with an overspend of £60k estimated for the year. However, staff vacancies (£90k) and additional grant (£15k) will fund the overspends in Homelessness.

3.5 Regulation and Economic Development

3.5.1 Economic and Community (includes Maritime and Leisure)

3.5.1.1 The service, overall, was underspent by £137k at the end of Quarter 3 (8.04%). The service is projected to be underspent by £119k (6.87%) by 31 March 2019. During Quarter 2, the service was predicted to underspend by £50k.

3.5.1.2 The Economic Development element of the service is forecast to underspend by £48k at year-end. This is compared to an estimated balanced budget during Quarter 2. This is due to vacant posts, which will become efficiency savings in 2019/20. The service has not planned to utilise any of this underspend due to the difficult financial position of the Council.

3.5.1.3 The Maritime Section is expected to be underspent by £71k. This compares to a forecast balanced budget at Quarter 2. The section is delaying the painting of Beaumaris Pier to 2019/20 due to the Council's difficult financial position for 2018/19.

3.5.1.4 The Leisure Section is forecast to achieve a balanced budget at year-end. This is compared to a forecast underspend of £50k at Quarter 2.

3.5.2 Planning and Public Protection

3.5.2.1 This service was £176k underspent (11.46%) during the period. The forecast outturn for the year is an underspend of £50k (2.56%). This is an improvement of £95k from the overspend of £45k predicted during Quarter 2.

3.5.2.2 The Public Protection Section is predicting an overspend of £10k which is a reduction from the overspend of £45k estimated during Quarter 2. There are small overspends on a number of services provided by Public Protection. The Environmental Health overspend has reduced from £40k to £20k and Corporate Health and Safety is now expecting an underspend of £24k, compared with a predicted balanced budget during Quarter 2. This is due to vacant posts, which will not be recruited to until 2019/20 to help towards the Council's overall forecast overspend for 2018/19.

3.5.2.3 The Planning Section is forecast to underspend by £60k for 2018/19. Previously, the section was expected to achieve a balanced budget. All sections within Planning are now expected to underspend, with the exception of an overspend of £35k on the former Planning and Environment Grant (PEG).

3.6 Highways, Waste and Property

3.6.1 Highways

3.6.1.1 This service was £315k (5.35%) overspent during the period but is projected to be £107k (1.69%) underspent by the year-end. This excludes the impact of winter maintenance required, as it is too early in the year to assess this. This is an improvement of £23k from the underspend estimated during Quarter 2.

3.6.1.2 There are a number of compensating over and underspends, with the most significant overspends being £70k on Maintenance Design and £100k on the works budget. The largest underspend is in Street Works, which is predicting an underspend of £230k. A new unbudgeted cost of £50k has arisen on Major Projects due to the risk that the majority of these costs will not be recovered from third parties.

3.6.2 Waste

3.6.2.1 The Waste service was £422k (7.37%) underspent at the end of this quarter and the service is predicted to underspend by £257k (3.43%) at the end of the financial year. This is a significant increase of £260k from the overspend of £3k forecast at Quarter 2.

3.6.2.2 There are several compensating over and underspends. This quarter's forecast includes the forecast on the Electricity Generating Site, which is estimated to overspend by £35k. This may improve in the future when the benefits from new electricity generation engines become more evident. Waste Management has responded positively to the Corporate request to delay spending where possible and bringing forward fee increases. This remedial action is estimated to result in an underspend of £260k on recycling. This, however, is unlikely to re-occur in future years due to reduced Welsh Government grants and potential impact of the North Wales treatment plant which is expected to be operational in the new financial year.

3.6.3 Property

3.6.3.1 The service was £37k (4.27%) overspent at 31 December 2018 with a similar overspend expected at year-end of £36k (3.68%). This is an improvement on the £70k overspend forecast for Quarter 2.

3.6.3.2 The Cleaning service is forecast to overspend by £38k due to ongoing sickness, overtime payments and staff cover. The overspend on the repairs and maintenance of the Council buildings are estimated to reduce to £25k from the overspend of £63k expected during Quarter 2. This is due to the service only completing urgent works for the remainder of the year due to the Council's large predicted overspend for 2018/19. There are other small over and underspends.

3.7 Transformation

3.7.1 The Transformation function overspent by £35k (1%) during the period. Transformation, in total, is expected to underspend by £58k (1%). This is a significant improvement of £186k on the estimated overspend of £128k in Quarter 2.

3.7.1.1 The ICT Section is estimated to overspend by £112k, this is a reduction from an overspend of £247k forecast at Quarter 2. All software and hardware budgets across the Council, excluding schools, have been centralised and are now managed within the ICT Section. The software budgets are perceived to be historically insufficient though, once centralisation is fully embedded, a reduction in these costs are expected. An overspend of £173k is forecast on software. The function is forecasting a reduced overspend on Anglesey Connected from £70k in Quarter 2 to £10k at Quarter 3. Income of £42k from the Housing Revenue Account for the Orchard System and £29k income from internal orders also help improve the ICT overspend.

3.7.1.2 The HR function is predicting an underspend of £15k for the year, mainly on staffing costs.

3.7.1.3 The Corporate Transformation function is forecast to underspend by £155k at year-end, an increase of £44k on the underspend of £111k predicted during Quarter 2. The main underspends are on staffing and an underspend of £80k is now projected from the Ynys Môn and Gwynedd Partnership.

3.8 Resources (excluding Benefits Granted)

3.8.1 The Resources function budget showed an underspend of £136k (5.71%) by the end of the period. The function is predicted to underspend by £34k (1.2%) for the financial year. This is an improvement of £15k from the underspend forecast at Quarter 2.

3.8.2 Revenues and Benefits are forecast to overspend by £127k. This is an increase of £52k from the estimated overspend of £75k reported for Quarter 2. The main overspends are £31k on staffing, £59k on software and admin cost and a shortfall of £50k in court costs income. The Audit Section is predicting an underspend of £41k, an increased underspend from £28k reported in Quarter 2. This is due to several vacant posts, however, these post have now been recruited to. The Accountancy Section is forecast to underspend by £5k by year-end. This is an improvement of £14k from the forecast at Quarter 2. The most significant cost in Accountancy is bank charges which is expected to overspend by £25k. Civica consultancy costs are also putting pressure on the budget by a forecast overspend of £20k. A credit card rebate of £40k and grant recharges of £14k help fund the Accountancy overspends. Procurement is estimated to underspend by £115k, an increase from the underspend of £75k reported at Quarter 2. This is due to continuing savings from centralised budgets.

3.9 Council Business

3.9.1 The function was £39k (3.54%) underspent as at 31 December 2018 and a total underspend of £4k (0.26%) is expected for the year. This is a significant improvement on the overspend of £181k during 2017/18.

3.9.2 The most significant estimated overspend within Council Business is Legal Services which is predicted to overspend by £21k. Legal Services are expected to overspend by £26k on agency cost. These costs are offset by an underspend of £25k in Democratic Services, largely due to a surplus on the final settlement for the 2017 Election.

3.10 Corporate and Democratic Costs

3.10.1 The function was overspent by £152k (4.82%) during the period. However, an underspend of £138k (4%) is projected at year-end.

3.10.2 The main budgetary pressure affecting the function is staff counselling costs, which are expected to overspend by £26k, and coroners' fees of £33k. However, there are several areas which are underspending. There is a historic pension adjustment underspend of £56k. There is also an underspend on the pension contributions to Gwynedd £56k. An underspend of £67k is also forecast due to the recharge of Pension costs to the HRA.

3.11 Corporate Management

3.11.1 The function was £11k (2.19%) overspent at the end of this Quarter. An overspend of £15k is expected on Corporate Management.

3.12 Estimated impact of Service Costs outside the Control of Heads of Services

3.12.1 Each year, costs which are outside the control of Heads of Services are incurred. These costs tend to be: unbudgeted bad debt provisions on sundry debtors, insurance costs and pensions capital costs. An overspend of £200k is forecast on these non-controllable costs. These costs have not been shown against the individual services as only the costs within Heads of Services' control are reported against individual service lines.

4. Corporate Finance (including Benefits Granted)

4.1 Corporate Finance, including Benefits Granted, is expected to underspend by £1,210k (7.19%) at year-end. Benefits Granted is expected to underspend by £63k. This includes £152k underspend on the Council Tax Reduction Scheme and an underspend of £2k on Discretionary Housing Payments. There is an overspend of £90k on housing benefits from increased demand for Bed and Breakfast Accommodation, which is not fully recoverable through the Housing Benefit subsidy. An underspend of £1,056k is also projected on capital financing costs due to savings made from internal borrowing, delaying the refinancing of loans and selecting the lowest borrowing options which comply with the Treasury Management Strategy Statement 2018/19. This is a significant improvement from Quarter 2 due to the implementation of the new Minimum Revenue Provision (MRP) Policy now that the consultation with External Audit is concluded. This will save an additional £574k on MRP charges in 2018/19.

4.2 Appendix C summarises the financial position on contingency budgets at the end of this quarter. A total contingencies budget of £1.789m was approved as part of the 2018/19 budget. A net £785k has been vired to/from services to fund specific projects, budgetary issues or to release savings from voluntary redundancies. £1.203m has been committed from contingencies. There is increasing pressure on the salary and grading contingency due to the volume of redundancies, with the deficit already being £318k. There is also the potential that an additional £211k of redundancy costs could be incurred. The Executive, in November 2018, approved that the deficit be funded from the equal pay reserve to cover this and any further redundancy costs for the remaining financial year. Therefore, the salary and grading overspend will not affect the revenue budget outturn. The estimated underspend from contingencies at year-end is £93k. This is due to an underspend on the Edge of Care project. This project is continuing but, instead of receiving budget from contingencies, Children's Services has received core budget as part of budget-setting from 2019/20.

5. Collection of Council Tax

5.1 The Council Tax Fund budget is determined using the estimated collectable debt for the current year only, based on the tax base figure set in November 2017. It does not provide for arrears collected from previous years, adjustments to liabilities arising from previous years (exemptions, single person discounts etc.), changes to the current year's tax-base or the provision for bad and doubtful debts. These changes cannot be estimated and, invariably, lead to a difference between the final balance on the Council Tax Collection Fund and the original budget. The current projection is that the Council Tax Fund will underachieve the target figure by £45k. In addition, the Council Tax Premium budget, which is an additional Council Tax charge on second homes on Anglesey (since 1 April 2017), may potentially overachieve its budget target by £218k. In total, therefore, a surplus of £173k is forecast on the collection of Council Tax. This is a reduction of £175k on the surplus income reported at Quarter 2. This is due to less Council Tax collected and an increase in the bad debt provision.

6. Budget Savings 2018/19

6.1 Budget savings of £2.522m were removed from service budgets for 2018/19. It is anticipated that £2.262m have or will be fulfilled by the year-end. However, £260k may potentially not be achieved. The most significant savings shortfall is expected in Adults, which is predicted to underachieve on the target by £130k due to demand pressures. Learning is estimated to underachieve on the savings target by £80k due to delays in retendering of contracts and the failure to generate the expected levels of income from the schools' morning care clubs. A more detailed analysis can be seen for each Service in Appendix D.

7. Invest-to-Save

7.1 An invest to save programme was undertaken in 2016/17 with an allocation of £983k for individual projects. The remaining opening balance on 1 April 2018 was £652k and £522k of this was allocated for expenditure in 2018/19.To date, £218k has been spent or committed from this allocation of funding during 2018/19. All projects are at various stages of development, with some closer to completion than others. The full detail of the expenditure and progress on each of the projects can be seen in Appendix CH. Where the projects are not completed at year-end, they will continue into 2019/20 and the funding will still be available within the invest-to-save reserve.

8. Agency and Consultancy Costs

8.1 During the year to date, £786k was spent on Agency staff. These were, in the main, part-funded from staffing budgets as they related to staff vacancies, while £521k was related to staff cover within Children's Services, while the service undergoes a restructure. The Waste Service spent £151k for site agents at the recycling centres. The full details can be seen at Appendix DD.

8.2 Expenditure on consultancy during Quarter 3 was £694k, with £528k of this funded externally from grants or contributions. The total expenditure to date is £1,770k though much of this will be funded externally. There are a number of reasons for the use of consultants, therefore, a summary of expenditure per service and additional details of the expenditure can be seen at Appendix E.

9. Conclusion

9.1 A total overspend of £1.589m is projected for the year-ending 31 March 2019, a significant improvement on the forecast overspend of £2.660m at Quarter 2. £2.972m of the predicted overspend for 2018/19 is on service budgets, which are made up of a number of over and underspends. The Services that are still experiencing significant budgetary pressures are similar to 2017/18 (Children and Families Services and Learning). The Adults Services budgets are also under pressure due to increasing demand. The Heads of Service are aware of the issues and are working to reduce the level of overspending which is within their control by the year-end. Corporate Finance is expected to underspend by £1.210m and Council Tax, which includes the Council Tax Premium, is forecast to collect a surplus of £0.173m. The overall overspend is, therefore, reduced to £1.589m. The projected level of overspend is 1.21% of the Council's net budget. There is concern about the impact of this level of overspend on general balances, should the overspend materialise.

9.2 The projected overspend is an improvement on quarter 2 but it should not be lost that there is still a predicted overspend of £3.5m on the Council's 3 main services (Education, Children's Services and Adult Services) and action needs to be taken to address the shortfall in funds, the cost of providing the service and to control the demand for services. Management are aware of the issues and are working to close the gap between the budget and the expenditure, through increasing the budget allocated in 2019/20, increasing the capacity in alternative, less costly forms of service delivery and looking to reduce the demand for services.

9.3 Although this level of overspending can be funded from general reserves in 2018/19, it will deplete the general reserves to a figure well below the generally accepted minimum. It will be necessary during the 2019/20 or 2020/21 budget setting process to fund the underlying level of overspending and to begin the process of replenishing the general balances. This is a prudent approach and is necessary to ensure the long-term financial viability of the Council.

9.4 Forecasts are subject to change as new information becomes available. However, with regular scrutiny from the SLT and if remedial action is taken by Heads of Services, these will help the services manage within the budgets they can control.

APPENDIX B

Projected Revenue Outturn for the Financial Year Ending 31 March 2019 – Quarter 3

Service/Function	2018/19 Annual Budget	Q3 2018/19 Budget Year to Date	Q3 Actual & Committed spend	Q3 2018/19 Variance	Q3 Actual & Committed Spend	Estimated Expenditure to 31 March 2019 at Q3	Estimated Outturn 31 March 2019 over/ (under) at Q3	Estimated Outturn 31 March 2019 over/ (under) at Q2	Estimated Outturn 31 March 2019 over/ (under) at Q1	2018/19 Projected Over/ (Under)spend as a % of Total Budget	Draft Over/ (underspend) Last Year 2017/18
	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000	%	£'000
Lifelong Learning											
Delegated Schools Budget	43,129	32,845	32,845	(0)	0.00%	43,129	0	0	0	0.00%	0
Central Education	4,285	4,347	4,887	540	12.42%	4,874	589	627	540	13.74%	893
Culture	1,321	1,131	1,078	(53)	-4.70%	1,221	(100)	(113)	(70)	-7.57%	(147)
Adult Services	24,599	18,068	19,407	1,339	7.41%	25,634	1,035	866	112	4.21%	215
Children's Services	8,318	6,802	8,696	1,893	27.83%	10,327	2,009	2,032	1,283	24.15%	1,778
Housing	1,052	1,538	1,410	(128)	-8.33%	1,007	(45)	(15)	25	-4.28%	7
Highways, Waste & Property											
Highways	6,340	5,891	6,206	315	5.35%	6,233	(107)	(84)	5	-1.69%	(100)
Property	978	869	906	37	4.27%	1,014	36	70	142	3.68%	55
Waste	7,490	5,727	5,305	(422)	-7.37%	7,233	(257)	3	20	-3.43%	(63)
Regulation & Economic Development											
Economic Development	1,733	1,700	1,563	(137)	-8.04%	1,614	(119)	(50)	0	-6.87%	(10)
Planning and Public Protection	1,950	1,534	1,358	(176)	-11.46%	1,900	(50)	45	46	-2.56%	9
Transformation											
Human Resources	1,251	959	943	(16)	-1.64%	1,236	(15)	(8)	0	-1.20%	(61)
ICT	2,354	1,751	1,872	121	6.91%	2,466	112	247	327	4.76%	45

Service/Function	2018/19 Annual Budget	Q3 2018/19 Budget Year to Date	Q3 Actual & Committed spend	Q3 2018/19 Variance	Q3 Actual & Committed Spend	Estimated Expenditure to 31 March 2019 at Q3	Estimated Outturn 31 March 2019 over/ (under) at Q3	Estimated Outturn 31 March 2019 over/ (under) at Q2	Estimated Outturn 31 March 2019 over/ (under) at Q1	2018/19 Projected Over/ (Under)spend as a % of Total Budget	Draft Over/ (underspend) Last Year 2017/18
	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000	%	£'000
Corporate Transformation	826	487	417	(70)	-14.36%	671	(155)	(111)	(89)	-18.76%	(158)
Resources	2,840	2,380	2,244	(136)	-5.71%	2,806	(34)	(19)	29	-1.20%	(3)
Council Business	1,528	1,091	1,052	(39)	-3.54%	1,524	(4)	(6)	28	-0.26%	181
Corporate & Democratic costs	3,430	3,152	3,304	152	4.82%	3,292	(138)	(137)	(144)	-4.02%	(103)
Corporate Management	657	492	503	11	2.19%	672	15	14	0	2.28%	(81)
Estimated Impact of Uncontrollable Costs							200	200	200		159
Total Service Budgets	114,082	90,764	93,996	3,232	3.56%	117,054	2,972	3,561	2,454	2.61%	2,616
Levies	3,361	3,361	3,361	0	0.00%	3,361	0	0	0	0.00%	(2)
Discretionary Rate Relief	60	0	0	0	0.00%	62	2	3	3	4.16%	0
Capital Financing	7,541	3,359	2,981	(378)	0.00%	6,485	(1,056)	(461)	(331)	-14.00%	(449)
General & Other Contingencies	1,004	1,004	1,203	199	19.80%	911	(93)	0	0	-9.26%	106
Support Services contribution HRA	(693)	0	0	0	0.00%	(693)	0	0	0	0.00%	(82)
Benefits Granted	5,546	698	765	68	9.68%	5,482	(63)	(95)	(84)	-1.14%	(849)
Total Corporate Finance	16,819	8,421	8,310	(111)	-1.32%	15,609	(1,210)	(553)	(412)	-7.19%	(1,276)
Total 2018/19	**130,900**	**99,186**	**102,306**	**3,120**	**3.15%**	**132,662**	**1,762**	**3,008**	**2,042**	**1.35%**	**1,340**

Service/Function	2018/19 Annual Budget	Q3 2018/19 Budget Year to Date	Q3 Actual & Committed spend	Q3 2018/19 Variance	Q3 Actual & Committed Spend	Estimated Expenditure to 31 March 2019 at Q3	Estimated Outturn 31 March 2019 over/ (under) at Q3	Estimated Outturn 31 March 2019 over/ (under) at Q2	Estimated Outturn 31 March 2019 over/ (under) at Q1	2018/19 Projected Over/ (Under)spend as a % of Total Budget	Draft Over/ (underspend) Last Year 2017/18
	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000	%	£'000
Funding											
NDR	(22,574)	(17,365)	(17,365)	(0)	0.00%	(22,574)	0	0	0	0.00%	0
Council Tax	(34,440)	0	0	0	0.00%	(34,395)	45	(101)	(55)	-0.13%	116
Council Tax Premium	(648)	0	0	0	0.00%	(866)	(218)	(247)	(243)	33.54%	0
Revenue Support Grant	(73,238)	(56,337)	(56,337)	(0)	0.00%	(73,238)	0	0	0	0.00%	0
Total Funding 2018/19	**(130,900)**	**(73,701)**	**(73,701)**	**(0)**	**0.00%**	**(131,073)**	**(173)**	**(348)**	**(298)**	**0.00%**	**116**
Total outturn including impact of funding	**0**	**25,484**	**28,605**	**3,120**	**12.24%**	**1,590**	**1,589**	**2,660**	**1,744**	**1.21%**	**1,456**

Summary of the Financial Position on Contingency Budgets 2018/19 as at Quarter 3

	Original Budget £	Virements £	Amended Budget YTD £	Committed YTD £	Current Remaining Un-Committed Budget £
General Contingency	359,166	(47,960)	311,206	73,760	237,446
Salary and Grading	300,000	(618,140)	(318,140)	211,130	(529,270)
Edge of Care	240,000	0	240,000	147,000	93,000
Earmarked Contingency	739,890	(119,000)	620,890	620,890	0
Pay Inflation	150,000	0	150,000	150,000	0
Total General and other Contingencies	1,789,056	(785,100)	1,003,956	1,202,780	(198,824)

The overspending on the salary and grading contingency will be funded from the Equal Pay reserve and will not impact on the general Council reserve

APPENDIX CH

Review of Invest-to-Save Projects 2018/19

Service	Title	Description	Amount Approved £	Sum Allocated (in total - not just Yr 1) £	Total Spend to 31 March 2018 £	Balance at 1 April 2018 £	Allocation for 2018/19 £	Spend to date 2018/19 £	Remaining budget 2018/19 £	Project Update
Resources	Electronic Document Management System for Revenues and Benefits	Provide scanning solution and workflow for Revenues and Benefits	170,000	170,000	127,856	42,144	42,144	37,877	4,268	The system has gone live from 1 Aug for scanning & retrieving along with workflow. Automated processes still not functioning properly, which needs to be addressed.
I.T	Local Land and Property Gazetteer	Implement a LLPG system across the Council	10,800	10,800	15,261	0	0	0	0	Project completed in 2017/18. The project overspent by £4.5k, which was funded by revenue.
I.T / Transformation	Customer Relationship Management System	Purchase and implementation of a CRM system	255,000	255,000	33,597	221,276	221,276	68,988	152,288	Waste Management solution is live along with a number of other online services. Training undertaken in services and further integrations lined up. Core technology is in place now allowing more online services to be added with considerable interest from services such as Environmental Health and Housing.
I.T. / Resources	Payment Gateway	Purchase and implement a payment gateway which will enable payments to be received via the App	27,000	27,000	6,000	21,000	21,000	7,418	13,583	Payment Gateway integration work complete on the CRM and AppMôn side, delays on the Capita side holding project back.
Regulation & Economic Development	Improve the Resilience of the Planning Systems	New automated planning systems	118,000	118,000	40,464	77,536	77,536	57,912	19,624	The Building Control Project has now commenced with an intended completion date of between March and June 2019.

Service	Title	Description	Amount Approved £	Sum Allocated (in total - not just Yr 1) £	Total Spend to 31 March 2018 £	Balance at 1 April 2018 £	Allocation for 2018/19 £	Spend to date 2018/19 £	Remaining budget 2018/19 £	Project Update
Resources	Improving Income Collection Systems	Purchase and implement a new income management system which links to the current income streams and allows new income collection methods (AppMôn etc.) to link into the cash management system	150,000	150,000	59,078	90,922	90,922	24,982	65,940	Work to procure the upgraded Capita Cash Management system has been completed. A project plan has been developed which will lead to new modules being implemented and improvements to the cash management system being introduced during 2018/19.
Lifelong Learning	Modernisation of business and performance processes	Implement unused modules in the ONE Management Information system	72,000	72,000	52,529	19,471	19,471	21,263	-1,792	The project was completed in January 2019. Less than £1k additional expenditure expected. The overspend will be funded from the Oriel Invest to Save budget.
Lifelong Learning	Modernisation of business	Website for the Oriel	15,000	15,000	0	15,000	15,000	0	15,000	The work is linked to the wider project on the corporate website. Expected to be fully utilized in 2018/19 - work is on hold until the ONE System project is complete and the amount of budget remaining is known.
I.T. / Transformation	Digital First / Digital By Default	Employ a Digital Lead Officer and Digital Services Analyst	£70,000 in year 1 and £50,000 in year 2	120,000	0	120,000	70,000	0	70,000	No expenditure has been incurred to date as recruitment of the Digital Lead has been held pending implementation of new Web Content Management System in order to align all Digital Platforms and then get the best out of the 2 years of funding for the temporary posts.

Service	Title	Description	Amount Approved £	Sum Allocated (in total - not just Yr 1) £	Total Spend to 31 March 2018 £	Balance at 1 April 2018 £	Allocation for 2018/19 £	Spend to date 2018/19 £	Remaining budget 2018/19 £	Project Update
Public Protection	Improved Digital Connectivity within the Public Protection Service	Implementation of a cloud based system to record inspection visits. The software is an all Wales solution and has been procured via a framework agreement supported by 19 out of 22 Councils in Wales.	£10,000 per year for 4.5 years	45,000	0	45,000	10,000	0	10,000	The initial soft market testing completed in Spring this year revealed no current software providers could meet our user spec and deliver a new back-office and/or mobile solution. Furthermore, the I2S fund would not cover the initial licence costs and annual maintenance fee. A decision has been made by the Project Board to present a new Business Case exploring the benefits of tapping into the Corporate CRM system and evaluating options to procure a bolt-on mobile solution. The Business Case will highlight the costs of this project and the aim is to utilise some of the I2S fund before the end of the financial year.
Total				**982,800**	**334,785**	**652,349**	**567,349**	**218,439**	**348,910**	

Review of Efficiency Savings 2018/19

Service/Function	Budget Savings 2018/19 £'000	Achievable 2018/19 £'000	Potentially not-achievable 2018/19 £'000	Will not be achieved at all £'000	Comments
Lifelong Learning	358	278	80	0	The savings proposal for the reduction of the management costs for music tuition will likely achieve £64k of the proposed £79k, as the saving is expected to be achieved from September onwards. The service has been unable to retender the schools' grass cutting contracts until later than expected, resulting in an expected shortfall of savings. The contract is currently out to tender, with a closing date beginning of November 2018. Income collected in relation to the morning care club was significantly underachieved in 2017/18 and, although income collected up to Q3 of 2018/19 may be higher than that of Q3 2017/18, it is still likely to be significantly below the budget. Schools are responsible for collecting this income, and the 2017/18 school forum has discussed the possibility of delegating this budget. The forum decided not to delegate the budget for now, and to give schools a 1-year period to improve income collection. As the improvement has not been sufficient within all schools, a meeting has been arranged for 28/01/19 to discuss the potential to delegate this budget for 2019/20.
Regulation and Economic Development	125	120	5	0	The Authority was unable to outsource the Café, therefore, will be moving towards a Vending only service. It is unlikely that a net income of £5k will be achieved within this financial year. Income collected will need to be monitored over the next few months to identify if the saving can be achieved in future years.
Highways, Waste and Property	366	336	30	0	An overspend has arisen on the Public Convenience cost centre as the Service is unable to achieve its savings target pending a committee decision regarding future provision. As agreed, the Service has been attempting to transfer the running of Public Conveniences to the third sector for the past three years and, although some have been transferred, minimal interest has been shown in others and some that were transferred have subsequently been returned to the Authority. Property are continuing to attempt to facilitate the outsourcing of the Public Conveniences.

Service/Function	Budget Savings 2018/19 £'000	Achievable 2018/19 £'000	Potentially not-achievable 2018/19 £'000	Will not be achieved at all £'000	Comments
Adults' Services	350	220	130	0	The Social Care model focussing on supporting people to maintain their independence and with a greater focus on their assets continues to be operated through the social work teams. The position at the end of Q3 indicates that demand pressures are meaning that the efforts to reduce overall costs are not entirely successful. Therefore, £130k has been identified as potentially not being achieved which relate to the proposals for £92k, enabling clients to be supported in their own homes or in extra care provision rather than being placed into residential care, and £38k, through promoting greater community and personal support networks to enable people to remain independent. Welsh Government winter grants are assisting us to manage some of these costs. Despite a delay in the opening of Havan Cefni, which has now been open since the start of October, the focus on ensuring that those being accepted for flats are those that would have otherwise required placement or care, means that the service continues to believe that the savings can be achieved. At present, we do have 10 vacancies but are working to fill the flats with appropriate individuals as soon as possible.
Housing	23	19	4	0	The staff member responsible for the work in relation to the increase of the fee for EPC work has since submitted an application for voluntary redundancy, making it difficult to verify the achievability of this savings proposal. However, the service have mitigated this savings shortfall by overachieving on the savings delivered on the charge of management fees on grants with statutory activities.
Transformation	40	29	11	0	Following the Anglesey Show, there is now an overspend of £3k, meaning the savings proposal of £2k relating to the presence at the show is unlikely to be achieved. Zero income has been generated to date through selling advertising space on the Council's website and looks unlikely to happen this year. Zero income has been generated to date through the provision of external consultancy work, therefore, it is unlikely to achieve this savings proposal of £1k this year. Travelling allowances for HR are currently overspent by £3k, meaning the savings put forward on this are unlikely to be achieved this year. Savings will be looked for elsewhere within the service's budget to mitigate these.

Service/Function	Budget Savings 2018/19 £'000	Achievable 2018/19 £'000	Potentially not-achievable 2018/19 £'000	Will not be achieved at all £'000	Comments
Corporate	1236	1236	0	0	Relevant budgets have been removed and expenditure is currently within budget and the service is on target to deliver the savings. The savings proposed as a result of the MRP Policy are likely to be achieved according to consultants.
Resources	24	24	0	0	Budget has been removed and, overall, budgets are underspending.
Total	**2,522**	**2,262**	**260**	**0**	

Agency costs April to December 2018

	Amount £	Source of Funding (Specific Core Budget / Un-utilised staffing budget / Grant / External Contribution)	Reason for Cover
Economic & Regeneration	4,213	Core (funded from previous underspend)	Achieving food hygiene inspections requirements
	3,269	Core	Achieving food hygiene inspections requirements
	7,483		
Schools	3,826		Staff cover
	3,826		
Waste	8,652	Specific Core Budget	Staff Vacancy - Employment Ceased
	662	Specific Core Budget	Specific Work - One Off
	53,529	Specific Core Budget	Additional tasks required short term during Summer period. Staff not available via HR Matrix
	64,371	Specific Core Budget / Grant / External Contribution	Additional tasks required short term during Summer period. Staff not available via HR Matrix
	24,410	Specific Core Budget / Grant / External Contribution	Additional tasks required short term during Summer period. Staff not available via HR Matrix
	151,624		
Children's Services	520,510	Core budget, Un-utilised staffing budget & reserves approved by Exec	To cover vacant posts whilst re-structure taking place
	520,510		
Adult Services	34,610	Core Budget	To cover vacant posts
	46,910		
	10,075	Grant funded	To work on a specific project
	91,595		
Transformation	11,073	Staff budget	Unable to fill vacancy
	11,073		
Total	**786,111**		

Summary Consultancy Expenditure Q1 - 3 Per Department				
	Qtr1 (£)	**Qtr 2 (£)**	**Qtr 3 (£)**	**Total (£)**
Central Education	8,133	16,111	41,971	66,215
Culture	6,070	2,686	5,350	14,106
Economic & Regeneration	286,501	534,864	535,549	1,356,914
Property	640	0	0	640
Highways	20,289	6,263	24,482	51,034
Schools	0	490	1,500	1,990
Waste	7,911	23,819	16,378	48,108
Housing	0	14,303	0	14,303
HRA	9,215	7,440	555	17,210
Adult Services	3,400	2,450	594	6,444
Children's Services	0	19,032	6,896	25,928
Transformation	2,136	18,360	7,172	27,668
Council Business	10,711	19,129	1,026	30,866
Resources	45,911	9,459	53,400	108,770
Total	**400,917**	**674,406**	**694,872**	**1,770,195**

A more detailed breakdown of this is provided below.

Breakdown of Consultancy Costs Quarter 3 2018/19

	Amount Q3 (£)	Category - Reason Appointed				
		Ongoing to cover specific skill set that doesn't require permanent Post	Volume of Work	Specific Work / One Off Project	Source of Funding (Specific Core Budget / Unutilised staffing budget / Grant / External Contribution / Reserves)	Description of work undertaken
Total Q1 - April to June	**400,917**					
Total Q2 - July to September	**674,406**					
Central Education	1,400			✓	Reserves	Provide advice on how Schools can make savings
	10,850	✓		✓	Core	Professional Fees as an Education Officer
	3,300			✓	Core	Investigation
	8,600			✓	Reserves	Grounds Maintenance Procurement
	10,026			✓	Core	Investigative Services in relation to allegations
	2,450			✓	Reserves	Review Post 16 Education
	4,165			✓	Reserves	Onsite development and testing of school transport CAPITA one
	1,180	✓			Grant	Website design and creation
Total Central Education	**41,971**					
Culture	4,594			✓	Central contingency	Services in relation to Land at South Stack Island
	78	✓			Core	Modelling for Life Drawing class
	250	✓			Core	Criw Celf Workshop
	130			✓	Core	Beatbox and Rap Workshops
	298	✓			Core	Life Modelling Classes
Total Culture	**5,350**					

	Amount Q3 (£)	Category - Reason Appointed				
		Ongoing to cover specific skill set that doesn't require permanent Post	Volume of Work	Specific Work / One Off Project	Source of Funding (Specific Core Budget / Unutilised staffing budget / Grant / External Contribution / Reserves)	Description of work undertaken
Economic & Regeneration	27,815	✓			External Contribution	Professional fees - Wylfa Newydd project
	8,168	✓			External Contribution	Strategy Support - Landscape support Development Consent Order
	196,611	✓			External Contribution	Professional fees - Development Consent Order
	645	✓			External Contribution	IoACC QGIS GIS Support
	11,538	✓			External Contribution	Curatorial monitoring work
	5,694	✓			External Contribution	IoACC Highways Consultancy Support - DCO support
	44,941	✓			External Contribution	Wylfa Newydd project SPC and A5025 TCPAS
	1,320	✓			External Contribution	Strategy Support - Landscape support TCPA
	1,990	✓			External Contribution	North Anglesey Partnership
	22,868	✓			External Contribution	Welsh Language & Culture Impact Assessment re Wylfa Newydd
	2,698	✓			External Contribution	SPG JR
	2,167	✓			External Contribution	Strategy Support - Draft Well-being report
	9,329			✓	External Contribution	Work Package 1

	Amount Q3 (£)	Category - Reason Appointed				
		Ongoing to cover specific skill set that doesn't require permanent Post	Volume of Work	Specific Work / One Off Project	Source of Funding (Specific Core Budget / Unutilised staffing budget / Grant / External Contribution / Reserves)	Description of work undertaken
	4,771	✓			External Contribution	Developmental Consent Order Support
	15,944	✓			External Contribution	Develop and Draft Local Impact Reports
	960	✓			External Contribution	SAGE Core time
	4,420	✓			External Contribution	Wylfa Newydd Environmental Lighting Impact Assessment
	24,357	✓			External Contribution	Development Consent Order LIR support
	28,192	✓			External Contribution	Anglesey Housing Study
	3,557	✓			External Contribution	Consultancy - National Grid Connection Project
	26,079	✓			External Contribution	Professional fees - North Wales Connection project
	83,625	✓			External Contribution	IoACC North Wales Connection project
	1,575	✓			External Contribution	Wylfa to Pentir Archaeological work
	240	✓			External Contribution	SAGE Core time
	6,124			✓	External Contribution	North Anglesey Place Plan
	4,838	✓			Reserve	IoACC North Wales Connections Project
	4,580	✓			Reserve	Services in connection with Wellbeing of Future Generations Act Assessment

	Amount Q3 (£)	Category - Reason Appointed				
		Ongoing to cover specific skill set that doesn't require permanent Post	Volume of Work	Specific Work / One Off Project	Source of Funding (Specific Core Budget / Unutilised staffing budget / Grant / External Contribution / Reserves)	Description of work undertaken
	2,124	✓			Reserve	North Wales Connection Project
	500			✓	Reserve	Advice on Penrhos consent and Section 106
	726	✓			Reserve	Consultancy - National Grid Connection Project
	10,651	✓			Reserve	SPG Update
	4,950			✓	External (HLF)	Ynys Cybi Landscape Partnership
	-44,785			✓	External Grant (ERDF)	Pen yr Orsedd Units Invoice 5,6 &7 - Management & Planning
	8,045			✓	Core	IT consultancy and project management
	1,107	✓			Core	Development Management Support
	300	✓			Core	Services in relation to Rural Enterprise Dwelling at Ty'n y Buarth, Dothan
	338	✓			Core	Engineering Works
	-167			✓	Core	Contribution – Menai Shellfish study
	45	✓			Core	Vehicle Clearance of Entrance
	506			✓	Core	Undertake single air quality report
	30	✓			Core	Minimum Usage charge
	135			✓	Core	Sampling analysis
	2,150			✓	Reserves	Draft and issue legal papers for court case
	3,000	✓			Core	Contribution to intelligence analyst
	500			✓	Grant	Supervision of swimming lesson teachers
	350			✓	Grant	Training and Mentoring
Total Economic and Regeneration	**535,549**					

		Category - Reason Appointed				
	Amount Q3 (£)	Ongoing to cover specific skill set that doesn't require permanent Post	Volume of Work	Specific Work / One Off Project	Source of Funding (Specific Core Budget / Unutilised staffing budget / Grant / External Contribution / Reserves)	Description of work undertaken
Highways	1,482			✓	Core	Charges in respect of PCN's issued
	3,170	✓			Core	Traffic Survey
	17,356	✓			Core	SCRIM survey
	100			✓	Grant	Easement - Filter drain at Nant Heilyn, Llangoed
	2,374			✓	Grant	Property level flood protection
Total Highways	**24,482**					
Schools	1,500			✓	Core	Professional Support to the schools
Total Schools	**1,500**					
Waste	45	✓		Specific Work	Specific Core Budget	Duos offtake only
	85	✓		Specific Work	Specific Core Budget	Metering and Settlement Fee
	2,887	✓		Specific Work	Specific Core Budget	Landfill Gas technical support
	2,031	✓		Specific Work	Specific Core Budget	Penhesgyn Gas Engine Replacement Technical Support
	2,100	✓		Specific Work	Specific Core Budget	Penhesgyn Landfill Site Operations & Management
	2,300					Partnership Share of North Wales Residual Waste Treatment Plant
	6,330	✓		Specific Work	Specific Core Budget	Landfill Seal Remediation Works CQA Plan and Design Works
	600	✓		Specific Work	Specific Core Budget / Grant External Contribution	Works done at Penhesgyn IVC

	Amount Q3 (£)	Category - Reason Appointed			Source of Funding (Specific Core Budget / Unutilised staffing budget / Grant / External Contribution / Reserves)	Description of work undertaken
		Ongoing to cover specific skill set that doesn't require permanent Post	Volume of Work	Specific Work / One Off Project		
Total Waste	**16,378**					
HRA	555			✓	Core Budget	Onsite Consultancy Services
Total HRA	**555**					
Adult Services	594			✓	Grant	Panel member
Total Adult Service	**594**					
Children's Services	1,500			One off project	Core Budget	IFSS Evaluation Report
	4,000			One off project	Core Budget	Analysis and Case Study for IFSS
	1,396			One off project	Core Budget	Audit of cases and follow up of management reviews
Total Children's Service	**6,896**					
Transformation	4,322			✓	Core Budget	Radio & HD links repair and installation
	2,850			✓	Core Budget	Recovery of radio equipment from multiple sites
Total Transformation	**7,172**					
Council Business	1,026			✓	Contingency	Welsh language mentoring sessions
Total Council Business	**1,026**					

	Amount Q3 (£)	Category - Reason Appointed				
		Ongoing to cover specific skill set that doesn't require permanent Post	Volume of Work	Specific Work / One Off Project	Source of Funding (Specific Core Budget / Unutilised staffing budget / Grant / External Contribution / Reserves)	Description of work undertaken
Resources	1,500	✓			Core Budget	VAT Consultancy Service
	7,100	✓			Core Budget	Treasury Services - contracts
	10,213			✓	Core Budget	Civica Consultancy days
	400			✓	Core Budget	Travel and Expenses - MH
	26,600			✓	External contribution	WLGA Financial Management Model Review. Will be fully funded by WLGA
	7,588			✓	Reserves	IT Project Management Costs
Total Resources	**53,400**					
Total Q2 - July to September	**694,872**					
Cumulative total - April to September	**1,770,195**					

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**EXECUTIVE COMMITTEE**
DATE:	**18 FEBRUARY 2019**
SUBJECT:	**BUDGET MONITORING REPORT THIRD QUARTER 2018/19 - CAPITAL**
PORTFOLIO HOLDER(S):	**COUNCILLOR R WILLIAMS**
HEAD OF SERVICE:	**MARC JONES (EXT. 2601)**
REPORT AUTHOR: TEL: E-MAIL:	**GARETH ROBERTS** **01248 752675** **GarethRoberts@ynysmon.gov.uk**
LOCAL MEMBERS:	**n/a**

A - Recommendation/s and reason/s

- It is recommended that the Executive note the progress of expenditure and receipts against the capital budget 2018/19 at Quarter 3.

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

n/a

C - Why is this a decision for the Executive?

- This report sets out the financial performance of the Capital Budget for the third quarter of the financial year.
- Budget monitoring is a designated Executive function.

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

Yes

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

Setting of the annual Capital Budget.

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

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

F - Appendices:

Appendix A - Capital Budget Monitoring Report – Quarter 3 2018/19
Appendix B - Summary of the Capital Projects' Expenditure to date against the Capital Budget and the Projected Expenditure at Year-End

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

- 2018/19 Capital Budget, as recommended by the full Council on 28 February 2018;
- 2018/19 Capital Budget Monitoring Report Quarter 1, presented to this Committee 17 September 2018;
- 2018/19 Capital Budget Monitoring Report Quarter 2, presented to this Committee 26 November 2018;
- 2018/19 Treasury Management Strategy Statement, approved by the full Council on 28 February 2018;
- 2017/18 Capital Outturn Report, presented to this Committee on 18 June 2018; and
- 2019/20 Capital Strategy & Capital Programme Report, presented to this Committee on 12 November 2018.

1. INTRODUCTION

1.1 This is the Capital Budget monitoring report for the third quarter of the financial year, and allows Members to note the progress of Capital Expenditure and Capital Receipts against the Capital Budget.

1.2 In February 2018, the Council approved a Capital Programme for non-housing services of £37.017m for 2018/19 and a Capital Programme of £12.417m for the HRA. In addition, in June 2018, the Council approved Capital Slippage of £9.348m to be brought forward from 2017/18. Since the budget setting process, there have been additional schemes added onto the programme, most of which are grant funded which amounted to £4.097m, and revision of certain budgets amounting to a reduction of £0.959m. This brings the total Capital Budget for 2018/19 to £61.920m.

2. PROGRESS ON EXPENDITURE 2018/19

2.1 Below is a summary table of the Capital expenditure to 31 December 2018, the profiled budget to 31 December 2018 and the original funding of the Capital Programme for 2018/19.

Service	Annual Budget £'000	Profiled Budget £'000	Actual Expenditure £'000	Committed Expenditure £'000	Total Expenditure £'000	% Profiled Budget Spent	% Annual Budget Spent
Housing General Fund	3,611	1,085	511	-	511	47	14
Housing HRA	16,360	9,502	5,238	142	5,380	57	33
Lifelong Learning	12,177	3,512	4,626	82	4,708	134	39
Economic and Regeneration	6,604	3,464	3,216	323	3,539	102	54
Highways	17,703	4,002	2,885	28	2,913	73	16
Waste Management	86	84	84	-	84	100	98
Property	864	394	323	2	325	83	38
Transformation	535	483	385	62	447	93	84
Planning	2,225	1,225	1,119	-	1,119	91	50
Adult Services	1,755	18	13	4	17	90	1
Total	61,920	23,769	18,400	643	19,043	80	30
Capital Grant	33,834						
Capital Receipts	1,304						
Supported Borrowing	5,064						
Un-supported Borrowing	5,999						
Revenue Contribution	13,691						
Reserves	644						
Loan	374						
Underspend from 2017/18	1,010						
Total Funding	61,920						

2.2 The Profiled budget spent to the end of the second quarter for the general fund is 96%, however, only 30% of the annual budget has been spent to date. The reason for this is that a number of the capital schemes are weighted towards the latter part of the financial year, are now forecast to slip into the next financial year or will not go ahead at all. Some capital schemes are well underway, with the majority of the profiled budget for Quarter 3 being spent or even exceeded its profile, schemes such as the Llangefni Strategic Infrastructure, refurbishing Education buildings and the 3G pitch in Plas Arthur. Some capital schemes have yet to commence, but their budget is profiled towards the latter part of the financial year. These schemes include the Resurfacing of Roads, the Beaumaris Flood alleviation scheme and the Intermediate Care Fund Grant. Some schemes are now forecast to slip into the next financial year, with only part of their budget being spent this year. Their funding will also roll over onto the next financial year, an example being the Disabled Facilities Grant. Work has suspended on one major scheme, the New Highway to Wylfa Newydd which had a budget of £12.000m in 2018/19, all fully funded from external sources. All Capital schemes and their profile can be seen in Appendix B. There are a number of Capital Grants schemes in 2018/19 and an update on these is provided in section 3.1 of this report.

2.3 The Housing Revenue Account has spent 57% of its profiled budget, but only 33% of the annual budget. However, it is currently estimated that 54% of the annual budget will be spent come the end of the financial year, with the acquisition of existing properties and the development of new properties forecasted to significantly underspend. However, this scheme along with the funding, will slip into 2019/20. During Quarter 3, the final capital scheme was tendered and awarded, which fully commits the planned maintenance budget for 2018/19.

2.4 The smallholdings programme of improvements, financed from the ring-fenced capital receipts from the sale of smallholdings and rental income, completed during 2016/17. However, there were outstanding works to be completed during 2017/18. At the end of 2017/18, there was a deficit on the programme of £0.078m, to be funded by further Smallholding sales in 2018/19. These sales amounted to £0.285m, meaning the programme is in surplus of £0.207m. There are further capital works to be undertaken in 2018/19 for £0.207m to be funded from this surplus. At the end of 2018/19, it is expected that the programme will have a balanced budget. This will bring to an end the major refurbishment programme and any subsequent work will be funded from the revenue funding available.

3. FUNDING

3.1 Capital Grants

3.1.1 There are a number of Capital Grant schemes in the Capital Programme for 2018/19, most of which are underway and progressing, with a brief update on the schemes provided below:-

- Llangefni Link Road – Work on Section 3 continued during Quarter 3 and surfacing was completed. Some landscaping works to be completed in January as well as lines and signs. The road will be opened officially by the Minister for Economy and Transport (Ken Skates AM) on 7th February 2019.

- Llangefni Strategic Infrastructure – The scheme involves the construction of 5 (five) new industrial units on the old Môn Training site and office extension at the Business Centre for letting to the private sector. Work began on both sites during the latter part of 2017/18, work has continued into this financial year, with work progressing well on both sites. £2.935m of expenditure was incurred and committed up until the end of the third quarter of 2018/19, which will be funded through the European Regional Development Fund. The new industrial units were completed during the third quarter, and all five of the industrial units have been let. The office extension at the Business Centre was also completed during the third quarter, with the internal fit out being completed during Quarter 4.

- 21st Century Schools - The funding for Ysgol Cybi and Ysgol Rhyd y Llan has been fully drawn down as part of the 21st Century Schools programme and any further works to these schools, including the payment of any outstanding retention, will be funded through borrowing and the Council's resources as part of the Council's 50% contribution towards the project. Work has continued on the new build for Ysgol Santes Dwynwen during the quarter and the grant was fully drawn down in Quarter 2. Any additional expenditure will be funded by the Council as part of their match funding. The works at Ysgol Brynsiencyn has now been completed. The programme for Band A was due to complete in 2020, however, the New Build Llangefni, which is due to complete in 2022, will remain as part of the Band A programme.

- Holyhead Market Hall - The project is now 26 weeks into the contract with works progressing well. Early issues over smaller than anticipated claims from the contractor in relation to their own cashflow forecast have been resolved with accelerated expenditure. This remains a high priority for monitoring each month at monthly site meetings. Earlier anticipated delays have led to a formal application by the contractor for an 8 week extension to the contract, this remains under consideration by our Architect who awaits further justification before determining the extension allowable.

- Beaumaris Flood Alleviation – WG have now received the Tender Assessment Report and approved the full cost of the scheme, approximately £1.700m, and the contract for these works has been awarded. The contractor is now on site with completion of the works anticipated in May/June 2019.

- Tourism Gateway – The Holy Island Visitor Gateway TAD (Tourism Attractor Destination) Project is a mainly European Regional Development Fund, Welsh Government and Heritage Lottery Fund funded package of projects taking place over several years. It includes the installation of promotional branding of North Wales iconic visitor destinations at the port and station, enhancing the visitor experience at the St Cybi's Roman Fort, the Breakwater Park and Holyhead Mountain. The offer letter for this project has now been received which allows the project to move on to the next stage.

- Tourism Amenity Investment Scheme (TAIS) – The works on the Oriel, Dingle and Lôn Las are now completed with all funding being spent by the end of November 2018 and the grant claim has been submitted for payment.

- Funding has been approved by Welsh Government for the Targeted Regeneration Investment Programme (TRIP). The purpose of the funding is to bring 108 empty properties back into use through four schemes, being First Time Buyers Support, Vacant Homes Landlord Assistance, Empty Homes Direct Intervention and Town Centre Living. These schemes will be delivered by both the Isle of Anglesey County Council, as the lead authority, and Gwynedd Council as their joint delivery partner. The total funding will be £3.250m with Anglesey's share being £1.800m over three years. In 2018/19, the budget is £0.295m. Work has started during Quarter 3 on the delivery of the First Time Buyers Support and the Empty Homes Direct Intervention, with the first claim due in January 2019.

- Remediation works - Funding has been secured from the Welsh Government for remediation work to be carried out on 16 residential properties on the Craig-y-Don estate in Amlwch. The Welsh Government will contribute 60% of the initial estimate of costs of £636k, with the Housing Revenue Account funding the balance.

3.1.2 There are schemes that are in the Capital Programme that have not yet started or are waiting approval from funding providers, with a brief update on the schemes provided below:-

- Pentraeth Flood Alleviation - Welsh Government has allocated funding for the Nant y Felin, Pentraeth Flood Alleviation scheme within their programme for 2018/19 financial year. However, a formal offer is subject to an application being made by the Authority once all consents and tender prices are in place to begin works. Currently, it is anticipated these works will go out to tender in February and construction delayed now until April 2019.

- Holyhead Strategic Infrastructure – This scheme is to construct 10 (ten) new industrial units at Penrhos, Holyhead. However, due to delays with the procurement process, works are unlikely to start on site until 2019/20 and completed in 2020. European Regional Development Funding has been secured and a Joint Venture has been entered into with Welsh Government, which will provide the match funding for the scheme.

- Road Safety Capital – This scheme will involve capital works on the A5025 road from Menai Bridge to Amlwch. Work has started on the scheme with expenditure to date being £0.189m against a budget of £0.220m.

- New Highway to Wylfa Newydd – All works are currently suspended on this project.

- Local Transport Fund Holyhead Port Infrastructure – Funding has been secured totalling £0.604m for design and preparation work at Holyhead Gateway Hub, and for preparation works to develop new infrastructure at Holyhead Port. The funding will be split 50:50 between Welsh Government and Stenna.

3.2 Capital Receipts

3.2.1 The Capital Receipts for this year to date and the budgeted Capital Receipts are:-

	Budget 2018/19 £'000	**Received to 31 December 2018 £'000**	**Projection to 31 March 2019 £'000**	**Forecast Slippage in 2019/20 £'000**
Council Fund				
Smallholdings	264	285	297	0
General	1,431	510	678	1,245
Industrial	105	20	105	0
Schools	1,248	319	746	0
Total	**3,046**	**1,134**	**1,826**	**1,245**

3.2.2 The projected Capital Receipts at 31 March 2019 is now £1.826m against a budget of £3.046m. This is due to 4 property sales not being completed in 2018/19 but they are now expected to be completed in 2019/20. To the end of Quarter 3, £1.134m has being received, which equates to 37% of the budget. These are mainly from the sale of a smallholding (£0.264m), a generator (£0.140m) and three former school sites (£0.319m).

4. PROJECTED ACTUAL EXPENDITURE 2018/19 AND FUNDING

4.1 Below is a table with projected Expenditure at 31 March 2019 and the revised funding:-

Service	Annual Budget	Projected Expenditure	Projected (Under)/Over Expenditure £'000	% Variance
Housing General Fund	3,611	1,466	(2,145)	(59)
Housing HRA	16,360	8,804	(7,556)	(46)
Lifelong Learning	12,177	7,856	(4,321)	(35)
Economic and Regeneration	6,604	4,270	(2,334)	(35)
Highways	17,703	5,424	(12,279)	(69)
Waste Management	86	84	(2)	(2)
Property	864	857	(7)	(1)
Transformation	535	535	-	-
Planning	2,225	2,225	-	-
Adult Services	1,755	755	(1,000)	(57)
Total	**61,920**	**32,276**	**(29,644)**	**(48)**
Funded by :	**Annual Budget £'000**	**Projected Funding £'000**	**Variance**	**% Variance**
Capital Grant	33,834	15,606	(18,228)	(54)
Capital Receipts	1,304	1,826	(521)	40
Supported Borrowing	5,064	3,383	(1,681)	(33)
Un-supported Borrowing	5,999	3,811	(2,188)	(36)
Revenue Contribution	13,691	6,135	(7,556)	(50)
Reserves	644	1,142	(498)	77
Loan	374	374	0	0
Underspend from 2017/18	1,010	-	(1,010)	(100)
Total Funding	**61,920**	**32,276**	**(29,644)**	**(48)**

4.2 As can be seen from Table 4.1 (above), the forecast underspend on the Capital Programme for 2018/19 is £29.644m, with this being potential slippage into the 2019/20 Capital Programme. The funding for this slippage will also slip into 2019/20 and was factored in when producing the Treasury Management Strategy Statement and Capital Programme for 2019/20. The main projects that are forecast to be underspent are:-

- The New Highway to Wylfa Newydd. This project was due to be fully funded from external funding (shown as Capital Grants in Table 4.1). However, all works on this project has been suspended.

- Residential Sites for Gypsies and Travellers. The commencement of these projects are dependent on the receipt of the necessary planning approval. Once this is obtained, further detailed report on costs and scheme delivery will be presented to the Executive. At this stage, it is unlikely that significant capital expenditure will occur before the end of the current financial year. If planning permission is secured for the development of a permanent residential site, an application will be submitted to the Welsh Government for grant funding to assist with development costs.

- Acquisition of existing properties (HRA) and the development of new properties. These projects will be funded from HRA reserves (shown as Revenue Contribution in Table 4.1) and via borrowing. Work has commenced on the building of new properties, but it is not anticipated that sufficient projects will have been developed to spend the available budget. Any unspent funding will be carried forward to 2019/20.

- 21st Century Schools Llangefni New Build – this project is to be funded through the Welsh Government's 21st Century School Modernisation programme – Band A – 50% from external grants and supported borrowing and 50% from capital receipts and unsupported borrowing. In January 2019, the Strategic Outline Case (SOC) / Outline Business Case (OBC) in respect of the New Primary School at Llangefni has been approved by the Minister for Education. In order to secure the funding, the Final Business Case (FBC) needs to be approved by the Welsh Government as soon as possible, ideally by 31 March 2019. Any delays in moving ahead with this project may result in a loss of the Band A funding.

- Seiriol Extra Care – this project will now start in 2020 and will be fully funded through the HRA. A request had been made in the Capital Programme 2019/20 to release the Council funding for this project back into the capital general fund, and this request was approved by the Executive in its meeting on November 12 2018.

4.3 The Capital Financing Requirement forecasted at 31 March 2019 is £141.191m, which is the underlying need for the Authority to borrow to be able to fund its Capital Programme. The external borrowing currently stands at £121.421m, meaning the Authority has essentially funded £19.770m of the capital expenditure from its own internal cash balances (internal borrowing). If this borrowing is undertaken externally, the Authority will still be within its authorised borrowing limits as per the 2018/19 Treasury Management Strategy Statement (Appendix 11).

5. FUTURE YEARS

5.1 On 30 October 2017, the Executive approved a Capital Strategy for 2018/19 and it was recommended that the 2018/19 Capital Programme funding will be limited to the total of the general capital grant and supported borrowing (as determined by Welsh Government) and estimated value of any capital receipts that will be received. The Capital Strategy for 2019/20 echoed this and the 2019/20 Capital Programme will follow the same principles, with the General Capital Grant and Supported Borrowing used to fund the annual replacement of Vehicles, Investment in ICT, Refurbishing existing assets and an annual allocation to meet the cost of statutory Disabled Facilities Grants. There will also be funding available for the resurfacing of roads and capital projects that attract external grants and these will be evaluated on a case by case basis.

As mentioned in paragraph 4.2, a request was made to the Executive to release the Council funding for the Extra Care Seiriol back into the capital general fund, which was approved. This funding was made available to fund new capital schemes in 2019/20, with priority given to projects which contribute to the Council's objectives as set out in the Corporate Plan 2017 – 2022 and any schemes which can generate future revenue savings or generate additional income. For 2019/20, the Executive approved the funding to be used on 10 Capital schemes along with 2 Invest to Save bids.

On 12 November 2018, the Executive also approved a draft Capital Programme for 2019/20 of £38.000m of which £24.890 was for the General Fund and £13.110m for the HRA. However, it has since been announced that the New Highway to Wylfa Newydd project has been suspended, which had a budget of £7.000m in 2019/20.

The final capital funding settlement, announced by the Welsh Government on 19 December 2018, included an additional £0.737m in general capital grant and supported borrowing. The final capital programme for 2019/20 will be submitted for approval to the Executive on 18 February 2019.

6. CONCLUSION

6.1 The results at the end of Quarter 3 and the associated projected expenditure shows that the majority of projects are on target to be completed within budget but there are 4 major projects (Development of new HRA Properties, Gypsy and Travellers Sites, Improvements to the A5025 to Wylfa and 21st Century School at Llangefni) which are expected to significantly underspend the budget in 2018/19. However, the funding for three of these schemes will be carried forward to 2019/20 and it is not anticipated, at this point, that any funding will be lost due to the delays. The improvements to the A5025 may not commence at all as all works on the project is suspended.

APPENDIX B

Summary of the Capital Projects' Expenditure to date against the Capital Budget and the Projected Expenditure at Year-End

Service	Annual Budget (£)	Profiled Budget (£)	Actual Expenditure (£)	Committed Expenditure (£)	Total Expenditure (£)	Variance to profile (£)	% Profiled Budget Spent	% Annual Budget Spent	Projected Expenditure (£)	Projected Under / Over (£)	% Variance
Housing General Fund											
Disabled Facilities Grants	1,006,790	755,100	329,494	0	329,494	-425,606	44	33	600,000	-406,790	-40
Residential Site for Gypsies and Travellers	1,858,000	80,000	30,157	0	30,157	-49,843	38	2	120,000	-1,738,000	-94
Compulsory Purchase Scheme	199,100	140,000	83,390	0	83,390	-56,610	60	42	199,100	0	0
Enable Grant	93,200	69,903	31,785	0	31,785	-38,118	45	34	93,200	0	0
Affordable Housing	30,650	0	477	0	477	477	0	2	30,650	0	0
Remediation works	383,000	0	0	0	0	0	0	0	383,000	0	0
TRIP Grant - First time buyer	40,000	40,000	35,769	0	35,769	-4,231	89	89	40,000	0	0
Total	**3,610,740**	**1,085,003**	**511,072**	**0**	**511,072**	**-573,931**	**47**	**14**	**1,465,950**	**-2,144,790**	**-59**
Housing HRA											
Central Heating Contract	500,000	280,000	244,479	8,508	252,986	-27,014	90	51	400,000	-100,000	-20
Planned Maintenance Contract	3,983,500	2,793,149	2,956,411	3,704	2,960,116	166,966	106	74	3,983,149	-351	0
Energy Performance Improvement	1,000,000	550,000	15,328	0	15,328	-534,672	3	2	200,000	-800,000	-80
Environmental Works	500,000	200,000	24,150	2,088	26,238	-173,762	0	5	100,000	-400,000	-80
Acquisition of Existing Properties and Development of New Properties	7,964,780	4,359,330	644,886	0	644,886	-3,714,445	15	8	1,469,000	-6,495,780	-82
Remodelling Llawr y Dref	500,000	375,000	509,617	3,301	512,918	137,918	137	103	690,000	190,000	38
Public Sector Adaptations	350,000	260,000	251,529	18,043	269,573	9,573	104	77	400,000	50,000	14
Fire Risk	200,000	120,000	43,064	73,700	116,764	-3,236	97	58	200,000	0	0
WHQS	1,000,000	550,000	548,718	18,765	567,483	17,483	103	57	1,000,000	0	0
Remediation Work HRA	362,000	15,000	282	13,582	13,864	-1,136	92	4	362,000	0	0
Totals for : Housing HRA	**16,360,280**	**9,502,479**	**5,238,465**	**141,691**	**5,380,156**	**-4,122,323**	**57**	**33**	**8,804,149**	**-7,556,131**	**-46**
Lifelong Learning											
Disabled Access in Education Building	397,330	200,000	152,301	0	152,301	-47,699	76	38	400,000	2,670	1
Refurbish Education Building	543,950	450,000	509,345	0	509,345	59,345	113	94	550,000	6,050	1
21st Century Schools - Ysgol Cybi	132,000	132,000	127,174	3,521	130,694	-1,306	99	99	132,086	86	0
21st Century Schools - Ysgol Rhyd Y Llan	178,000	133,500	142,197	3,750	145,947	12,447	109	82	178,000	0	0
21st Century Schools - Ysgol Parc Y Bont	7,000	0	2,157	850	3,007	3,007	0	43	16,222	9,222	132
21st Century Schools - Ysgol Santes Dwynwen	5,082,748	2,090,000	3,392,572	67,866	3,460,437	1,370,437	166	68	5,082,748	0	0
21st Century Schools - Ysgol Brynsiencyn	203,000	256,496	243,815	0	243,815	-12,681	95	120	303,991	100,991	50
21st Century Schools - Ysgol Esgeifiog	50,000	0	0	0	0	0	0	0	0	-50,000	-100
21st Century Schools - Ysgol Y Graig Extension	350,000	0	210	3,620	3,830	3,830	0	1	350,000	0	0
21st Century Schools - Llangefni New Build	5,233,000	250,234	55,809	2,358	58,167	-192,067	23	1	842,588	-4,390,412	-84
Total	**12,177,028**	**3,512,230**	**4,625,579**	**81,965**	**4,707,543**	**1,195,313**	**134**	**39**	**7,855,635**	**-4,321,393**	**-35**
Economic and Regeneration											
Tourism Gateway	1,397,980	0	1,738	0	1,738	1,738	0	0	400,000	-997,980	-71
Holyhead Strategic Infrastructure	1,370,000	0	152,424	0	152,424	152,424	0	11	200,000	-1,170,000	-85
Llangefni Strategic Infrastructure	3,357,000	3,050,000	2,644,085	291,451	2,935,536	-114,464	96	87	3,191,000	-166,000	-5
Planning System Invest to Save	69,350	4,019	8,474	30,629	39,103	35,084	973	56	69,346	-4	0
Salix LED Lights Leisure Centre - Retention	5,000	5,000	5,194	0	5,194	194	104	104	5,194	194	4
Llangefni Golf Course - Mowers	4,500	4,500	4,500	0	4,500	0	100	100	4,500	0	0
Llangefni 3G pitch	200,000	200,000	200,913	0	200,913	913	100	100	200,000	0	0
Holyhead Fitness Equipment	200,000	200,000	198,966	752	199,718	-282	100	100	200,000	0	0
Total	**6,603,830**	**3,463,519**	**3,216,294**	**322,832**	**3,539,126**	**75,607**	**102**	**54**	**4,270,040**	**-2,333,790**	**-35**

Service	Annual Budget (£)	Profiled Budget (£)	Actual Expenditure (£)	Committed Expenditure (£)	Total Expenditure (£)	Variance to profile (£)	% Profiled Budget Spent	% Annual Budget Spent	Projected Expenditure (£)	Projected Under / Over (£)	% Variance
Highways and Transportation											
Car Parks	12,920	12,920	5,990	0	5,990	-6,930	46	46	12,920	0	0
Vehicles	150,000	150,000	118,045	0	118,045	-31,955	79	79	150,000	0	0
County Prudential Borrow ing Initiative	1,532,800	1,592,000	922,092	0	922,092	-669,908	58	60	1,532,800	0	0
Beaumaris Flood Alleviation Works (WG)	954,290	20,000	99,648	1,631	101,279	81,279	0	11	950,000	-4,290	0
Pentraeth Flood Alleviation Works (WG)	200,000	40,000	0	0	0	-40,000	0	0	0	-200,000	-100
New Highw ays to Wylfa New ydd	12,000,000	0	0	0	0	0	0	0	0	-12,000,000	-100
Active Travel	175,000	3,000	2,670	1,600	4,270	1,270	142	2	100,000	-75,000	-43
Llangefni Link Road	1,671,000	1,307,000	872,931	8,752	881,683	-425,317	67	53	1,671,000	0	0
Tais Grant Oriel Mon, Lon Las & Dingle	128,000	128,000	129,831	0	129,831	1,831	101	101	128,000	0	0
A545 Beaumaris	120,000	120,000	104,091	16,076	120,166	166	100	100	120,000	0	0
Road Safety Grant	220,000	165,000	189,373	0	189,373	24,373	115	86	220,000	0	0
A545 Resilience Study	95,000	20,000	19,576	0	19,576	-424	98	21	95,000	0	0
Flooding w ork Llangefni	75,000	75,000	73,912	0	73,912	-1,088	99	99	75,000	0	0
Salix Phase 2 - Street Lights	105,130	105,130	104,881	0	104,881	-249	100	100	105,130	0	0
Salix Phase 3 - Street Lights	264,000	264,000	241,805	0	241,805	-22,195	92	92	264,000	0	0
Total	**17,703,140**	**4,002,050**	**2,884,844**	**28,058**	**2,912,902**	**-1,089,148**	**73**	**16**	**5,423,850**	**-12,279,290**	**-69**
Waste Management											
New Weighbridge	30,590	28,995	28,995	0	28,995	0	100	95	28,995	-1,595	-5
New Equipment in Penhesgyn	55,000	55,000	55,000	0	55,000	0	100	100	55,000	0	0
Total	**85,590**	**83,995**	**83,995**	**0**	**83,995**	**0**	**100**	**98**	**83,995**	**-1,595**	**-2**
Property											
Refurbish Existing Assets	406,930	200,000	103,310	0	103,310	-96,690	52	25	400,000	-6,930	-2
Invest To Save Property	250,000	90,000	18,828	0	18,828	0	0	8	250,000	0	0
Smallholdings	207,000	103,500	201,155	2,100	203,255	99,755	196	98	207,000	0	0
Total	**863,930**	**393,500**	**323,292**	**2,100**	**325,392**	**3,064**	**0**	**38**	**857,000**	**-6,930**	**-1**
Transformation											
ICT- Core Infrastructure	182,700	182,701	177,365	750	178,115	-4,586	97	97	182,700	0	0
ICT - Desktop Refresh	121,000	121,000	62,258	61,399	123,657	2,657	102	102	121,000	0	0
ICT - Legacy System Migration	20,000	20,000	39,321	0	39,321	19,321	197	197	20,000	0	0
ICT - MS Licensing	106,000	106,000	106,130	0	106,130	130	100	100	106,000	0	0
CRM System Invest to Save	105,640	52,822	0	0	0	-52,822	0	0	105,640	0	0
Total	**535,340**	**482,523**	**385,074**	**62,149**	**447,223**	**-35,300**	**0**	**84**	**535,340**	**0**	**0**
Planning											
Holyhead Market Hall Hub Project	2,225,000	1,225,000	1,118,998	0	1,118,998	-106,002	91	50	2,225,000	0	0
Total	**2,225,000**	**1,225,000**	**1,118,998**	**0**	**1,118,998**	**-106,002**	**91**	**50**	**2,225,000**	**0**	**0**
Adult Services											
ICF	731,000	0	0	0	0	0	0	0	731,000	0	0
Invest to Save Wifi Canolfan Byron	8,750	3,000	2,708	0	2,708	-292	90	31	8,750	0	0
Seiriol	1,000,000	0	0	0	0	0	0	0	0	-1,000,000	-100
Garreglw yd	15,420	15,420	10,075	3,879	13,954	-1,466	90	90	15,420	0	0
Total	**1,755,170**	**18,420**	**12,783**	**3,879**	**16,662**	**-1,758**	**90**	**1**	**755,170**	**-1,000,000**	**-57**
Total	**61,920,048**	**23,768,720**	**18,400,394**	**642,675**	**19,043,069**	**-4,654,478**	**80**	**31**	**32,276,130**	**-29,643,918**	**-48**

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**THE EXECUTIVE**
DATE:	**18 FEBRUARY 2019**
SUBJECT:	**HRA BUDGET MONITORING, QUARTER 3 2018/19**
PORTFOLIO HOLDER(S):	**COUNCILLOR ROBIN WILLIAMS**
HEAD OF SERVICE:	**MARC JONES**
REPORT AUTHOR: TEL: E-MAIL:	**STEPHEN MOORE** 01248 752634 StephenMoore@ynysmon.gov.uk
LOCAL MEMBERS:	**n/a**

A - Recommendation/s and reason/s

1. The Executive is requested to note the following:-

(i) The position set out in respect of the financial performance of the Housing Revenue Account (HRA) for Quarter 3 2018/19.

(ii) The forecast outturn for 2018/19.

2. Background

(i) In March 2018, the Council agreed a revenue budget for 2018/19 that showed a planned surplus of £7.3m.

(ii) The capital budget for 2018/19 was £12.4m but it should be noted that £3.6m of expenditure planned for 2017/18 had not been completed and had slipped into the 2018/19 capital programme.The budget has been revised by a further £362k to cover the remediation work at Amlwch (see below). This gives a total capital budget of £16.4m.

(iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £6.4m which would be funded from the HRA reserve.

(iv) The HRA is 'ringfenced' and its reserves cannot be transferred to the General Fund.

3. This report sets out the financial performance of the HRA for the period from 1st April 2018 to 31st December 2018.

4. Overview

(i) The revenue financial position for Q3 shows an underspend of £110k. The income forecast remains £25k lower than the original budget and the expenditure is now forecast to be £350k below the original budget, as explained below. More detail is shown in Appendix A.

(ii) The capital expenditure is £4.1m below the profiled budget. The forecast expenditure is £7.6m lower than budget as explained below. More detail is shown in Appendix B.

(iii) The forecast surplus (combining both revenue and capital) is £7.9m better than the budget, largely the result of lower than budgeted capital expenditure.

5. **Income**

(i) At the end of the third quarter, the level of income received was £18k higher than the profiled budget, as noted below.

(ii) Income from tenant rents was £63k below budget. The budget assumed a level of new properties being let during the first half of the year but the numbers have been lower than the figure allowed for in the budget. The forecasted shortfall at the end of the financial year is £90k.

(iii) The budget assumed that the remodelling of the garage stock would be complete and fewer garages would be available to let. In the event, the pace of remodelling has been slower and the number of garages still let is higher than planned. To date, income from this source is £19k better than budget and will continue during the second half of the year. The forecast remains at £25k better than budget.

(iv) Service Charges, which are based on the actual costs incurred, are now £33k above the profiled budget at the end of quarter 3, indicating that the forecast of £40k better than budget is realistic.

(v) Other income was £30k above the budget (mostly due to higher than predicted income from tenants paying for home insurance) but is expected to return to the budget figure by the end of the financial year.

(vi) Therefore, the overall forecast for income remains a shortfall of £25k at the end of the financial year.

6. **Non Repairs and Maintenance Expenditure**

(i) At the end of the third quarter, non repairs and maintenance expenditure was £196k below the profiled budget. This has arisen from the decision to defer the full stock survey to the 2019/20 financial year, meaning that the budget set aside will no longer be required this year. The forecast has been revised to show an underspend of £400k at the year end.

7. **Repairs and Maintenance**

(i) The Housing Maintenance Unit (HMU) shows an overspend of £115k (£215k at the end of Q2). This is partly due to the use of subcontractors (some £96k above the profiled budget) which had been used to cover staff absence earlier in the year. Repairs and maintenance costs vary dependant on the number and types of repair work which is reported, particularly during the winter period, but historically it has been possible to recover some of the overspending through the management of the work undertaken. Whilst there has been some success since the Quarter 2 report, it is prudent to continue to forecast an overspend of £100k at the end of the year. There are potential savings to be realized following the outsourcing of the stores function from November 2018, however, no allowance has been made for this in the forecast at this point. The situation will be closely monitored over the final quarter of the year to determine the savings that have been achieved.

(ii) Expenditure on non HMU building maintenance staff is £93k below the profiled budget due to staff vacancies. Based on the current staffing levels, it is not anticipated that the same level of underspending will occur during the final quarter of the year and an underspend of £100k is forecast by the end of the financial year.

(iii) Other Repairs and Maintenance costs are overspent by £82k (£125k at the end of Quarter 2) compared to the profiled budget due to additional work around fire protection and grounds maintenance. The level of expenditure on this type of work has fallen during the last quarter and it is expected that the overspend will reduce to £50k at the end of the year.

8. Year End Adjustments

(i) This heading covers items of expenditure (capital financing costs and recharges from the General Fund) that form part of the year end accounting process. At this stage, no changes are envisaged.

9. Capital Expenditure

(i) The original capital programme, approved by the Council in March 2018, totalled £12,417k which was to be funded by the Major Repairs Allowance £2,665k and contribution from the HRA reserve £9,752k. Planned capital expenditure of £3,581k was brought forward as slippage from 2017/18 to give a revised capital programme of £15,998k. An additional £362k has been added to the programme to cover remediation works (see below), giving a total programme of £16,360k. Based on the current information, it is forecast that the actual expenditure will be £8,804k, which is £7,556k below the budget.

(ii) The central heating contract is forecast to be £100k below budget, mainly due to the planned deferment of works into the 2019/20 financial year.

(iii) The energy performance improvement programme is forecast to be £800k underspent due to discussions with the utility provider with regards to upgrading the infrastructure required before the full programme can commence.

(iv) The environmental works programme, the majority of which relates to the remodeling of garages, is forecast to be £400k below budget due to delays in commencement and delays in obtaining statutory consents.

(v) The majority of the capital expenditure budget relates to the acquisition of former Council houses and the development of new properties, with £7,964k allocated.The budget allowed for the purchase of 15 former Right to Buy properties and the development of 25 new properties. At the end of the third quarter, the expenditure amounted to £645k. It is now envisaged that 12 former Right to Buy properties will be completed by the end of the financial year, totalling £1,009k. It is anticipated that 25 new build developments will be on site as at 31st March; these are 6 houses in Caergeiliog, 3 bunglows in Moelfre, with the remaining at three sites in Holyhead. Due to the delay in commencing our new build projects, there is a projected underspend of £6.5m to the year end within this programme.

(vi) The programme of remodeling of existing stock, namely the Llawr y Dref project, shows an overspend of £190k. This overspend is due to additional works being identified at the scheme following commencement of the work. This work involved the incorporation of the former warden house into the scheme.

(vii) The remediation work on 7 HRA dwellings at Craig Y Don, Amlwch, has now been incorporated into the HRA capital programme.

(viii) The underspend on the capital programme will be carried forward to future years.

10. HRA Balance

(i) The opening balance of the HRA Reserve stood at £7,407k. The revised budget allowed for the use of £6,412k of this balance, however, the forecast underspend on the capital budget combined with the forecast underspend on the revenue budget will result in a surplus of £1,469k. This will give a reserve balance of £8,876k by the end of the financial year. This balance is ringfenced, so is available to fund future HRA expenditure only.

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

n/a

C - Why is this a decision for the Executive?

This matter is delegated to the Executive.

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

Yes

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

Yes

DD - Who did you consult?		**What did they say?**
1	**Chief Executive / Strategic Leadership Team (SLT)** (mandatory)	
2	**Finance / Section 151** (mandatory)	n/a – this is the Section 151 Officer's report
3	**Legal / Monitoring Officer** (mandatory)	Will be consulted as part of SLT
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 A – Revenue expenditure and forecasts to end of Quarter 3
Appendix B – Capital expenditure and forecast to end of Quarter 3

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

- 2018/19 HRA budget (as approved by this Committee in March 2018).
- HRA 30 Year Business Plan 2018/48 (as approved by this Committee in March 2018)

APPENDIX A

HRA ACCOUNT 2018/19

	Annual Budget 2018/19	Profiled Budget to Month 9	Actual to Month 9	Variance to Month 9	Year End Forecast	Year End Variance
	£	**£**	**£**	**£**	**£**	**£**
REVENUE ACCOUNT						
Income						
Dwellings	(17,339,000)	(12,653,913)	(12,590,478)	63,435	(17,249,000)	90,000
Garages	(190,000)	(142,310)	(160,963)	(18,653)	(215,000)	(25,000)
Service Charges	(99,000)	(74,151)	(107,335)	(33,184)	(139,000)	(40,000)
Other	(311,000)	(224,734)	(254,363)	(29,629)	(311,000)	0
Bad Debt Provision	219,000	0	0	0	219,000	0
TOTAL INCOME	**(17,720,000)**	**(13,095,108)**	**(13,113,139)**	**(18,031)**	**(17,695,000)**	**25,000**
Non Repairs & Maintenance Expenditure						
Tenant Participation	115,820	86,719	67,821	(18,898)	115,820	0
Rent Administration	135,360	101,148	113,008	11,860	135,360	0
Estate Management	369,560	275,830	277,808	1,978	369,560	0
Other Revenue Expenditure	1,167,040	815,624	624,221	(191,403)	767,040	(400,000)
Total Non R & M Expenditure	**1,787,780**	**1,279,321**	**1,082,858**	**(196,463)**	**1,387,780**	**(400,000)**
Repairs and Maintenance						
Housing Maintenance Unit (HMU)	3,016,840	2,259,705	2,374,888	115,183	3,116,840	100,000
Building Maintenance Staff (non HMU)	852,560	637,267	544,287	(92,980)	752,560	(100,000)
Other Repairs and Maintenance	463,730	347,352	429,313	81,961	513,730	50,000
Total Repairs & Maintenance	**4,333,130**	**3,244,324**	**3,348,488**	**104,164**	**4,383,130**	**50,000**
Year End Adjustments						
Capital Financing Charges	2,987,000	0	0	0	2,987,000	0
Recharge from Housing Services	635,120	0	0	0	635,120	0
Recharge from Central Services	693,360	0	0	0	693,360	0
Total Year End Adjustments	**4,315,480**	**0**	**0**	**0**	**4,315,480**	**0**
TOTAL REVENUE EXPENDITURE	**10,436,390**	**4,523,645**	**4,431,346**	**(92,299)**	**10,086,390**	**(350,000)**
TOTAL REVENUE (SURPLUS) / DEFICIT	**(7,283,610)**	**(8,571,463)**	**(8,681,793)**	**(110,330)**	**(7,608,610)**	**(325,000)**

CAPITAL EXPENDITURE ACCOUNT						
2018/19 Expenditure	16,360,280	9,502,479	5,380,156	(4,122,323)	8,804,149	(7,556,131)
Major Repairs Allowance	(2,665,000)	0	0	0	(2,665,000)	0
TOTAL CAPITAL (SURPLUS) / DEFICIT	**13,695,280**	**9,502,479**	**5,380,156**	**(4,122,323)**	**6,139,149**	**(7,556,131)**
NET (INCREASE) / DECREASE IN HRA RESERVE	**6,411,670**	**931,016**	**(3,301,637)**	**(4,232,653)**	**(1,469,461)**	**(7,881,131)**
Opening HRA Balance	(7,406,916)				(7,406,916)	
Net (Increase) / Decrease in HRA Reserve	6,411,670				(1,469,461)	
Closing HRA Balance	**(995,246)**				**(8,876,377)**	

APPENDIX B

Service	Annual Budget (£)	Profiled Budget (£)	Total Expenditure (£)	Variance To Profile (£)	Projected Expenditure (£)	Projected Under / Over (£)
Housing HRA						
Central Heating Contract	500,000	280,000	252,986	(27,014)	400,000	(100,000)
Planned Maintenance Contract	3,983,500	2,793,149	2,960,116	166,966	3,983,149	(351)
Energy Performance Improvement	1,000,000	550,000	15,328	(534,672)	200,000	(800,000)
Environmental Works	500,000	200,000	26,238	(173,762)	100,000	(400,000)
Acquisition of Existing Properties/ Development of New Properties	7,964,780	4,359,330	644,886	(3,714,445)	1,469,000	(6,495,780)
Premises Remodelling of Existing Stock	500,000	375,000	512,918	137,918	690,000	190,000
Public Sector Adaptations	350,000	260,000	269,573	9,573	400,000	50,000
Fire Risk	200,000	120,000	116,764	(3,236)	200,000	0
WHQS	1,000,000	550,000	567,483	17,483	1,000,000	0
Remediation Work	362,000	15,000	13,864	(1,136)	362,000	0
Totals for Housing HRA	**16,360,280**	**9,502,479**	**5,380,156**	**(4,122,323)**	**8,804,149**	**(7,556,131)**

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**THE EXECUTIVE**
DATE:	**18 FEBRUARY 2019**
SUBJECT:	**DISCRETIONARY BUSINESS RATES RELIEF FRAMEWORK – CHARITIES AND NON-PROFIT MAKING ORGANISATIONS**
PORTFOLIO HOLDER(S):	**COUNCILLOR ROBIN WYN WILLIAMS (PORTFOLIO HOLDER – FINANCE)**
HEAD OF SERVICE:	**MARC JONES (HEAD OF FUNCTION (RESOURCES) & SECTION 151 OFFICER)**
REPORT AUTHOR: TEL: E-MAIL:	**GERAINT H. JONES (REVENUES AND BENEFITS SERVICE MANAGER)** 01248 752651 GeriantH.Jones @anglesey.gov.uk
LOCAL MEMBERS:	**NOT APPLICABLE**

A - Recommendation/s and reason/s

RECOMMENDATIONS

- That the Executive adopts the current Discretionary Business Rates Relief Framework - Charities and Non-Profit Making Organisations as detailed in Appendix A for the financial year 2019/20 only and instructs the Head of Function (Resources) and Section 151 Officer to ensure that administrative procedures before 31 March 2019 advise relevant charities and non-profit making organisations that the policy will apply for 2019/20 only and will cease on 31 March 2020.

- That the Executive agrees that the public consultation on the framework is to be carried out by the Head of Function (Resources) and Section 151 Officer during the first half of 2019/20 with a revised framework coming into effect on 1 April 2020.

BACKGROUND

Non-domestic properties (apart from certain exemptions, such as agriculture, places of worship, property used by the disabled etc.) are liable to payment of non-domestic rates. These are commonly termed business rates although not all ratepayers are businesses in the ordinary sense. Indeed, the system of reliefs is partly designed to alleviate the burden of taxation on occupiers other than business.

Local Authorities in Wales must grant mandatory rate relief to charities provided for within the Local Government Finance Act 1998 (LGFA88), as amended by the Local Government Act 2003.

Under the LGFA88, local authorities can also grant discretionary relief or remission from rates up to 100% of the rates payable. This applies to the properties occupied by:-

- Charities (“20% top-up” in addition to 80% mandatory relief);
- Other non-profit making organisations.

The cost of granting discretionary business rates relief is borne in part by the Non-Domestic Rates (NDR) Pool (i.e. Welsh Government) and by local council taxpayers.

For example, the proportion borne by the Welsh Government in respect of non-profit making organisations is 90% of the cost. This means that every £1 spent by the Council buys relief worth £10 to the ratepayer.

However, in respect of the cost of the “20% top-up”, the proportion borne by the Welsh Government is

25% of the cost. This means that every £7.50 spent by the Council buys relief worth £10 to the ratepayer.

THE DECISION OF THE EXECUTIVE IN FEBRUARY 2018

On 19 February 2018, the Executive extended its Discretionary Business Rates Relief Framework – Charities and Non-Profit Making Organisations for one year. It also resolved that a public consultation on the framework was to be carried out during the first half of 2018/19 with a revised framework coming into effect on 1 April 2019. Even though a consultation document has been approved, no consultation has been undertaken as the service was aware of possible significant announcemements from either the central Westminster or devolved Cardiff administrations with regard to possible further business rates relief for businesses. Such announcements could have an impact on the consultation to be undertaken.

What, in fact, was announced during 2018/19 by both administrations?

- The Welsh Government, on 10 December 2018, announced an enhanced and extended high street rates relief scheme for 2019/20. It had originally set up the high street rates relief scheme in April 2017 to support retailers affected by the 2017 revaluation. It was extended for 2018/19. The 2019/20 scheme goes further than in previous years, providing eligible businesses with up to £2,500 off their business rates bills. Retailers with a rateable value of up to £50,000 will benefit from the scheme and rates bills will be reduced to zero for properties with a rateable value of up to £9,100.
- The high street rates relief scheme is in addition to the small business rates relief scheme announced on 13 December 2017 by Welsh Government.
- **The Executive should note that charities and non-profit making organisations are not eligible for the high street rates relief nor the small business rates relief.** The relief that applies to charities and non-profit making organisations is governed by criteria as described earlier in this report (under **BACKGROUND**). The Council's Discretionary Scheme for such organisations needs to have regard to these new limits for high street rates relief and small business rates relief and, also, the fact that small businesses on the high street may now get 100% relief from business rates but charities and non-profit making organisations, under the current policy, may only get 80% relief – even though the rateable value may be the same.
- **The Executive is further asked to note that, when the new small business rates relief scheme was introduced in April 2018, it limited the number of properties eligible for small business rates relief to two per business in each local authority area, preventing larger businesses and national chains from benefiting from the scheme.** The service is still contacting businesses advising them of this requirement and is still identifying a number of properties where small business rate relief has been given from April 2018 but, in fact, it should not as the business had already received relief on two other properties in the Council's area.
- The UK Government and the Scottish Executive have announced their own enhancements to the small business rates relief and high street rates relief policies as a consequence of the Chancellor of the Exchequer's Autumn 2018 budget.
- The consultation document in respect of the Council's discretionary business rates relief framework has been amended to take account of these changes announced in December 2018. Currently, there is a budgetted spend of £60k on the Council as regards the current discretionary relief framework. Allowing for the financial arrangements with Welsh Government in providing discretionary relief to charities and non-profit making organisations, total relief given amounts to £209k – Welsh Government meeting the difference i.e. £149k.

- As there was a possibility of budgetary implications following such a consultation, and with the final financial settlement for 2019/20 not received until 19 December 2018, which included an additional £2.4m (non-hypothicated) support for small businesses nationally in Wales, the

- timetable does not allow sufficient time to consult and for any revisions to the framework, with possible potential costings to be discussed and reflected in the proposed budget for 2019/20.
- Consequently, it is recommended that the current policy is adopted for a further year with the consultation being undertaken in the first half of 2019/20 allowing sufficient time for responses and budgetary implication, if any, to be considered with a new framework coming into effect from 1 April 2020.

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

The current relief policy has been a success, in that virtually no applications have been made that are not covered by the policy. This has led to a significant reduction in applications being considered individually.

Not to extend the current discretionary business rates relief policy for charities and non-profit making organisations would mean that each application would have to be dealt with individually by the Head of Function (Resources) and Section 151 Officer, taking account of guidance from Welsh Government and Executive guidance/policies. (See Council's Constitution – Scheme of Delegation to Specific Officers (Head of Function (Resources)/Section 151 Officer) and specific duty detailed under 3.5.3.5.19).

If the Executive is of the opinion that a consultation should be undertaken, the decision on the new framework would have to be delayed until March 2019 after completion of the consultation. If a decision is not made in March 2019, the Head of Function (Resources) and Section 151 Officer, as mentioned above, would have to deal with each case individually.

C - Why is this a decision for the Executive?

The decisions to grant relief from Business Rates to charities and non profit making organisations has been delegated to the Head of Function (Resources) and Section 151 Officer. The Executive is being asked to create guidance and a framework for the officer to refer to, ensuring consistency and fairness with regard to each decision.

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

This policy contributes to the corporate aims of the Authority – mainly regenerating our community and developing the economy and transforming leisure services.

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

A budget of £60k has been earmarked within the 2018/19 budget. Projected expenditure at the end of quarter 3 is £61k*. For the 2019/20 proposed budget, £60k has been allocated for the cost of the discretionary relief for charities and non-profit making organisations.

***** This figure reflects adjustments for previous years during 2018/19, unlike Appendix A which shows figures relating to 2018/19 only.

DD - Who did you consult?		**What did they say?**
1	**Chief Executive / Strategic Leadership Team (SLT)** (mandatory)	
2	**Finance / Section 151** (mandatory)	Author of report
3	**Legal / Monitoring Officer** (mandatory)	
4	**Human Resources (HR)**	

5	**Property**	
6	**Information Communication Technology (ICT)**	
7	**Scrutiny**	
8	**Local Members**	
9	**Any external bodies / other/s**	

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

F - Appendices:

Appendix A – Business Rates Relief Framework for Charities and Non-Profit Making Organisations.

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

Isle of Anglesey Executive decision 14 February 2018
A new Small Business Rates Relief Scheme for Wales 2018
High Street Rate Relief Scheme announcement 10 December 2018

APPENDIX A

Category	Description	Mandatory	Discretionary	Total	Cost to Council	No
A (1)	Village Halls, Community Centres, Memorial Institutes, Old People Clubs, Scout and Guide	80%	20%	100%		

	Associations, Sea Cadets, Hospices, Playgroups	**£122,825**	**£25,190**	**£148,015**	**£18,893**	**58**
A (2)	Maritime safety	80% **£39,973**	20% **£8,198**	100% **£48,171**	**£6,149**	**6**
B (1)	Recreation Clubs, Theatres, Band Rooms and Museums – (registered charity)	80% **£23,563**	20% **£4,911**	100% **£28,474**	**£3,683**	**8**
B (2)	Recreation Clubs, Theatres, Band Rooms and Museums – (not a registered charity)	0% **£0**	100% **£127,875**	100% **£127,875**	**£12,788**	**30**
C (1)	Educational organisations statutory or open to all	80% **£6,316**	20% **£1,295**	100% **£7,611**	**£971**	**1**
C (2)	Educational organisations	80% **£366,029**	0% **£0**	80% **£366,029**	**£0**	**11**
CH	Charity Shops	80% **£70,793**	0% **£0**	80% **£70,793**	**£0**	**19**
D	Regeneration, Employment, Rehabilitation Organisations	80% **£5,934**	20% **£1,217**	100% **£7,151**	**£913**	**1**
DD	Race equality and ethnic minority	80% **£0**	20% **£0**	100% **£0**	**£0**	**0**
E (1)	Registered charity or a charitable purpose whose objectives have substantial common ground with Council objectives and which mainly serve Island residents	80% **£83,637**	20% **£17,152**	100% **£100,789**	**£12,864**	**6**
E (2)	Not a registered charity but whose objectives have substantial common ground with Council objectives and which mainly serve Island residents	0% **£0**	100% **£17,858**	100% **£17,858**	**£1,786**	**5**
F (1)	Registered charity or a charitable purpose whose objectives are supported by the Council but, either there is not substantial common ground with Council objectives, or they do not mainly serve Island residents	80% **£0**	0% **£0**	80% **£0**	**£0**	**0**
F (2)	Not a registered charity and whose objectives are supported by the Council but, either there is not substantial common ground with Council objectives, or they do not mainly serve Island	0% **£0**	80% **£1,225**	80% **£1,225**	**£123**	1
FF	Agricultural show grounds	80% **£19,813**	20% **£4,063**	100% **£23,876**	**£2,047**	**1**
G	Not any of the above categories	Various **£0**	Various **£0**	Various **£0**	**£0**	**0**
	Totals – 2018/19	**£738,883**	**£208,984**	**£947,867**	**£60,217**	**147**
	Cost per Band D – 2018/19				**£1.96**	

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	**Executive**
Date:	**18/02/2019**
Subject:	**Community based Non-residential Social Care Services – 2019/20 Fees & Charges**
Portfolio Holder(s):	**Cllr Llinos Medi Huws**
Head of Service:	**Alwyn Rhys Jones – Head of Service**
Report Author: Tel: E-mail:	**Dafydd Bulman – Strategic Transformation a Business Manager** **01248 752013 DafyddBulman@ynysmon.gov.uk** **Delyth Ll Jones – Senior Finance Officer** **01248 752785 DelythJones@ynysmon.gov.uk**
Local Members:	**All members**

A –Recommendation/s and reason/s

1. **Background**

1.1 It is usual practice to review the charges in respect of domiciliary services annually to coincide with Central Government revision of benefit and pension levels,

1.2 The report sets out community based non-residential social care fees and charges for 2019/20 in accordance with the Social Services and Well-Being (Wales) Act 2014.

2. Home Care Services:

2.1 Following the changes to home care fee agreed by the Executive in February 2017, we propose to continue to use this model for 2019/20.

Table 1 – Home Care Charges 2019/20

If you are above pension age with a current weekly income of £242.51 or above in 2019/20:	**Weekly charges**	**If you are below pension age with a current weekly income of £161.89 or above in 2019/120**
If your income is below £247.50 per week	**NO CHARGE**	If your income is below £166.88 per week
If your income is between:		**If your income is between:**

1

£247.51 - £252.50	**£5.00**	£166.89 - £171.87
£252.51 - £254.89	**£10.00**	£171.88 - £174.27
£254.90 - £257.50	**£12.39**	£174.28 - £176.88
£257.51 - £262.50	**£15.00**	£176.89 - £181.88
£262.51 - £267.50	**£20.00**	£181.89 - £186.88
£267.51 - £272.50	**£25.00**	£186.89 - £191.88
£272.51 - £277.50	**£30.00**	£191.89 - £196.88
£277.51 - £282.50	**£35.00**	£196.89 - £201.88
£282.51 - £287.50	**£40.00**	£201.89 - £206.88
£287.51 - £292.50	**£45.00**	£206.89 - £211.88
£292.51 - £297.50	**£50.00**	£211.89 - £216.88
£297.51 - £302.50	**£55.00**	£216.89 - £221.88
£302.51 - £307.50	**£60.00**	£221.89 - £226.88
£307.51 - £312.50	**£65.00**	£226.89 - £231.88
£312.51 - £317.50	**£70.00**	£231.89 - £236.88
£317.51 - £322.50	**£75.00**	£236.89 - £241.88
£322.51 - £327.50	**£80.00**	£241.89 - £246.88
£327.51 - £332.50	**£85.00**	£246.89 - £251.88
Income at or above £332.51 or savings above £24,000.00	**£90.00**	Income at or above £251.89 or savings above £24,000.00

A further increase of £90 could be implemented by Welsh Government (subject to confirmation)

In 2019/20, the department will be extending the charging policy to individuals with a Learning Disability in line with the Social Services and Well-Being (Wales) Act 2014. The service is currently engaging with effected individuals on the changes.

3. Meals in Day Services

This charge applies to meals and refreshments supplied at all Day Service locations.

The following principles are proposed:-

- Apply a 3% increase in respect of the provision of all meals/refreshments.

The following table summarises the charges which was agreed by the executive in December.

Table 3 : Provision of Meals 2019/20 Proposed Charges

	2018/19 Charges	2019/20 (Proposed Charges)
Meals in Day Services for adults (excluding people with Learning Disability)	£5.90	£6.10
Mid-day snack in day services for people with Learning Disability	£2.40	£2.50
Other refreshments (tea/coffee/cake) in day services	£1.30	£1.40

**2019/20 Proposed Charges have been rounded to the nearest 10p in order to reduce administration.*

4.0 Telecare Charges

The following factors must be taken into account when determining a fair charge for the Telecare service:

- Local Authority Contribution to the Regional Monitoring Galw Gofal Service;
- Maintenance charges;
- Telecare equipment costs;
- Finance and Administration costs;
- Installation costs;
- Costs of recycling equipment;
- Costs of bi annual Health & Safety visual checks ;
- Impact on current business.
- Transformation of Adults' Services.

Telecare : 2019/20 Proposed Charges

For 2019/20, we recommend a 3% increase on the fees.

Table 4: Telecare 2019/20 Proposed Charges

Tier 1 Equipment, service and maintenance (unit, pendant and smoke alarm)	Everyone will be paying £46.60 per quarter. (£3.58 a week)
Tier 2 & 3 Equipment, service, monitoring and Maintenance (Equipment other than unit, pendant and smoke alarm)	Everyone will be paying £92.93 per quarter. (£7.14 a week)

Telecare Annual Charges Apply a 3% increase for 2019/20 as stated in table 5.

Table 5 – Telecare Annual Charges for 2019/20

	2018/19 Charges	2019/20 (Proposed Charges)
Service and Maintenance	£107.55	£110.80
Services Only	£69.50	£71.60
One Off Installation	£43.00	£44.30

Proposed (Gross rounded to nearest 5p)

There will be changes to supported people part funding and fully funded packages. Funding from Supported People has been withdrawn and the proposal is that individuals will be charged as outlined in table 4.

5.0 Direct Payments

Direct Payments enable individuals to independently purchase services that the Local Authority would otherwise have provided. Direct Payments support independent living by enabling individuals to make their own decisions and have control over their own lives. In Wales, the Scheme has gradually been extended to include:-

- Older People

- Carers
- Parents of Children with Disabilities
- Adults with Disabilities

An hourly Direct Payment rate of £11.30 was set for 2018/19. We recommend that this fee is to continue for 2019/20.

Modernisation of Blue Badge Scheme in Wales

It is recommended that a charge of £10 / badge levied in respect of organisational and replacement badges (lost / stolen) be levied for 2019/12.

Purchasing Day Care Services in Independent Residential Care Homes

The charge for purchasing day services was £32.21 in 2018/19. We propose to increase the fee by 3% to £33.18 to be consistent with increases in council charges. This increase will help to ensure the sustainability and continuation of day care services purchased from independent residential care homes, and in order to meet the individual needs of service users.

Domiciliary Care Fees

At present, adult social care commission domiciliary care from the independent sectors following a tender exercise in 2018, the island is currently split into 3 patches for older people Domiciliary Care. Fee increase for these providers will be dealt with underthe terms of that contract.

In relation to Learning Disability domiciliary care the fees will be set as follows:

Care package over one hour of services care will be paid £15.91 and under one hour will be £16.86.

Recommendations

The Executive Committee is requested to approve the:-

R1 Home care charges outlined in table 1

R2 Charges for Telecare services as outlined in table 4.
Tier 1 everyone will be paying £46.60
Tier 2 & 3 everyone will be paying £92.93

R3 Charges for Telecare Annual Charges as outlined in table 5
Services and Maintenance £110.80
Services Only £71.60
One off Installation £44.30

R4 Rate for Direct Payments at £11.30/hour R5 Maintain a charge of £10.00 for the administration in relation to blue Badge requests and replacements as outlined R6 Increase the fee for purchasing day care services in independent residential homes by 3% to £33.18 R7 Agree to an increase in fees paid for commissioned domiciliary care for Learning disability Care package over one hour of services care will be paid £15.91, and under 1 hour will be £16.86.

B – What other options did you consider and why did you reject them and/or opt for this option?
The options noted are consistent with the councils overall approach to fees and charges in 2019/20.

C – Why is this a decision for the Executive?
Decisions on fees and charges have financial implications for the Local Authority's budget in terms of income received and the affordability of payments made in the prevailing financial climate.

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

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

DD – Who did you consult?		**What did they say?**
1	**Chief Executive / Senior Leadership Team (SLT)** (mandatory)	Presented to SLT on 21/1/2019, no further comments

2	**Finance / Section 151** (mandatory)	Presented to SLT on 21/1/2019, no further comments
3	**Legal / Monitoring Officer** (mandatory)	Presented to SLT on 21/1/2019, no further comments
4	**Human Resources (HR)**	n/a
5	**Property**	n/a
6	**Information Communication Technology (ICT)**	n/a
7	**Procurement**	n/a
8	**Scrutiny**	n/a
9	**Local Members**	n/a
10	**Any external bodies / other/s**	n/a

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

F - Appendices:

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

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	**THE EXECUTIVE**
Date:	**18.02.2019**
Subject:	**Local Authority Homes for Older People – Setting the Standard Charge**
Portfolio Holder(s):	**Councillor Llinos Medi Huws**
Head of Service:	**Alwyn Rhys Jones, Head of Adult Services**
Report Author: Tel: E-mail:	**Rhys Ll. Roberts, Finance Manager** **01248 752690 RhysRoberts2@ynysmon.gov.uk** **Dafydd Bulman, Business & Transformation Manager** **01248 752013 DafyddBulman@ynysmon.gov.uk**
Local Members:	**Various**

A –Recommendation/s and reason/s

The Local Authority needs to set the level of its Standard Charge for local authority care homes for the year April 2019 – March 2020.

Members have determined a general guideline of a **3%** increase for fees and charges. Charges in relation to local authority owned residential accommodation can be treated as an exception as it is governed by a statutory provision which sets out how it should be calculated.

As in previous years, the cost of all the homes has been pooled to calculate an average standard charge for the homes in accordance with National Guidance.

Caution should be taken if the standard charge is compared with that of other authorities, since despite guidance, other authorities may not have calculated the charge on exactly the same basis. However, in terms of background information, we note below the 2018/19 standard charge levels in respect of Local Authority accommodation in both Gwynedd and Conwy:-

- Gwynedd - £622.37
- Conwy - £592.00

For 2018/19, the Standard Charge was calculated at £703.03 per week due to an occupancy rate of 93.4% across the 4 in-house residential homes (excluding Garreglwyd and Haulfre). The Council decided to impose a 3% rise in the weekly standard charge and to accept the differential as a management cost in transforming in-house residential care provision. The weekly charge for residents was therefore set at £601.82 per week during 2018/19.

In calculating the Standard Charge for 2019/20, we have again omitted Garreglwyd from the calculation as the Home has been re-modelled and now provides a specialist service. We have not omitted Haulfre from the calculation this year as the remedial work that took place there is now complete. Plas Penlan is no longer included in the calculation as provisoion of service there has come to and end following the opening of Hafan Cefni. The occupancy rate for the remaining 4 Council run homes during the first 9 months of 2018/19 was 93.25% based on a total of 101 beds.

The following table calculates the estimated cost per resident week for the year to 31 March 2020:

Number of Beds Available	101
Estimated Occupancy Rate	93.25%
Estimated Number of Resident Weeks	4,911

	Running Costs 2019/20 £	**Standard Charge 2019/20 £**	**Standard Charge 2018/19 £**	**Fee Charged 2018/19 £**
Estimated Running Cost for 2018/19	3,308,262	673.64	629.39	564.35
Add – Depreciation charge	197,061	40.13	44.31	40.06
- Support Services	190,609	38.81	29.33	34.33
Less Income From Non Residential Activities				-36.92
	3,695,931	**752.58**	**703.03**	**601.82**
Increase from 2018/19 standard charge	**7.05%**	**£49.55**		

Based on the above table the estimated cost per resident week for the year to 31 March 2020 is £752.58.

The estimated cost per resident week for the year to 31 March 2020 is higher when compared to the estimated cost for the year to 31 March 2019. This is as a result of increased salary costs and inflation.

Acknowledging the council's decision for 2018/19 and the significant rise that a move from £601.82 to £752.58 would entail it is recommended:

- That whilst the Council acknowledges the costs incurred within residential care, that the actual cost of delivery is not fully reflected in the charge to residents.

- That in line with the savings proposal made to remove the subsidy given to self-funders over the next three years, that the increase for those contributing towards the cost of care is set at 3% plus each user's share of a third of the susidy given to self-funders.

- That the fee for 19/20 be therefore set at £601.82 + 3% + (1/3 x £132.7) = £664.11.

By not charging self-funding residents the full cost of placement within these homes the council is subsidising each user by an estimated £88.47 a week or £4,612.83 per year (after removing a third of the subsidy in 2019/20). Over the current 24 self funders this equates to an estimated £110,708 a year. This subsidy will be removed over the next 3 years in line with the savings proposal.

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

C – Why is this a decision for the Executive?

Local Authorities are required under Section 22 of the National Assistance Act 1948 to set the Standard Charge for their homes.

The standard fee is that which the Authority is obliged to charge those residents who have the **financial means to pay the full cost** of their residential care. Our planning assumption around our local self-funding population has been reviewed over recent weeks to ensure that it still remains current. As noted in A we have considered increasing this charge to the full cost of provision, but have but have rejected it on the basis that this would require a significant and disproportionate increase for residents.

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

This decision is consistent with National Policy as outlined in section C above.

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

Yes

E – Who did you consult?	**What did they say?**

1	**Chief Executive / Strategic Leadership Team (SLT)** (mandatory)	
2	**Finance / Section 151** (mandatory)	
3	**Legal / Monitoring Officer** (mandatory)	
5	**Human Resources (HR)**	
6	**Property**	
7	**Information Communication Technology (ICT)**	
8	**Scrutiny**	
9	**Local Members**	
10	**Any external bodies / other/s**	

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

FF - Appendices:

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

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	**Executive**
Date:	**18/2/2019**
Subject:	**Independent Sector Care Home Fees for 2019/20**
Portfolio Holder(s):	**Cllr Llinos Medi Huws**
Head of Service:	**Alwyn Rhys Jones – Head of Service**
Report Author: Tel: E-mail:	**Dafydd Bulman – Strategic Transformation and Business Manager** **01248 752013** **Dafyddbulman@ynysmon.gov.uk**
Local Members:	**All members**

A –Recommendation/s and reason/s

From 6 April 2016, the framework for financial assessment and charging is now under the Social Services and Well-Being (Wales) Act 2014. The Local Authority is required to review independent sector care home fees annually to coincide with Central Government's changes to benefits and pension levels.

In setting fee levels for independent sector care homes, we need to show that we have fully considered the costs of the provision in determining our standard care fees. This is done in collaboration with the other Authorities in North Wales and the Health Board by utilizing a Regional Fee Methodology, as done in previous years. We will continue to use this model for 2019/20 which has reflected legislation changes in terms of pensions, national living wage and inflation.

The North Wales Methodology (Appendix 1) has recommended an increase of between 3.66% and 5.00% across the four categories of care. The following fees are proposed for 2019/20:

Table 1 - North Wales Methodology Recommendation

Category	2018/19	2019/20	Increase £	Increase %
Residential (Adults)	£544.49	£564.41	£19.92	3.66%
Residential (EMI)	£565.99	£587.20	£21.21	3.75%
Basic Nursing Care (Social Care Element)	£587.50	£616.58*	£29.08	4.95%
Nursing (EMI) (Social Care Element)	£619.77	£650.76*	£30.99	5.00%

All the above are based on 10% ROI for 2018/19 and 19/20.

*2019/20 Fee will include the indicative Local Authority contribution to FNC following the High Court Judgment. How this additional contribution will be made is yet to be agreed.

As part of fee setting for 2019/20, Ynys Mon consulted on the fees of which there is a summary in Appendix 2.

The North Wales Adult Service Heads (NWASH) have agreed that the increases noted were consistent with the implementation of the fees model.

Following discussion with Head of Finance (Section 151), we are proposing to use the Regional methodology for:

- EMI Residential;
- Basic Nursing Care Social Care Element

The department recommends an increase in the ROI on Nursing EMI placements of 12% in recognition of the pressures in this area, and in line with fees offered by nearby local authorities.

Estimated annual pressure based on a 10% ROI for Nursing EMI = £9,709.44
Estimated annual pressure based on a 11% ROI for Nursing EMI = £13,752.96
Estimated annual pressure based on a 12% ROI for Nursing EMI = £17,796.48

Consistent with the strategic direction the Council is taking in developing alternatives to residential care in the form of Extra Care Housing and care at home, and having due regard to the affordability of the increase proposed for Residential Care Homes , we propose to set the rate for residential (Adults) care based on a lower return of investment of 9%.

Estimated annual pressure based on a 10% ROI for Residential Care = £164,793.20
Estimated annual pressure based on a 9% ROI for Residential care = £109,194.80
Estimated annual pressure based on a 8% ROI for residential Care = £53,596.40

Ynys Mon therefore recommends the following rates for approval:

Table 2 – Ynys Mon Proposed Fee's for 2019/20

Category	2018/19	2019/20	Increase £	Increase %	ROI
Residential (Adults)	£534.77	£554.69	£19.92	3.72%	9%
Residential (EMI)	£565.99	£587.20	£21.21	3.75%	10%
Basic Nursing Care (Social Care Element)	£587.50	£616.58*	£29.08	4.95%	10%

Nursing (EMI) (Social Care Element)	£619.77	£670.20*	£50.43	8.14%	12%

*2019/20 Fee will include the indicative Local Authority contribution to FNC following the High Court Judgment. It is yet to be agreed how this additional contribution will be made.

It may be necessary to consider individual submissions from providers regarding these fees. Should there be clear evidence to indicate that the fee set is not sufficient in any individual case the council will need to consider exceptions to the fee rates. It is proposed that any such decisions are delegated to the Portfolio holder, Head of Finance and Head of Adult Social Care.

The Executive Committee is requested to:-

1. Acknowledge the North Wales Fee Methodology as implemented hitherto by the Authorities in North Wales as a basis for setting fees in Ynys Mon during 2019/20 (appendix 2);
2. Approve the recommendation to increase the fee level as noted in Table 2;
3. In line with other Authorities, authorise the Social Services and Finance Departments to respond to any requests from Homes to explore their specific accounts and to utilize the exercise as a basis to consider any exceptions to the agreed fees. Any exceptions to be agreed with the Portfolio Holder, the Head of Finance and the Head of Adults from within current budgets. If no agreement can be made this will be go back to the Executive.

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

We decided to adopted a slighted amdened ROI for 2 categories based upon the reasons noted within the report

C – Why is this a decision for the Executive?

Local Authorities need to set care home fee levels in line with the national policy. This decision has financial implications for the Local Authority's budget and in terms of affordability in the prevailing financial climate.

CH – Is this decision consistent with policy approved by the full Council?
This decision is in line with the approval to work with other Local Authorities in North Wales and to implement the North Wales Fee Methodology to set fees annually.

D – Is this decision within the budget approved by the Council?
Based upon detailed discussion with the Finance Department, the estimated impact of these changes, and the department proposed budget for 2019/20, it is considered that these rate increases can be accommodated within budget. This will require the department to maintain a focus on maintaining a reduction in the number of placements of this nature as has been evidenced in recent years.

DD – Who did you consult?		What did they say?
1	**Chief Executive / Senior Leadership Team (SLT)** (mandatory)	Report discussed in SLT on 22/1/2019
2	**Finance / Section 151** (mandatory)	Been working with S151 and Finance Manager in developing this report.
3	**Legal / Monitoring Officer** (mandatory)	Report discussed in SLT on 22/1/2019
4	**Human Resources (HR)**	n/a
5	**Property**	n/a
6	**Information Communication Technology (ICT)**	n/a
7	**Procurement**	n/a
8	**Scrutiny**	n/a
9	**Local Members**	n/a
10	**Any external bodies / other/s**	n/a

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

7	**Other**	n/a

F - Appendices:
Appendix 1 – The North Wales Methodology Appendix 2 – Summary of Consultation

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

Draft Fee Calculations 2019/20 (V3. November 2018)			
	Fee 2018/19	**Indicative Fee 2019/20**	**Basis of Calculation**
1. INDIRECT COSTS -standard for all categories of care			
Utilities (electricity, gas, TV, Council Tax, Water, Telephone)	£29.13	£29.83	CPI Sep 2018 = 2.4%
Registration (Professional Membership, CRBs etc)	£1.28	£1.31	CPI Sep 2018 = 2.4%
Recruitment	£2.47	£2.53	CPI Sep 2018 = 2.4%
Contract maintenance of equipment	£3.58	£3.67	CPI Sep 2018 = 2.4%
Maintenance of capital equipment	£22.02	£22.55	CPI Sep 2018 = 2.4%
Gardener /handyman	£9.71	£10.18	NLW 4.85% increase on 18/19 rate
Furniture/Fittings including repairs and renewals	£0.00	£0.00	Removed in 2017/18
Training	£2.46	£2.52	CPI Sep 2018 = 2.4%
Non prescription medical supplies	£3.72	£3.81	CPI Sep 2018 = 2.4%
Insurance	£6.20	£6.35	CPI Sep 2018 = 2.4%
Groceries & household provisions	£28.65	£29.34	CPI Sep 2018 = 2.4%
Sub-total Indirect Costs	**£109.22**	**£112.09**	
2. OTHER COSTS - standard for all categories of care			
Return on Investment	£97.16	£97.16	10% ROI
Additional Expenses (not covered elsewhere)	£18.08	£18.51	CPI Sep 2018 = 2.4%
Sub-total Other Costs	**£115.24**	**£115.67**	
3. STAFF COSTS			
Residential			
Management /Admin	£48.85	£49.83	2% increase
Senior Care Staff	£120.65	£127.68	10.5 hours x £12.16
Care Staff	£105.21	£111.62	10.5 hours x £10.63
Domestic Staff	£45.32	£47.52	NLW 4.85% increase on 18/19 rate
Sub-total Residential Homes' Staff Costs	**£320.03**	**£336.65**	
TOTAL RESIDENTIAL	**£544.49**	**£564.41**	
EMI Residential			
Management /Admin	£48.85	£49.83	2% increase
Senior Care Staff	£132.13	£139.84	11.5 hours x £12.16
Care Staff	£115.23	£122.25	11.5 hours x £10.63
Domestic Staff	£45.32	£47.52	NLW 4.85% increase on 18/19 rate
Sub-total EMI Residential Homes' Staff Costs	**£341.53**	**£359.44**	
TOTAL EMI RESIDENTIAL	**£565.99**	**£587.20**	
Nursing			
Management /Admin	£48.85	£49.83	2% increase
Local Authority contribution to FNC*	£6.59	£6.59	* subject to legal advice and uplift / revision
Senior Care Staff	£143.62	£152.00	12.5 hours x £12.16
Care Staff	£125.25	£132.88	12.5 hours x £10.63
Domestic Staff	£45.32	£47.52	NLW 4.85% increase on 18/19 rate
Sub-total Nursing Homes' Staff Costs	**£369.63**	**£388.82**	
TOTAL NURSING	**£594.09**	**£616.58**	
EMI Nursing			
Management /Admin	£48.85	£49.83	2% increase
Local Authority contribution to FNC*	£6.59	£6.59	* subject to legal advice and uplift / revision
Senior Care Staff	£160.86	£170.24	14 hours x £12.16
Care Staff	£140.28	£148.82	14 hours x £10.63
Domestic Staff	£45.32	£47.52	NLW 4.85% increase on 18/19 rate
Sub-total Nursing EMI Homes' Staff Costs	**£401.90**	**£423.00**	
TOTAL EMI NURSING	**£626.36**	**£650.76**	

Appendix 2

Setting Residential and Nursing Care Fee Level 2019/20 - Feedback on the Fee Proposed by the methodology.

In October Adult Social services shared the North Wales Residential and Nursing fee model with all providers in order to receive feedback from providers. This consultation period came to an end mid-November. We received a number of response from providers.

Comments	Response
The Government imposed increase of the pension doesn't seem to be included in the uplift on wages and salaries. It would be good if this were included.	For 2019/20 fee the North Wales Methodology has increased the pension contribution from 1.5% to 2.5% this is to reflect the changes in pension contribution in 2019/20. This is based on the LaingBuisson 7th Edition and assuming that not all staff will opt for a pension.
It would also be beneficial to everyone if the ROI were reinstated to the 10% level shown in the document sent through.	Due to affordability (Volume of placement) and market conditions the local authority will be keeping the 9% rate for residential care for 2019/20.
Fees do not reflect the operating costs. The following are not reflected in the toolkit: Staff recruitment, increasing nursing salaries, increased beauracratic costs and higher dependency levels amongst residents.	Any provider that has evidence of cost over the fees to be implemented in Ynys Mon is invited to make arrangements to meet on a one-to-one basis to discuss these in an open book exercise.
Cost of supplying nursing equipment such as high profile beds, upgrade call bell systems, security locks on outside doors, renewal of furniture (carpets, beds etc.) at a more frequent rate.	This matter is for the Health board as they fund this element.
Staff ratio's have increased at our home (additional night carer, day carer, twillight carer) and day carers being brought in 1 hour earlier in the morning to assist in service users care needs.	This is an operational matter for each home. Any provider that has evidence of cost over the fees to be implemented in Ynys Mon is invited to make arrangements to meet on a one-to-one basis to discuss these in an open book exercise
Staff training needs have changed greatly over the years with the need to provide training throughout the year	Additional support for training is available from the workforce training unit.
Provider also referred to other costs that have increased: in recent years: Pensions, Salary increases, Holiday pay.	Staffing rates have been inflated by the percentage uplift for National Living Wage since the Autumn Statement and % increase in pensions contributions.
Many homes on the Island are not new builds, therefore existing premises will have high maintenance bills due to: Age and natural wear and tear which is now subject to more scrutiny by third party inspectors , hence more investment in equipment and more upkeep	The fee includes elements on return on investment and for the provision of equipment. Any provider that has evidence of cost over the fees to be implemented in Ynys Mon is invited to make arrangements to meet on a one-to-one basis to discuss these in an open book exercise

on the premises is required. Cost factor of Furniture/fittings and renewals should be re-introduced.	
Anglesey Council owned care homes are awarded a higher fee level for care than is awarded to the Private Sector. This has forced many into charging top ups, which does not make us popular locally thus increases your waiting lists for your care homes as you don't charge top ups.	Changes have been recommended to the Executive to increase the fees for Anglesey Council owned care homes residential care for the rate to reflect the cost to the local authority and to reduce the subsidisation over the next 5 years.

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	**The Executive**
Date:	**18 February 2019**
Subject:	**Housing Rent HRA and Housing Service Charges 2019/20**
Portfolio Holder(s):	**Councillor Alun Mummery**
Head of Service:	**Ned Michael, Head of Housing Services**
Report Author: Tel: E-mail:	**Darren Gerrard, Rent Income & Financial Inclusion Team Manager** **01248 752265** **dkghp@anglesey.gov.uk**
Local Members:	

A –Recommendation/s and reason/s
Members of the Executive Committee are asked to approve the rent increase and service charges for 2019/20 as set out below :- **R1** to approve the rent increase in line with the Welsh Government target rent based on collection over 52 weeks. **R2** to approve increasing all rents below target of between £0.01 - £4.19 by 2.4% plus an amount up to the maximum of £2.00 per week to bring to target rent towards convergance. **R3** to approve increasing all rents below target rent of between £3.58 - £4.66 by 2.4% plus £2.00 per week. **R4** to approve that the rent for the 14 properties that are above target rent should remain at their current levels. **R5** to approve an increase of 20p per week for the rent of all garages. **R6** to approve that the service charges costs as noted within section 3.3 of the report be applied to all tenants who receive the relevant services.

Reasons

1.0 Background

1.1 The Council is required under the Local Government and Housing Act 1989 to keep a Housing Revenue Account (HRA), which is ring-fenced for transactions specifically relating to Local Authority Housing.

1.2 On the 12th December 2018 a letter was received from the Welsh Government confirming that it had agreed to maintain the Welsh Government Policy for Social Housing Rents for 2019/20 only as they are awaiting the outcome of the Affordable Housing Supply Review.

1.3 The Affordable Housing Supply Review is considering the need to introduce a revised rent policy which gives certainty to Local Authorities and Registered Social Landlords and balances the need for continued development with affordability for tenants. The panel are due to report their findings in April 2019.

1.4 The formula for the annual rent increases will be set at the the consumer price index (CPI) of 2.4 % as was the value in September 2018.

1.4 As the Council's current rent levels are significantly below the intended policy target rents, to achieve convergance with other social housing providers will require that Council housing rents (which currently fall below the policy target rents) to be subject to an additional weekly increase up to a maximum of £2 above inflationary rent increases.

2.0 Rent increase for Anglesey tenants

2.1 The Welsh Government target rent (as shown in table below) is based on rent being charged over 52 weeks. Although the financial year 2019/20 has 53 weeks, we apply the rent increase and collect over 52 weeks to take account the rent free week over the Christmas period, we will generate approximately £1M of additional annual rental income.

	Houses and Bungalows (£)					Flats(£)				Bedsits
	1Bed	2Bed	3Bed	4Bed	5+Bed	1Bed	2Bed	3Bed	4+Bed	
WG Target Rent (52 Weeks)	£85.54	£95.04	£104.55	£114.05	£123.56	£77.39	£85.99	£94.59	£103.19	£68.79
Target Rent (51 Weeks) Collection	£87.22	£96.90	£106.60	£116.29	£125.98	£78.91	£87.68	£96.44	£105.21	£70.14
Proposed Average Current Rent (51 Weeks)	£86.43	£90.56	£97.27	£103.52	£109.23	£78.65	£85.26	£91.55	£105.21	£70.14

2.3 Using the 52 week collection target rent, the proposed rent increase for 2019/20 will be an average weekly increase of £3.45. This will increase the average weekly rent from £88.08 to £91.53 which is still below the policy rent band. The rent band for Isle of Anglesey County Council is between £92.13 (low end), £96.98 (mid point) and £101.83 (high end).

2.4 In addition, this level of rent increase is being used as the model for the Housing Business Plan. If this method is not followed, alternative methods may be required to finance the business plan.

2.5 For the properties which are significantly below the policy target rent and in order to move towards the target rent for these properties, it is proposed to increase the current rents by the following methods :-

1) For 1374 properties where the difference between the current rent and the target rent is between £0.01 to £4.19 per week, the current rent will be increased by 2.4% plus an amount up to the maximum of £2.00 per week.

2) For the 2431 properties where the difference between the current rent and the target rent is between £3.58 to £4.66 per week the current rent will be increased by the formula 2.4% + £2 per week.

3) For the 14 properties where the current rents are above the target rent, the Welsh Government expects all Local Authorities to increase these rents at a reduced rate. We propose not to apply any increase to these rents until they are aligned with the target rent.

2.6 Using the above methods will move the Authority towards achieving the Target rent and reach rent convergance in rent levels. The rent convergence is expected to be achieved by approximately 2023/24 and increased in line with target rents thereafter.

2.7 The rent policy will generate an annual rental income of approximately £18.1m for the HRA during 2019/20.

2.8 When re-letting void properties it is proposed that the rent will be set in accordance with the target policy rent which will eliminate the complication of the transitional increases.

3.0 Service Charges

3.1 The charges for services that the Authority provides during 2019/20 are based on actual costs incurred during 2017/18 and is shared equally among tenants and leaseholders. It should be noted that the majority of these costs are eligible for housing benefit.

3.2. All costs for providing these services has decreased compared to last years figures. The total income that will be generated is approximately £216k.

3.3 Proposed 2019/2020 weekly charges, based on 52 weeks, are:

Lift maintenance - £0.78 - £1.29
Cleaning of communal areas - £0.05 – £5.09
Fire alarms and fire equipment - £2.20
Door entry systems - £0.43
Sewerage Charges - £3.55
Heating & Lighting of communal areas - £1.02
TV Aerial's within communal areas - £0.19
Painting of communal areas – £0.13 - £0.47
Ground Maintenance (Domestic Properties) - £2.63
Ground Maintenance (Sheltered Properties) - £0.15 - £3.23)
Management costs at 15% of each service charge.

3.4 Currently there are 61 leaseholders who will be charged for the services they receive by the Authority. This will generate an additional annual income of approximately £13k.

4.0 Garages

4.1 The Welsh Government Rent Policy does not provide any guidance on how to increase garage rents. The Council is therefore proposing to increase the garage rent by 20p per week which is in line with the increase being applied to Council dwellings of 2.4%. This will increase the rent from £8.00 per week to £8.20 and will generate income of £225k after deducting voids. As at 14th

January 2019 there are 238 void garages.

5 Housing Benefit

5.1 Currently 2,909 of the Council's tenants (76%) will face no additional hardship as a consequence of the proposed rent increase and service charges, as they are in receipt of full or part Housing Benefit or in receipt of Universal Credit. Tenants who are not in receipt of housing benefit will have to meet the rent and service charges, unless of course they become eligible for benefit, following the increase.

5.2 In anticipation of the Government's Welfare Benefit Reform the provision for bad debts has therefore been increased to £274k (1.5%) for 2019/20 as we expect arrears will increase when tenants have to meet a greater proportion of rent themselves. This is a significant increase due to the potential affect of Universal Credit.

5.3 Housing Services have two Financial Inclusion Officers who are available to provide information, advice and support to tenants around financial inclusion issues with a strong focus on increasing financial capability and budgeting skills to manage their finances and to access mainstream financial services. Links have also been developed to improve working practices at a strategic and operational level with both internal and external partners such as J E O'Toole, CAB, Mon Communities First, Gofal a Thrwsio, Age Cymru and utility companies.

B – What other options did you consider and why did you reject them and/or opt for this option?
1) We considered the option not to increase the garage rent due to the condition of some of the garages but following enquiries with other Local Authorities, they all confirmed that they increase the rent in line with the dwelling rent increase of 2.4%. We have decided to adopt the same method to maximise the garage rental income.

C – Why is this a decision for the Executive?
The new Welsh Government Rent Policy has implications for the HRA Business Plan.

D – Is this decision consistent with policy approved by the full Council?
1) All Local Authorities, as instructed by the Welsh Government are required to implement the Rent Policy. Rejecting this policy would ultimately mean a loss of income for the Authority and inevitably affect the services provided. This would also undermine the HRA Business Plan and and potentially leave us subject to intervention by the Welsh Government if the policy was not adopted. 2) Rejecting this policy could also jeopordise the annual Major Repairs Allowance income of £2.66m received from Welsh Government as it could be seen that we aren't maximizing our income generation opportunities.

DD – Is this decision within the budget approved by the Council?
Yes

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

F – Risks and any mitigation (if relevant)		
1	**Economic**	
2	**Anti-poverty**	
3	**Crime and Disorder**	
4	**Environmental**	

5	**Equalities**	
6	**Outcome Agreements**	
7	**Other**	

FF - Appendices:

G - Background papers (please contact the author of the Report for any further information):
Notification letter 2019/2020 Copy of final Rent Policy Tables 1 – 4 2019/2020

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**EXECUTIVE COMMITTEE**
DATE:	**18 FEBRUARY 2019**
SUBJECT:	**USE OF RESERVES AND BALANCES**
PORTFOLIO HOLDER(S):	**COUNCILLOR ROBIN WILLIAMS**
HEAD OF SERVICE:	**MARC JONES (EXT. 2601)**
REPORT AUTHOR: TEL: E-MAIL:	**BETHAN HUGHES OWEN** **EXT. 2663** **BETHANOWEN2@ynysmon.gov.uk**
LOCAL MEMBERS:	**n/a**

A - Recommendation/s and reason/s

1. PURPOSE OF THE REPORT

1.1 The report will set out the Section 151 Officer's assessment on the level of general balances and reserves for 2019/20 and make recommendations as to the allocation of general balances for use during 2019/20.

2. RECOMMENDATIONS

- To note the general policy on reserves and balances adopted 1 March 2016, in Appendix A;
- Approve the amendments to the general policy on reserves and balances adopted 1 March 2016, in Appendix A;
- To set the minimum level of general balances for 2019/20 as £6.76m in accordance with the Section 151 Officer's assessment;
- To plan for an increase in general balances over a 3 to 5 year period in order that the actual level of reserves reaches the minimum level. This increase will be achieved by budgeting for planned annual surpluses;
- To confirm the continuation of the existing earmarked reserves;
- To approve the transfer of the Edge of Care reserve from the earmarked reserves to the General Reserves.

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

No other options considered – not appropriate in this case.

C - Why is this decision for the Executive?

The 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)	
2	**Finance / Section 151** (mandatory)	n/a – this is the Section151 Officer's report
3	**Legal / Monitoring Officer** (mandatory)	No comments
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 A - Proposed general policy on Reserves and Balances Appendix B – Balances to date	
FF -	**Background papers (please contact the author of the Report for any further information):**	

USE OF GENERAL BALANCES AND RESERVES

1. PURPOSE OF THE REPORT

1.1. Sections 32 and 43 of the Local Government Finance Act 1992 require Local Authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Section 25 of the Local Government Act 2003 requires the Section 151 Officer to report formally on the robustness of estimates and the adequacy of proposed reserves when setting a budget requirement and to ensure that there are key protocols for their establishment and use.

1.2. The report will set out the Section 151 Officer's assessment on the level of general balances and reserves for 2019/20 and make recommendations as to the allocation of general balances for use during 2019/20.

2. POLICY ON RESERVES AND BALANCES

2.1. In addition to the general balances, the Council holds a number of reserves on its balance sheet. The purpose of these reserves is to meet the cost of planned projects or to fund specific items of expenditure as and when they fall due.

2.2. The document attached as Appendix A sets out the overall principles and policy relating to determining the level of adequate reserves and balances and how reserves are utilised.

3. GENERAL BALANCES

3.1. As at 31 March 2018, the level of general balances stood at £6.352m, a decrease of £2.003m on the previous year.

3.2. In the 2016/17 budget, a £1m fund was created from general balances in order to fund individual projects that could generate efficiency savings for the Authority. From the 29 business cases that were received from departments, 9 business cases were approved to the value of £937,8k. To date, the projects are progressing well and the balance remaining to be spent is £600k (projected). A report on the position of each project is provided to the Executive each quarter.

3.3. As stated in Appendix A, paragraph 5, it is for the Section 151 Officer to assess a number of risks in determining the level of general balances required. These risks are considered below:-

- **Future Cost Pressures** – As budgets are reduced, the ability of individual services to utilize any spare capacity within their existing budgets to fund unexpected cost pressures is much more difficult and, when cost pressures occur, the funding of these pressures then falls on the general balances. The Council is currently facing budget pressures during 2018/19, notably in Adults, Children's and Education services. The budget for 2019/20 addresses issues surrounding demand in these areas, however, there are risks of further calls being made on general balances and frequent reviews will be undertaken during the year.

- **Savings –** The 2019/20 budget includes a package of £2.786m in savings. The savings proposals have been subject to challenge and this resulted in £961k of proposed savings not being included in the 2019/20 budget proposals as it was considered that they were not achievable during 2019/20. Although there is a risk that not all savings will be achieved, the challenge process that has taken place should ensure that the risk is minimised and that any subsequent call on general balances is not significant.

- **Inflation and Interest Rates** – Pay awards have been applied 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. All known contractual inflation have been allowed for within the budget and an average per department inflation of 3% was applied on income.

- **Income** – Ensuring that income budgets are achieved is always difficult to guarantee, particularly in discretionary services where customers can choose whether to purchase the service or not. The 2019/20 budget process has reviewed actual income trends and income budgets have been realigned where it was considered that actual income would be significantly lower than the budget. The risk that income targets will not be achieved cannot be ignored and may result in net expenditure exceeding the overall budget, with the shortfall then having to be funded from general balances.

- **School Balances** – Over a number of years, the balance of school reserves has been very healthy, particularly in the Primary sector, and these reserves provide financial cover for the delegated schools element of the revenue budget. However, school balances are expected to fall to below £1m and this puts a greater emphasis on the need to maintain higher general balances to provide adequate financial cover for the delegated schools budget. This increasing risk has been factored into the assessment of the level of overall general balances.

- **Overall Financial Standing of the Council** – The overall financial standing of the Council is currently good, with an acceptable level of general balances and earmarked reserves. The future capital programme is funded and the Council's Capital Financing Requirements around £24m lower than the operational boundary, and £29m lower than the statutory authorised limit.

3.4 There is no hard and fast rule as to the level of general balances that a Council should maintain, although a rule of thumb exists which indicates that the level of general balances should be 5% of the net revenue budget, excluding the delegated schools budget. Given that school balances have fallen significantly, it is now considered necessary to calculate the minimum level of general balances as 5% of the net revenue budget, including the delegated schools budgets. The current projection is that the revenue budget will overspend by £1.589m in 2018/19 which will need to be funded from the general reserves. In addition to this, £590k has been approved by the Executive during 2018/19 for various activities. Taking all these into consideration, it is estimated that the level of general balances will fall to approximately £4.7m at 31 March 2019. For further guidance and information, please refer to the Medium Term Financial Strategy & Budget 2018/19 paper.

3.5 Holding general balances does provide financial security for the Council, but holding balances unnecessarily results in financial resources not being utilised effectively. Having assessed the underlying financial risks faced by the Council, the limited flexibility that budget holders now have in managing their budgets and the need to release funding to deliver future efficiency savings, it is my assessment that the minimum level of general balances should be set at £6.76m (5% of the proposed net revenue budget for 2019/20).

3.6 The estimated balance as at 31 March 2019 is for general balances of £4.7m, £2.06m lower than the calculated minimum. In the current financial circumstances, it is not possible to budget for a budget surplus in order to bring the general reserves balance back to the minimum level and the increase in general reserves must be done more gradually over a period of 3 to 5 years.

4. EARMARKED RESERVES

4.1 Earmarked Reserves fall into distinct categories, which are as follows:-

- Capital Reserves – reserves required to fund the capital programme;
- Restricted Reserves – reserves which are required to fund potential future costs, their use is restricted to a specific purpose and cannot be released for any other purpose, funds that are held by the Client on behalf of a third party or the reserve is linked to the delegated schools budget and cannot be reallocated;
- HRA Reserve – reserves that are ring fenced to the HRA;
- Insurance Reserve – a reserve required to fund the cost of any uninsured losses and policy excesses incurred by the Council;
- Grant Holding Reserves – reserves holding the amount of any unapplied grant received;
- Earmarked Reserves – reserves that have been allocated to services to undertake particular projects.

4.2 The balance of the earmarked reserves as at 31 March 2018 and the projected balance as at the 31 March 2019 for each of the categories is shown in Table 1 below (a full breakdown of each category is attached as Appendix B):-

Table 1
Summary of Earmarked Reserve Balances

Reserve Category	Balance as at 31 March 2018 £	Movement During 2018/19 £	Projected Balance as at 31 March 2019 £
Capital	1,137,601	24,109	1,161,710
Restricted	2,051,284	-20,000	2,031,284
Equal Pay	813,102	-713,102	100,000
Insurance	1,250,000	0	1,250,000
Grant Holding	162,198	-60,053	102,145
Earmarked	4,495,933	631,697	5,127,630
TOTAL	**9,910,118**	**-137,349**	**9,772,769**

4.3 The restricted reserve includes a number of significant individual reserves: Supporting People £759k, Major Developments £592k and the North Wales Waste Treatment Plant reserve £1.18m. The North Wales Waste Treatment Plant reserve will be utilised in the coming years, with the construction of the plant already underway.

4.4 The Risk and Insurance Manager has assessed that £1.25m is required to adequately cover the potential uninsured losses and excess payments.

4.5 The HRA Reserve is ring fenced and can only be used to fund expenditure relating to the HRA. The new 30 Year Plan that is yet to be authorised envisages that the reserve will be fully utilised by 2020/21, and that it is possible that funding of new homes could result in a small borrowing requirement.

5. RECOMMENDATIONS

5.1 The Executive are requested to approve the following recommendations:-

1. To note the general policy on reserves and balances as noted in Appendix A;

2. To approve the amendment to the general policy on reserves and balances in point 8 service reserves in Appendix A;

3. To set the minimum level of general balances for 2019/20 as £6.76m in accordance with the Section 151 Officer's assessment;

4. To plan for an increase in general balances over a 3 to 5 year period in order that the actual level of reserves reaches the minimum level. This increase will be achieved by budgeting for planned annual surpluses.

5. To confirm the continuation of the existing earmarked reserves, Appendix B**.**

6. To approve the transfer of the Edge of Care reserve from the earmarked reserves to the General Reserves

APPENDIX A

GENERAL POLICY ON RESERVES AND BALANCES

1. Purpose

The Isle of Anglesey County Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out the governance arrangements for the Use of Reserves and Balances to ensure they provide the Council with the flexibility it needs and also to ensure they are used to add value to the organisation.

2. Regulatory Context

Sections 32 and 43 of the Local Government Finance Act 1992 require Local Authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

There is no specified minimum level of reserves that an authority should hold, and Section 25 of the Local Government Act 2003 requires the Section 151 Officer to report formally on the adequacy of proposed reserves when setting a budget requirement and to ensure that there are key protocols for their establishment and use.

This policy sets out the framework for the use and management of useable reserves, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) and agreed in accounting policies.

3. Types of Reserves

Useable revenue reserves can be categorised in two ways:-

General reserves, which are contingency to cushion the impact of unexpected events or emergencies; and

Earmarked reserves, which are generally built up to meet known or predicted liabilities.

Earmarked Revenue Reserves are usually created and held for one of the five main reasons below:-

- **i.** Renewals – to enable services to plan and finance an effective programme of vehicle and equipment replacement and planned property maintenance. These reserves are mechanisms to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
- **ii.** Carry forward of underspend – some services commit expenditure to projects, but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.
- **iii.** Trading accounts - in some instances, surpluses are retained for future investment.
- **iv.** Insurance Reserve - to meet the estimate of future claims to enable the Council to meet the excesses not covered by insurance.
- **v.** Other earmarked reserves will be set up from time to time to meet known or predicted liabilities, for example future predicted budget demand pressures.

Whilst earmarked reserves are set against a specific purpose, general reserves are funds which do not have any restrictions as to their use. Such reserves can be used to smooth the impact of significant pressures across years, offset the budget requirement in year and to mitigate the risks of unexpected events or emergencies.

General reserves can also be used to support investments designed to secure greater base budget savings.

4. Managing Reserves

The Council recognises the need to hold and maintain reserves but also recognises that, by choosing to hold or increase reserves, the Council is allocating resources away from other potential uses and, as such, there is an 'opportunity cost' of holding balances as reserves. For this reason, it is important to set out clearly, and regularly review, the framework through which such reserves are managed.

The management of financial reserves is a key tool of the Council's overall financial strategy, which has two key objectives:-

- Achieving stable and sustainable budgets throughout the medium term; and
- Ensuring resources are effectively focused on priorities.

Underpinning the achievement of these objectives is the recognition of the need to manage risk. This could be increased risks of volatility in planning assumptions as we continue to go through uncertain economic times or the risks to Welsh Government funding as a result of significant future funding reviews. However, it could be that the business seeks to take greater business risks through innovative service delivery to achieve difficult savings targets. The greater the risks, the greater the reserves the Council are likely to need to hold to mitigate against this. It is the appreciation of such risks that must be at the forefront of the Section 151 Officer's mind.

5. Quantifying the Reserves Requirement

Setting the level of general reserves is one of several related decisions in the formulation of the Medium Term Financial Plan (MTFP) and the annual budget. This decision requires account to be taken of the strategic, operational and financial risks facing the Authority. Specifically, the MTFP requires the Council to build up and then maintain general reserves sufficient to cover the key financial risks that it faces.

The Section 151 Officer will need to consider many factors in determining the precise level of reserves, many of which involve an assessment of the risk of assumptions included in the budget and MTFP, together with the Council's financial standing and management.

The key factors are set out below:-

Budget Assumptions;
Financial standing and management;
General cash flow requirements, the outlook for inflation and interest rates;
The overall financial standing of the Council (level of borrowing, debt outstanding etc.);
Estimates of the level and timing of capital receipts;
The Council's track record in budget and financial management, including the robustness of its medium term plans;
The potential range of costs of demand led services;
The Council's capacity to manage in year budget pressures;
Planned efficiency savings/ productivity gains;
The strength of the financial information and reporting arrangements;
The financial risks inherent in any significant new funding partnerships;
Major outsourcing arrangements or major capital developments;
The Council's virement and end of year procedures in relation to budget under/overspends;
The availability of other funds to deal with major contingencies and the adequacy of provisions;
The adequacy of the Council's insurance arrangements to cover major unforeseen risks.

An objective evaluation of these factors will be undertaken each year to determine a prudent level of general reserves cover based on an assessment of the above factors. However, the final level of reserves is ultimately subject to the Section 151 Officer's judgement, taking all relevant factors into consideration.

As part of the annual budget recommendation to the Council, the Section 151 Officer will highlight the amounts that are being set aside for reserves.

6. Building Reserves

Should the Section 151 Officer consider that the level of General Reserves requires increasing, this will be achieved as part of the budget setting process, establishing an allocation from the annual budget to achieve the desired level of balances. Contributions to and from General Reserves should be reviewed annually. This will be additional to any amounts needed to replenish reserves that have been consumed in the previous year, to maintain the minimum level of reserves.

Earmarked reserves will be established on a 'needs basis' in line with the planned or anticipated requirements, and will be subject to Committee approval, usually as part of an annual reserves report that goes as part of the year end.

For each such reserve, the Council will define:-

The purpose of the reserve;
How and when the reserve can be used;
Procedures for management and control of the reserve;
A process and timescale for review of the reserve to ensure continuing relevance and adequacy. This will generally take place at year end.

7. Use of Reserves

Reserves can only be used once, and so should not normally be used to finance recurring planned spending – for example they would not, except under exceptional circumstances, be used to 'balance the budget'.

Where reserves are used to support the delivery of the budget in any one year, for example to smooth funding fluctuations or pressures across years, the Council should ensure the reserves are replenished in the following year if necessary.

Where the Council has used general reserves for investment purposes to generate savings, these would also generally be paid back by the end of the following financial year. In exceptional cases, such as minimising the impact upon services to customers and citizens, more time would be allowed for replenishment, up to a maximum of four years, in line with the medium term planning cycle.

Use of general reserves will be subject to the Section 151 Officer and, in some cases, the Executive Committee approval. The creation of earmarked reserves will also be subject to the approval of the Section 151 Officer, once this level of approval has been given, drawdowns against the reserve can be made subject to the criteria being met.

In extreme circumstances, where general reserves have been exhausted due to unforeseen spending pressures within a given financial year, the Council would be able to draw down from its earmarked reserves to provide short term resources, but this would not be sustainable, and balances would need to be restored.

Earmarked reserves that have been used to meet a specific liability would not be replenished, having served the purpose for which they were originally established.

8. Service Reserves

Individual service reserves can be created for 2019/20. The balance at the end of the financial year for each service will automatically be transferred into a service reserve. Each service will be advised of their balance once the Statement of Accounts has been produced.

When a service has underspent during the financial year, the balance to a maximum of 2.5% of their net budget or £75k cumulatively, will be transferred into the reserve, any underspend above this amount will be transferred to the general reserves.

Any overspend by a service will be transferred in its entirety to the reserve. The service will then need to produce a plan of how it will repay this overspend and over what timeframe, this will be subject to the approval of the Section 151 Officer and, in some cases, the Portfolio Holder for Finance or the Executive.

Where a service has experienced a significant increase in the demand for services and this has resulted in costs having to exceed the budget available, the Head of Service will be entitled to request that the resulting overspend is funded from the general Council balances rather than the service reserve. Any requests will be subject to approval by the Section 151 Officer and the Portfolio Holder for Finance.

9. Capital Reserves

The capital programme for 2019/20 fully utilises all available reserves down to the minimum level. The future expectation of capital receipts for strategic asset sales has not yet been built into the capital programme.

Good asset management strategies have included in them the replenishment of assets following on from strategic asset sales, so that there will be assets of a strategic value on the balance sheet for future years.

The capital receipts from such strategic assets sales are a valuable source of capital financing but, equally, a proportion of these proceeds needs to be reinvested for either revenue return or for investment in other assets that, over time, will increase in value and form part of future years' capital financing.

A proportion of all strategic asset capital receipts should be earmarked for reinvestment, either for investment to produce future financing sources or to create a revenue income stream.

A Capital Investment reserve will be created and, on receipt of proceeds of sales, a proportion will be added to this reserve. Capital schemes that either propose reinvestment in assets or revenue income streams will be considered for funding from this earmarked reserve, to complement the current capital programme schemes funded by general capital receipts reserves.

Similarly, the capital funds allocated to Compulsory Purchase Orders will be replenished from the capital receipts on the sale of the acquired properties. This will then form the basis of a rolling fund for the compulsory purchase orders issued.

10. Insurance Reserve

The insurance reserve figure was historically built up over time in order to cover the stop losses under the larger insurance policies. The level of the Insurance Reserve will be reviewed at least annually by the Risk and Insurance Manager and agreed with the Section 151 Officer.

BALANCES TO DATE **APPENDIX B**

Directorate	Reserve	Category	As at 31st March 2018	Is this reserve likely to be spent in full during 2018/19?	Is a request to carry forward to 2019/20 likely?	Year End Estimate
Community Services - Housing Services	Corporate Vulnerable Persons	**EARMARKED**	570,000	No	Yes - This is required for Supported Living projects to make up for cuts to Supporting People funding – Executive Decision	570,000
Corporate	Revenue Contributions Unapplied	**CAPITAL EXPENDITURE**	1,137,601	No	Yes - Project plans span more than one financial year. Balance held as contingency to fund capital expenditure	1,161,710
Corporate	Northgate Project	**EARMARKED**	52,433	No	Yes - Project plans span more than one financial year, the planned end date is May 2019	0.00
Corporate	Cost Of Change	**EARMARKED**	343,986	No	Yes - Additional cost of change projects that required funding	250,000

Directorate	Reserve	Category	As at 31st March 2018	Is this reserve likely to be spent in full during 2018/19	Is a request to carry forward to 19/20 likely?	Year End Estimate
Corporate	Equal Pay	**EQUAL PAY**	813,102	No	Yes - It is anticipated the exercise will be completed in early 2019/20	100,000
Corporate	Invest to Save	**EARMARKED**	652,349	No	Yes - Plans span more than one year and all projects are at various stages	620,103
Corporate	Restricted Contingency Funded Projects	**EARMARKED**	38,692	No	Yes - Plans span more than one year	38,692
Corporate - Resources	Insurance (Catastrophe) Reserve	**INSURANCE FUND**	1,250,000	No	Yes - The level of reserves is deemed acceptable for this size of Authority by the Insurance Manager	1,250,000
Council Business - Legal Section	Land Charges computer system	**EARMARKED**	8,100	No	Yes - The work to upgrade the Arcus system has been delayed by problems during the work on the Planning system, and by staff sickness	8,100

Directorate	Reserve	Category	As at 31st March 2018	Is this reserve likely to be spent in full during 2018/19	Is a request to carry forward to 19/20 likely?	Year End Estimate
Council Business - Policy	Policy Management System	**EARMARKED**	8,363	No	Yes - The remainder will be needed to pay for the 4policies licence in 2019/20. It will then need to be added to the budget for 2020/21	8,363
Highways Property & Waste - Highways	Highways Restricted Grants Reserve - Flood Grant	**RESTRICTED**	36,473	No	Yes - Welsh Government Grant but work has been delayed as priority given to introduction of SuDs system. Work will resume once SuDs has been embedded	36,473
Highways Property & Waste - Highways	Highways Restricted Grants Reserve Coastal Path	**RESTRICTED**	7,575	No	Yes - May be partially spent but work is ongoing	7,575
Highways Property & Waste - Highways	Highways Restricted Grants Reserve - Airport Car Park Income	**RESTRICTED**	2,401	No	Yes - Funds owned by WG for use at Maes Awyr Môn. Work on airport is ongoing	2,401
Highways Property & Waste - Highways	Winter Maintenance	**EARMARKED**	54,479	Depends on the weather in remaining Winter months	Yes - If weather continues to be mild this Winter, it is likely that Highways will add to this reserve for future years	54,480

Directorate	Reserve	Category	As at 31st March 2018	Is this reserve likely to be spent in full during 2018/19	Is a request to carry forward to 19/20 likely?	Year End Estimate
Highways, Property & Waste - Waste Management	Spend to Save Public Conveniences	**EARMARKED**	8,906	No	Yes - Pending results and outcome of Toilet Strategy and increased cleaning costs of remaining PC's.	8,906
Highways, Property & Waste - Waste Management	Waste Reserve/Recycling	**GRANT HOLDING**	121,768	No	Yes - As grant conditions specified that underspends are to be reused for recycling purposes	61,715
Highways, Property & Waste - Waste Management	North West Wales Treatment Plant	**RESTRICTED**	1,181,799	May be in March 2019 but more likely to be in new financial year	Yes - As plant will be operational from the beginning of 2019/20 financial year, this will result in initial increased costs and construction payment of a transfer station	1,181,799
Highways, Property & Waste - Waste Management	Recycling Process Income	**RESTRICTED**	635,130	No	Yes - WG grant conditions stipulate that this must be used for future recycling purposes	635,130
Highways, Property & Waste	Airport Highway	**RESTRICTED**	86,488	No	Yes - WG in the process of reviewing how this will be spent	86,488
Highways, Property & Waste - Property	Asset Management Rationalisation	**EARMARKED**	42,656	No	Yes - Part of asset rationalisation. Plans are ongoing for Wendon (Benllech), Ysgol y Parc and Holyhead Library	42,656

Directorate	Reserve	Category	As at 31st March 2018	Is this reserve likely to be spent in full during 2018/19	Is a request to carry forward to 19/20 likely?	Year End Estimate
Highways, Property & Waste - Property	Dismantelling Rova Cabin	**EARMARKED**	28,000	Yes		0
Regulation & Economic Development - Economic	Beaumaris Pier - Painting	**EARMARKED**	74,968	No. Section 151 Officer has asked for it to be delayed until new financial year. Timing suits the department as the weather is likely to be better.	Yes - Painting is likely to go ahead in May	74,968
Highways, Property & Waste - Highways	Bus Stop Infrastructure	**EARMARKED**	133,475	Yes	If grant is unspent, it will be clawed back by WG	133,475
Housing	Homeless Provision	**EARMARKED**	88,312	No	Yes - Homelessness is 'demand led' and, fortunately, the winter of 2018 has been mild. Reserve is needed for future years	88,312

Directorate	Reserve	Category	As at 31st March 2018	Is this reserve likely to be spent in full during 2018/19	Is a request to carry forward to 19/20 likely?	Year End Estimate
Housing	Landlord / Tenant Improvements	**EARMARKED**	5,000	No	Yes - Project has slipped into 2019/20	5,000
Housing	Affordable Housing	**EARMARKED**	99,000	No	Yes - Project has slipped into 2019/20	99,000
Housing	Housing Management	**EARMARKED**	6,300	No	Yes - The project for which this is earmarked has been deferred due to changes in WG policy	6,300
Housing	Supporting People	**EARMARKED**	759,143	No	Yes - Plans span more than one financial year. Money can only be spent with approval of Regional Board	759,143
Learning - Education	School Days Reserve	**RESTRICTED**	-66,130	These must be carried forward as they are delegated to schools.	Yes - Full balance. This is a delegated fund to all schools which is utilised to compensate for the fluctuations between the school year dependent on when Easter falls within the calendar. The reserve is in deficit and will not be used to compensate for additional days, but will be topped up in years when school days reduce until reserve is cleared, following that a reserve will no longer be required. The deficit balance will continue beyond 2018/19	-66,130

Directorate	Reserve	Category	As at 31st March 2018	Is this reserve likely to be spent in full during 2018/19	Is a request to carry forward to 19/20 likely?	Year End Estimate
Learning - Education	Sick/Adverts Scheme - Primary	**RESTRICTED**	-26,523	Unknown. These must be carried forward as they are delegated to schools.	Yes - Full balance - this is a delegated budget. At the end of 2017/18, the reserve was in a deficit position. The premium charged to schools has been increased in 2018/19 to clear this deficit, and to reflect the ongoing demand on the reserve	-26,523
Learning - Education	Schools Rationalisation	**RESTRICTED**	21,656	Most of this reserve is likely to be utilised in 2018/19.	Yes - Full balance - this is a delegated budget	21,656
Lifelong Learning - Culture	Museum Purchase Fund	**RESTRICTED**	22,415	This is monies raised through contributions made to the Oriel and cannot be used for any other purpose. £20k will be used to fund the new sculpture outside the Oriel.	Yes - Full balance. This is ring fenced funding from donations and cannot be used for any other purpose	2,415

Directorate	Reserve	Category	As at 31st March 2018	Is this reserve likely to be spent in full during 2018/19	Is a request to carry forward to 19/20 likely?	Year End Estimate
Lifelong Learning - Education	Invest to save - automated online payment system for schools regarding meal payments	**EARMARKED**	25,542	No additional costs will be incurred in 2018/19.	Yes - The Authority may be required to upgrade the Cunninghams system in Secondary Schools during 2019/20	25,542
Regulation - Planning & Public Protection	Licence Reserve	**EARMARKED**	23,000	No	Yes - Soft market testing of database software last May revealed no provider was in a position to meet the user specification/business needs. A further Business Case is now being developed and it is anticipated that some of the reserve fund will be utilised by the end of March, but only a small proportion. The remainder will be required to fund the future software solution	23,000
Regulation - Planning & Public Protection	Local Development Plan	**EARMARKED**	168,700	No	Yes - Required for the length of the contract	167,517

Directorate	Reserve	Category	As at 31st March 2018	Is this reserve likely to be spent in full during 2018/19	Is a request to carry forward to 19/20 likely?	Year End Estimate
Regulation - Planning & Public Protection	Buy with Confidence Reserve	**EARMARKED**	3,878	This is not a reserve, it is a separate account created to deal with Buy With Confidence issues. It needs to be retained by the Public Protection function.	The majority of the stated reserve will need to be carried over to the 2019/20 financial year. It is required for ongoing work	3,878
Regulation - Planning & Public Protection	Planning Legal Costs	**EARMARKED**	22,375	No	Yes - Required for any future legal cases	22,375
Regulation - Planning & Public Protection	Bathing Water Prediction Model	**EARMARKED**	10,000	No	Yes - This has been reserved to pay for maintenance over the next 9 financial years, up to end of March 2028	10,000
Regulation & Economic Development - Economic	Major Developments	**EARMARKED**	265,113			265,113
Regulation & Economic Development - Economic	Energy Island Economic Development Reserve	**EARMARKED**	8,182			8,182

Directorate	Reserve	Category	As at 31st March 2018	Is this reserve likely to be spent in full during 2018/19	Is a request to carry forward to 19/20 likely?	Year End Estimate
Regulation & Economic Development - Economic	Breakwater Country Park	**EARMARKED**	2,950	No, initial findings of consultation have indicated the plan is not financially viable in its current form. Remaining funding is likely to be required to develop a new business plan.	Funding will be required to develop a new business plan in the new financial year	2,950
Regulation & Economic Development - Economic	Major Developments	**EARMARKED**	591,689			591,689
Regulation & Economic Development - Leisure	Leisure (VAT Claim)	**EARMARKED**	0	Approximately £50k will be spent on consultants commissioned to look at an alternative delivery model for the Leisure function.	Remaining funding may be required for improvements to the Leisure function, dependant on the outcome of the work being carried out by the consultants looking at the alternative delivery model.	750,000
Resources	Revenues and Benefits	**EARMARKED**	42,936	No	Yes - Part of the reserve has already been allocated to fund backscanning work and sickness cover	35,936

Directorate	Reserve	Category	As at 31st March 2018	Is this reserve likely to be spent in full during 2018/19	Is a request to carry forward to 2019/20 likely?	Year End Estimate
Resources	Civica	**EARMARKED**	16,486	Yes		0
Social Services - Adult Services Mental Health	Section 117 Reserve	**RESTRICTED**	150,000	No	Yes - a Section 117 claim could come in which costs are estimated at £140k	150,000
Social Services - Adults and Children Services	Transformation	**EARMARKED**	74,459	No	Yes - Most of this will be spent in 2018/19 but there will be a residual balance that has already been committed for Consultancy fees for 2019/20	41,205
Social Services - Adults and Children Services	Contracts	**EARMARKED**	144,737	No	Yes - This has already been agreed by the Section 151 Officer to cover Children's agency staff costs for 2019/20. Predicting £180k or so will be rolled over	412,745
Social Services - Adults and Children Services	Edge of Care	**EARMARKED**	121,724	No	Yes - Although the Service has been given £150k/year in the core budget, therefore the balance will be transferred into general reserves	0
Transformation - HR	SCWDP	**GRANT HOLDING**	40,430	No	This is a grant so will need to be retained until needed. It was set up to provide a buffer in the event of the grant being reduced	40,430
			9,910,118			**9,772,769**

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	**EXECUTIVE COMMITTEE**
DATE:	**18 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 is required to agree a number of key matters in respect of the 2019/20 budget. This will then allow the final recommendations to be presented to the full Council at its meeting on 27 February 2019. The matters requiring agreement are:-

- 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 requiring final review and agreement for 2019/20 and the resulting impact on the Isle of Anglesey County Council's revenue budget. These are matters for the Council to agree and the Executive is asked to make final recommendations to the Council.

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

2. 2019/20 REVENUE BUDGET AND COUNCIL TAX RECOMMENDATIONS

The Executive is requested :-

- To note the formal consultation meetings on the budget and consider the resulting feedback as outlined in Section 2 of Appendix 1 and Appendix 2;
- To note the equalities impact assessment summary on the budget proposals as outlined in Section 11 and Appendix 5;
- To agree the final details of the Council's proposed budget, including the revised funding in response to budget pressures and the proposed savings as shown in Section 8 of Appendix 1 and Appendix 3;

- To determine how the proposed reduction in the delegated schools' budget is allocated between the 3 sectors as set out in Section 9.5 of Appendix 1;
- 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 recommend a net budget for the County Council and resulting increase in the level of Council Tax to the full Council, noting that a formal resolution, including the North Wales Police and Community Council precepts, will be presented to the Council on the 27 February 2019;
- To authorise the Section 151 Officer to make such changes as may be necessary before the submission of the final proposals to the Council;
- To agree that any unforeseen pressures on demand led budgets during the financial year will be able to draw upon funding from the general contingencies budget;
- To request the Council to authorise the Executive to release up to £250k from general balances if the general contingencies budget is fully committed during the year;
- To delegate to the Section 151 Officer the power to release funding from the general contingency up to £50k for any single item. Any item in excess of £50k not to be approved without the prior consent of the Executive;
- To recommend to the Council a 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):

APPENDIX 1

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 above;
- 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**	**-**

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

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

Page 165

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:	**EXECUTIVE COMMITTEE**
DATE:	**18 FEBRUARY 2019**
SUBJECT:	**CAPITAL STRATEGY AND CAPITAL PROGRAMME 2019/20 to 2021/22**
PORTFOLIO HOLDER(S):	**COUNCILLOR ROBIN WYN WILLIAMS**
HEAD OF SERVICE:	**MARC JONES – HEAD OF FUNCTION (RESOURCES) / SECTION 151 OFFICER**
REPORT AUTHOR: TEL: E-MAIL:	**MARC JONES/CLAIRE KLIMASZEWSKI** **2601/1865** **rmjfi@ynysmon.gov.uk/clkfi@ynysmon.gov.uk**
LOCAL MEMBERS:	**n/a**

A - Recommendation/s and reason/s

The revised CIPFA Prudential Code, September 2017 has introduced the requirement that all authorities must produce a capital strategy. This must set out the long-term context in which capital expenditure and investment decisions are made. This requirement is aimed at ensuring that authorities take capital and investment decisions in line with service objectives and properly take into account stewardship, value for money, prudence, sustainability and affordability.

The authority is in a good position with this as the Head of Function (Resources)/Section 151 Officer has, since 2016/17, produced a robust Corporate Strategy to guide the Capital Programme. This strategy has been built upon to include the new requirements introduced by the code which were not covered already.

Recommendaions

The Executive are requested to :-

- Approve the Capital Strategy for 2019/20 – 2021/22;
- Approve the reduction in the amount which qualifies as capital expenditure from a de minimis of £30k to £10k per project. This brings the capital expenditure de minimis in line with the capital receipts de minimis of £10k.

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

N/A

C - Why is this decision for the Executive?

Responsibility for determining the Council's budget strategy is delegated to the Executive.

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

Yes

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

N/A

DD - Who did you consult?		**What did they say?**
1	**Chief Executive / Strategic Leadership Team (SLT)** (mandatory)	
2	**Finance / Section 151** (mandatory)	N/A – this is the Section151 Officer's report
3	**Legal / Monitoring Officer** (mandatory)	TBC

4	**Human Resources (HR)**	
5	**Property**	
6	**Information Communication Technology (ICT)**	
7	**Scrutiny**	
8	**Local Members**	
9	**Any external bodies / other/s**	
E -	**Risks and any mitigation (if relevant)**	
1	**Economic**	
2	**Anti-poverty**	
3	**Crime and Disorder**	
4	**Environmental**	
5	**Equalities**	
6	**Outcome Agreements**	
7	**Other**	
F -	**Appendices:**	

Appendix 1 – Capital Strategy 2019/20 to 2021/22
Appendix 2 – Summary of Draft Proposed Capital Programme 2019/20 to 2021/22

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

Treasury Management Strategy Statement 2018/19, Executive, February 2018
Medium-Term Financial Plan 2019/20 to 2021/22, the Executive, February 2018
Draft Capital Programme 2019/20 Report, the Executive, 12 November 2018
Treasury Management Strategy Statement 2019/20, Executive, February 2019
Capital Programme 2019/20 Report, the Executive, 18 February 2019

APPENDIX 1

CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

Capital Strategy 2019/20 to 2021/22

Isle of Anglesey County Council
Capital Strategy 2019/20 to 2021/22

1. Introduction

1.1. Part 1, Section 3 of the Local Government Finance Act 2003 requires that the Authority shall determine and keep under review how much it can afford to borrow. The Act is supported by the Prudential Framework for local authority capital investment and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Code). The CIPFA Prudential Code was revised in 2017/18. The revised Code introduced a new requirement that all authorities produce a capital strategy, which sets out the long-term context in which capital expenditure and investment decisions are made. Authorities are required to give due consideration to both risks and reward and the impact on the achievement of priority outcomes. CIPFA also revised the Code of Practice on Treasury Management at the same time. This Capital Strategy 2019/20 meets the requirements of the CIPFA Prudential Code 2017, aligns with the Council's Treasury Management Strategy Statement 2019/20 and has regard to the CIPFA Treasury Management Code 2017.

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

Objective 1: Ensure that the people of Anglesey can thrive and realise their long-term potential.

Objective 2: Support vulnerable adults and families to keep them safe, healthy and as independent as possible.

Objective 3: Work in partnership with our communities to ensure that they can cope effectively with change and developments whilst protecting our natural environment.

1.3 This strategy also identifies the potential future capital expenditure, assesses the impact on the capital financing element of the revenue account and determines the funding available to finance new capital schemes for the period 2019/20 to 2021/22. It also establishes long-term principles to support capital planning well into the future. The governance of this strategy follows the same process as the Revenue and Budget Setting Processes and will be presented to the Executive, which will make recommendations to full Council for approval.

2. Objectives and Principles of the Capital Strategy

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

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

2.1.2 Each year capital funding will be allocated to ensure an investment in existing assets.

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

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

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

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

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

2.2.2 That a sum is allocated in the capital programme each year to fund the major improvement to, or the replacement of, existing I.T. equipment, vehicles and Council buildings. The ongoing maintenance of existing assets and replacement of obsolete assets has the benefit of reducing revenue costs for the Council,

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

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

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

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

3. How the Strategy fits with other documents

3.1 The Council Plan 2017/22

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

3.2 The Treasury Management Strategy Statement (TMSS)

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

3.3 The Medium-Term Financial Plan

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

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

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

The Council Plan 2017/22

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

The Medium-Term Financial Plan (MTFP)

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

Capital Strategy

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

Treasury Managment Strategy (TMS)

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

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

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

4. Corporate Strategy and Capital Programme Process

4.1 Developing the Capital Strategy

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

4.2 Developing the Annual Capital Programme

4.2.1 Bidding Process and Scoring

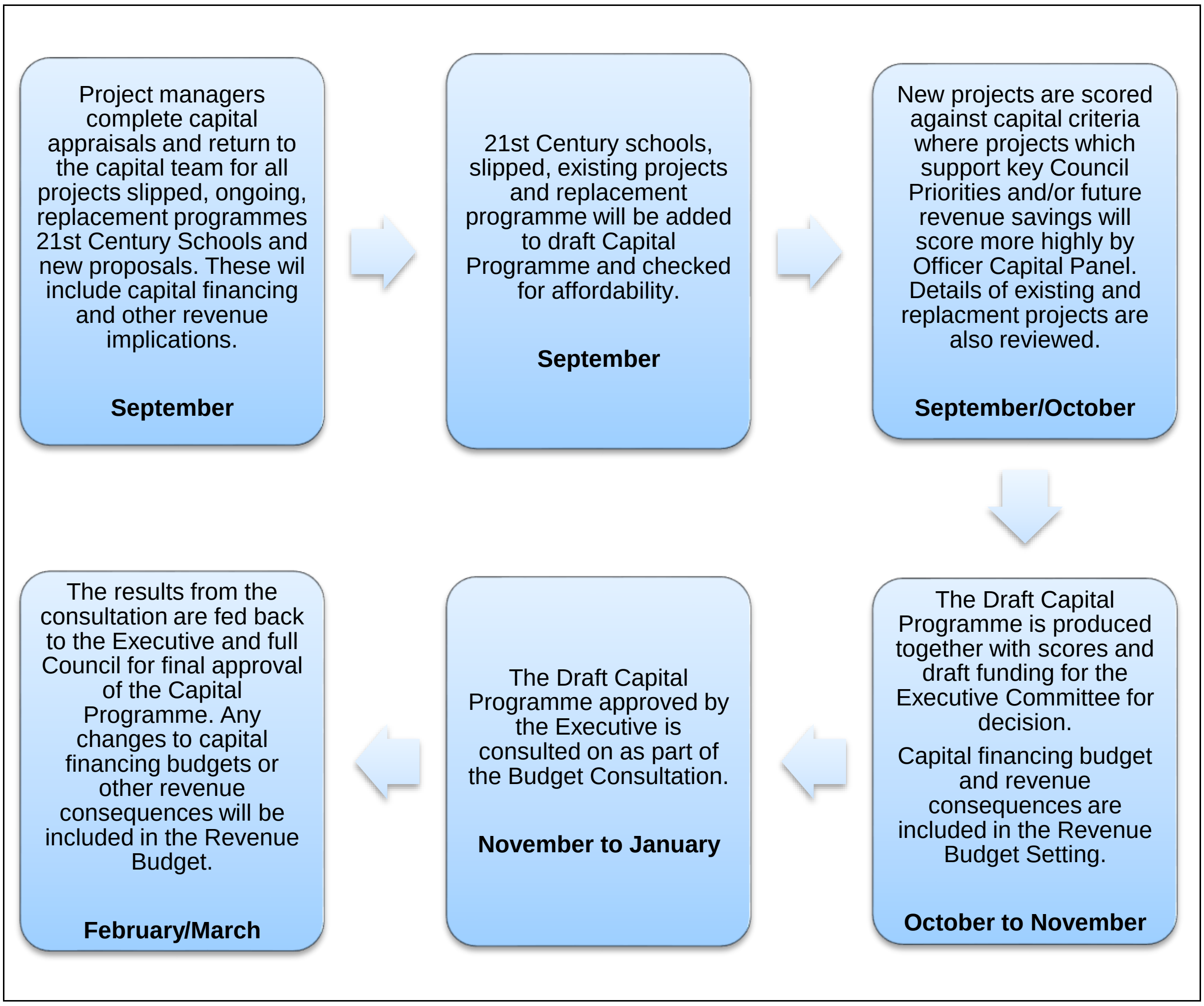
In determining which projects are included in the Capital Programme, bids must not only be affordable but also help deliver the key priorities of the Council Plan and meet the objectives and principles of the Capital Strategy. Each year, Services are asked to submit new capital appraisals/bids and update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

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

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

4.2.2 Timetable

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



4.3.3 Authorisation

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

5. Current Financial Context

5.1 Revenue Constraints and the Need to Make Savings

5.1.1 The initial MTFP for 2019/20 to 2021/22 identified that revenue savings of £10m would be required over the 3 year period, after allowing for a Council Tax increase of 5% in each of the three years. For 2019/20, it was assumed that Welsh Government funding would fall by 1% and, after taking into account the impact of pay awards, pension contribution increases and general price inflation, that £5m of revenue savings would be required.

5.1.2 Although the final settlement only resulted in a reduction of 0.3% in Welsh Government funding, there was also a need to address a projected overspend of £2m in Children's Services, £1m in Adult Services and £750k in Education. Revenue savings of £3.7m were identified and the net effect of all these factors was a need to increase Council Tax by over 7% to set a balanced budget in 2019/20. It is estimated that savings of around £1.5m will still be required in 2020/21 and 2021/22.

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

5.2 Funding the Modernisation of Schools

5.2.1 The Council is currently part way through an ambitious programme to modernise schools through the 21st Century Schools programme, with Band A coming to an end in 2019 and Band B running until 2026. The programme, if it achieves all its planned objectives, will take over 10 years to complete at a potential total capital cost of around £120m.

5.2.2 There are four phases to the programme, identified as Band A,B,C and Ch. Two schools have been completed Ysgol Cybi and Ysgol Rhyd y Llan, with a thirds School, Ysgol Santes Dwynwen, nearing completion. Refurbishments are underway at Ysgol Parc y Bont and Brynsiencyn. With the consultation and development of the Llangefni area still in progress, any works decided upon may slip from Band A to Band B which may have financial consequences.

5.2.3 The planned new build primary school for Llangefni is currently being consulted on. The preparatory works for proposed extension of Ysgol Y Graig planned for Band A will be undertaken in 2018/19. However, the main construction of the extension has now slipped to Band B of the 21st Century Schools programme.

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

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

5.2.6 The Council's Strategic Outline Programme for Band B was submitted to Welsh Government in July (approved by the Executive 17 July 2017). The more recent matrices for Band A and B are summarised below in Table 1. This relates to the period 2019/20 to 2025/26.

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

Band	Region	Unsupported Borrowing (net of capital receipt) £'m	Supported Borrowing £'m	WG Grant £'m	Total £'m
A	Ysgol y Llannau	0.04	0.00	0.00	0.04
A	Ysgol Santes Dwynwen	0.08	0.00	0.00	0.08
A	Ysgol Bro Llangefni	4.28	1.29	2.60	8.17
	TOTAL BAND A	**4.40**	**1.29**	**2.60**	**8.29**
B	Ysgol y Graig and Talwrn	1.73	1.93	1.93	5.59
B	Ysgol Syr Thomas Jones & associated primary schools	4.94	4.58	4.58	14.1
B	Lligwy Primary Schools	2.36	2.19	2.19	6.73
B	Seiriol Primary Schools	0.92	0.85	0.85	2.63
B	Post-16 unit	6.49	6.02	6.02	18.53
B	North West Anglesey	1.57	1.20	1.73	4.50
	TOTAL BAND B	**18.01**	**16.77**	**17.30**	**52.08**

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

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

5.2.9 The additional unsupported borrowing for Band B (based on a 50 year repayment period and annual interest at 2.73%) would result in additional capital financing charges to the revenue budget of £1.230m per annum (£0.710m interest payable and £0.520m MRP) once the Programme is completed in full. In practice, these costs would be phased in as each project commences and once the loans are taken out to carry out the work. MRP would be charged once the schools become operational. The Band B submission identifies that the proposed capital works could result in a net savings, which is currently forecast as £500k for the Schools budget. This leaves a net shortfall of £730k per annum which has to be funded by the Council.

5.2.10 It should be noted that the delivery of the Band B projects will eliminate the need to undertake backlog maintenance work at the various schools. For those schools which would close or be adapted under the Band B proposals, the estimated backlog maintenance amounts to approximately £5.5m. The capital programme to date has not identified funding to undertake this backlog maintenance.

5.2.11 Further additional capital and revenue costs would be incurred as Band C and Band Ch are delivered. Any commitment towards these phases of the programme would need to be realistic and affordable.

5.3 Reserves

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

5.4 The Need to Generate Revenue Savings from Capital Expenditure

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

6. Funding

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

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

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

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

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

6.3 Funding Constraints over the next Three Years

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

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

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

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

6.3.5. Specific grants which have been approved, likely to be approved or that result from successful bids, will also be available to fund capital schemes. In some cases, it may be necessary for the Council to contribute a sum of its own capital funding as match funding to enable the grant funding to be drawn down. The grants and contributions which have been currently identified as sources of funding for 2019/20 are listed below. This shows that Anglesey will benefit from improvements/new assets estimated to cost £21.3m of which 44% (£9.4m) of the costs are funded by external grant or contribution. This is a significant contribution from outside the Council for the benefit of the Island.

Table 2
Capital projects which are part or fully funded by grants and contributions (excluding 21 Century Schools)

Capital Project	Estimated costs 2019/20 £000	External Funding £000	Percentage funded externally £000
Holyhead Visitor Gateway	1,000	950	95%
Holyhead Strategic Infrastructure	3,200	3,165	99%
Llangefni Strategic Infrastructure	200	165	83%
Beaumaris Flood Alleviation	900	765	85%
Refurbishment of Market Hall, Holyhead	350	250	71%
Highway improvements	1,359	580	43%
Drainage works Project 1	200	170	85%
Drainage Works Project 2	166	141	85%
Traeth Coch Flood Defence	850	638	75%
HRA Refurbishments and Increasing Housing Stock	13,110	2,660	20%
Total	**21,335**	**9,484**	**44%**

6.3.6 The level of capital receipts is dependent on which assets become available to sell. The receipts from the sale of some assets are linked to projects which have already commenced, e.g. sales of former school sites are linked to the 21st Century Schools programme. As a result, not all capital receipts received in 2019/20 can be allocated to fund new capital projects. Apart from the remaining school sites it is not anticipated that any significant capital receipts will be available to fund capital expenditure from 2019/20 onwards.

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

6.3.8 In addition to the sources of funding noted above, the Council holds a capital funding reserve, which includes revenue contributions which have not yet been applied. The current balance stands at £1.162m. It is expected that the majority of this will be used towards funding the 2018/19 programme.

6.3.9 Unallocated capital receipts are held in a reserve. The balance of the reserve at 31 March 2018 was £320k. These receipts will be used as a funding source for the 2018/19 programme, or will help fund slipped expenditure in 2019/20.

6.3.10 In summary, the funding for new capital projects in 2019/20 should be limited to the level of general capital grant (£2.065m), supported borrowing (£2.181m) and any unallocated capital receipts generated in the year. This would give a total budget available in the region of £4.246m, excluding grants, 21st Century Schools funding and HRA funding. This principle will be applied into the medium-term and longer-term to ensure the capital programme is affordable, particularly in the context of continual funding cuts.

6.4 Estimated Funding Profile 2019/20 to 2021/22

6.4.1 The external Welsh Government funding for the period 2019/20 to 2021/22 is shown in Table 3 below. It should be noted that the Council will also receive a number of minor capital grants.

Table 3
Estimated Welsh Government Capital Funding 2019/20 – 2021/22

	2019/20 £'m	2020/21 £'m	2021/22 £'m
General Capital Grant	2.065	1.818	1.818
Supported Borrowing	2.181	2.181	2.181
Public Highways Refurbishment Grant	0.580	0.580	0.580
Major Repairs Allowance	2.660	2.660	2.660
Total Welsh Government Capital Funding	**7.486**	**7.239**	**7.239**

6.4.2 There is scope to fund new projects in 2019/20 through the funding that is received as part of the Welsh Government's financial settlement. Welsh Government's recent significant increase in the Capital General Grant for 2018/19 to 2020/21 is positive news and will help the Council fund additional priority capital projects. Unsupported borrowing is possible but, unless the projects generate revenue savings, then the additional MRP charge and interest costs will increase the revenue budget which must be funded by increased Council Tax or by making revenue savings elsewhere. Therefore, the Council can ensure the capital financing costs are affordable and sustainable by limiting capital expenditure funded by unsupported borrowing to the 21st Century Schools Programme and capital projects which lead to revenue savings higher than the MRP and interest payable charges incurred from the capital funding. The Draft Capital Programme Report 2019/20, summarised below, proposes an affordable programme with limited use of unsupported borrowing.

7. The proposed Strategy for 2019/20 to 2021/22

7.1. Background – Capital

7.1.1 Capital expenditure is expenditure to acquire or create new assets or to refurbish existing assets where the life of the asset is greater than one financial year. The assets can be tangible (buildings, vehicles and infrastructure) or intangible (software licences). Non-current assets which are £10k or more will be considered as capital expenditure. £10k is the Council's recommended de minimis level to qualify as part of the capital programme. This is a revised de minimis level from the current £30k de minimis. Reducing this level from £30k will bring the de minimis level on capital expenditure in line with the de minimis of £10k on capital receipts. It is also a level more appropriate for the size of the Authority. Non-current assets less than £10k will be charged to revenue in most cases. The Council reserves the right to waive the de minimis if appropriate.

7.2 Potential Commitments for 2019/20 to 2021/22

7.2.1 As part of the capital planning process, future commitments for the following two years are also identified, although there is no guarantee that the funding will actually be released for the specific project unless it was needed to physically complete the asset. Appendix 1, Table A shows that there are £31.1m of projects which meet this Capital Strategy's key priorities and principles. These include ongoing committed schemes, grant funded projects, 21st Century Schools and investment in the Council's existing assets to increase the life of these assets into the future. The table shows that only the 21st Century Schools will require some funding from unsupported borrowing for the Council Fund. The HRA plans to borrow £1m of unsupported borrowing but the HRA will fund the costs of repayment of the loan as it falls due and all revenue capital financing costs arising from the borrowing.

7.2.2 Table B, Appendix 1 shows two invest-to-save proposals which would cost £400k and would lead to annualised revenue savings amount to £49k per annum. The payback for both of the proposed projects is 8 years. These projects could be funded by supported borrowing. An analysis of the capital financing costs highlight that the savings from the projects would exceed the capital financing costs. Net Present Value (NPV) analysis which takes into account the time value of money highlights that a positive NPV for the projects would be achieved in year 12. Projects with a positive NPV are considered viable. These two projects would contribute to objective 3 of the Council Plan 2017/22 due to environmental benefits.

7.2.3 Table C, Appendix 1 summarises the proposals submitted for new projects 2019/20. Whilst there is enough funding for all these projects without the need to take additional unsupported borrowing each one has been scored objectively by the officer panel particularly with regards to contribution towards the Council Plan 2017/22. The Capital Programme 2019/20 report provides details of the scoring for these projects in Appendix 3. Members could accept some or all of these when considering the Capital Programme 2019/20, although it should be highlighted that a low scoring project may not align with the Council Plan 2017/22 significantly.

7.2.4 The below table summarises the proposed capital programme for the period 2019/20 to 2021/22 as per their category for example, ongoing committed scheme.

Table 4
Summary of Capital Schemes (see Appendix 1 for individual project details)

Capital Schemes	**Expenditure**			
	2019/20 £000	**2020/21 £000**	**2021/22 £000**	**Total £000**
Committed Schemes Brought Forward	6,429	6,016	-	**12,445**
Investing in Existing Assets	3,898	3,539	3,539	**10,976**
21st Century Schools Projects	4,809	10,256	16,668	**31,733**
Potential new Schemes 2019/20	1,746	360	200	**2,306**
Invest-to-Save Projects	400	250	200	**850**
Housing Revenue Account Projects (HRA)	13,110	18,431	19,744	**51,285**
	30,392	**38,852**	**40,351**	**109,595**

7.2.5 The funding available for the above capital schemes is summarised below in Table 5. This shows that, for 2019/20, all projects could be funded without the need for significant unsupported borrowing. The only unsupported borrowing required for 2019/20 would be towards the Council's share of the 21St Century Schools projects. The table shows that there will be funding gaps in 2020/21 and 2021/22. This may require unsupported borrowing if there is insufficient capital receipts or other funding available. The table excludes a forecast for capital receipts as this information is not available. However, if the Council does sell any assets, it will reduce the need to borrow. The Council's assets available for sale is reducing due a number of Council assets which have been sold in previous years. It should be noted that any school closures leading to a sale would be used towards the 21st Century Schools Programme.

Table 5
Capital Programme Funding 2019/20 to 2021/22

Funding Source	**Financial Year**			
	2019/20 £000	**2020/21 £000**	**2021/22 £000**	**Total £000**
Funding Brought Forward 2018/19 for Slipped Projects	1,099	-	-	**1,254**
External Grants and Contributions	12,251	10,503	8,090	**30,844**
General Capital Grant	1,172	1,821	1,334	**4,482**
Capital Receipts - Excluding Schools	-	-	-	**-**
Capital Receipts - Schools	-	-	-	**-**
Supported Borrowing	2,181	2,112	2,112	**6,250**
Supported Borrowing 21st Century Schools	1,640	1,858	5,430	**8,928**
Unsupported Borrowing - 21st Centrury Schools	402	6,589	5,970	**12,961**
Unsupported Borrowing - HRA	1,000	6,300	6,450	**13,750**
Capital Receipts Reserve and Capital Reserve	-	-	-	**-**
Revenue - Council Fund	-	-	-	**-**
Revenue - HRA	9,450	9,471	10,634	**29,555**
Funding reallocated from postponed projects	1,197	-	-	
Unallocated Capital Grant	-	198	331	**529**
	30,392	**38,852**	**40,351**	**10,333**
Unallocated General Capital Grant	**893**	**(198)**	**(331)**	**364**

7.3 Longer-term Capital Expenditure Plans

7.3.1 The above draft capital programme provides a medium-term forecast which is in line with the Medium-Term Financial Plan and the Council Plan 2017/22 and Treasury Management Strategy Statement. This capital strategy also communicates the long-term intentions with regard to the 21st Century Schools Programme which is comprehensively outlined above and is expected to continue beyond 2021/22. The estimated spend on Band B alone is estimated to be £52m between 2019/20 and 2025/26 of which 35% will be funded by the Council, mainly from unsupported borrowing. As each scheme in Band B is developed, the financial impact is assessed but it is accepted that some projects will need to go ahead to meet the Council's overall priorities and that the additional revenue costs will need to be funded from revenue savings or increases in Council Tax. If, as the Council progresses through Band B of the 21st Century Schools Programme, it finds that there are affordability issues, then the projects included in Band B will be reviewed.

7.3.2 The Welsh Government also plans a phase C and D of the programme, however, these could only be undertaken if affordable..

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

7. 4 Non-Treasury Management Investment Strategy

7.4.1 The Treasury Management Investment Strategy is included in the TMSS discussed below. In addition, the Council holds a number of non-treasury management investments. These are the investment properties from which the Council earns rental income. These help provide a long-term revenue stream for the Council. The investment property portfolio held 74 properties at 31 March 2018, which were valued at £5.791m. These include retail properties, office units and commercial units. In 2017/18, £331k of rental income was collected from investment properties. Costs of £164k were spent on maintenance etc., which resulted in a net operational income of £167k from rental income. In terms of future plans for the investment properties, the buildings will continue to be maintained to legal standards. In addition, there is a new industrial unit complex being constructed in Llangefni which may be operational in 2019/20. The Council is also working in partnership with Welsh Government on the construction of Industrial Units at Penrhos, Holyhead. These are likely to become operational either in the latter half of 2019/20 or early 2020/21.

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

8. Borrowing and Treasury Management

8.1 The Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMPs) provide the framework to ensure there is sufficient cash to pay suppliers, ensure that any surplus cash is invested safely and that borrowing to fund the capital programme 2019/20 to 2021/22 is affordable. The TMSS will be presented to the full Council in February 2019. This will be available in February 2019 using the below link.

8.2 Appendix 11 of the TMSS 2018/19 to 2020/21, provides the prudential and treasury indicators for the periods 2016/17 to 2020/21 which help determine whether borrowing plans are affordable.

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

2017/18 (Actual):	7.98%
2018/19 (Estimated)	6.37%
2019/20 (Projected)	6.51%
2020/21 (Projected)	6.65%
2021/22 (Projected)	7.03%

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

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

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

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

8.6 Table 6 below summarises the level of external borrowing compared to the operational boundary and shows the level of internal borrowing which the Council will utilise to fund the capital programme.

Table 6
Borrowing Forecast for 2017/18 to 2021/22

Borrowing - Forecast	**2017/18 Actual £000**	**2018/19 Forecast £000**	**2019/20 Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**
Operational Boundary General Borrowing	164,000	164,000	173,000	187,000	203,000
Actual and Forecast External Borrowing	117,029	122,812	124,996	137,339	157,459
Difference between Authorised Limit and Actual/Forecast External Borrowing (headroom)	51,971	54,188	53,004	54,661	50,541
Internal Borrowing (use of cash balances)	19,837	18,379	20,105	21,129	17,362
Total External and Internal Borrowing	**138,866**	**141,191**	**145,101**	**158,468**	**174,821**

9. Potential Risks arising from the Capital Strategy

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

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

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

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

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

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

10. Knowledge and Skills

10.1 The Resources accounting team has six qualified accountants including the Head of Function (Resources) / Section151 Officer who look after the capital programme and treasury management function. There is also a qualified accounting technician who has substantial experience in capital and treasury management. The team attend CIPFA courses on capital and treasury management and have a sound knowledge of this very specialised accounting area. There is also a team of professionals within services such as architects, project managers, engineers which support the Council with delivering the Capital Programme. The Council also commissions specialist advice from Link Asset and Treasury Management consultants. The decision-makers of the Council receive regular reports on capital and treasury management and Members are offered treasury management training. The governance arrangements are outlined in the Constitution and the Treasury Management Strategy Statement.

Appendix 1

Table A – Draft Proposed Capital Programme 2019/20 before consideration of new capital projects

Scheme	2019/20 Budget £'m	External Grants £'m	Council Funding £'m
Holy Island Visitor Gateway	1.000	0.950	0.050
Holyhead and Llangefni Strategic Infrastructure	3.400	3.330	0.070
Flood Alleviation Schemes	0.900	0.765	0.135
Gypsy and Traveller Sites	0.779	0.000	0.779
Holyhead Market Hall	0.350	0.250	0.100
Ysgol Santes Dwynwen	0.085	0.000	0.085
Ysgol Rhyd y Llan	0.037	0.000	0.037
Ysgol Y Graig Extension	0.666	0.313	0.353
Ysgol Bro Llangefni	3.521	2.324	1.197
Ysgol Beaumaris, Llandegfan and Llangoed	0.400	0.130	0.270
Ysgol Syr Thomas Jones and nearby primary schools	0.100	0.000	0.100
Disabled Facilities Grant	0.750	0.000	0.750
Disabled Access – Education Buildings	0.300	0.000	0.300
Replacement Vehicles	0.150	0.000	0.150
IT Infrastructure	0.439	0.000	0.439
School Refurbishment	0.500	0.000	0.500
Non School Refurbishment	0.400	0.000	0.400
Highway Resurfacing	1.359	0.580	0.779
HRA Capital Expenditure / New Developments	13.110	2.660	10.450
TOTAL CAPITAL PROGRAMME	**28.246**	**11.302**	**16.944**
Funded By:			
External Grants	10.722	10.722	
Funding Brought Forward from 2018/19	1.099		1.099
General Capital Grant	1.327		1.327
Supported Borrowing	2.026		2.026
Highways Refurbishment Grant	0.580	0.580	
Capital Receipts	-		-
Unsupported Borrowing 21st Century Schools	0.402		0.402
Supported Borrowing 21st Century Schools	1.640		1.640
HRA Unsupported Borrowing	1.000		1.000
HRA Revenue / Reserves	9.450		9.450
TOTAL FUNDING	**28.246**	**11.302**	**16.944**

Table B – Proposed New Capital Schemes and Invest-to-Save Schemes 2019/20

Scheme	2019/20 Budget £'m	External Grants £'m	Reallocated Council Funding £'m
Upgrade Pay & Display Machines in Car Parks	0.030	0.000	0.030
Plas Mona Refurbishment	0.035	0.000	0.035
Plas Crigyll Refurbishment	0.085	0.000	0.085
Upgrade Meeting Rooms Equipment	0.025	0.000	0.025
School Safety	0.200	0.000	0.200
Funding in the event of late offer from WG regarding Drainage Works	0.200	0.170	0.030
Anglesey Connected (AC) to PSBA transition	0.060	0.000	0.060
Drainage Studies and Design Work	0.166	0.141	0.025
Flood defence Traeth Coch	0.850	0.638	0.212
Economic Development – To seek Match Funding	0.095	0.000	0.095
Invest To Save - Energy Efficiency in Corporate Buildings	0.250	0.000	0.250
Invest To Save - Purchase new vehicles	0.150	0.000	0.150
TOTAL CAPITAL PROGRAMME	**2.146**	**0.949**	**1.197**
Funded By:			
External Grants	0.949		
Reallocated Funding	1.197		
TOTAL FUNDING	**2.146**		

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**EXECUTIVE COMMITTEE**
DATE:	**18 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 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

- To consider the Treasury Management Strategy for 2019/20 and to make recommendations or note comments for consideration by the full Council.

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	**Benthycaf Salix Loan 1**	**Benthycaf Salix Loan 2**	**Benthycaf Salix Loan 3**	**Benthycaf Salix Loan 4**	**Cyfanswm / Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'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.

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

Treasury management scheme of delegation

(i) County Council

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

(ii) Executive Committee

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

(iii) Audit Committee

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

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

The Treasury Management role of the Section 151 Officer

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

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

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

PRUDENTIAL & TREASURY INDICATORS BUDGET SETTING 2019/20						APPENDIX 11
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

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**EXECUTIVE COMMITTEE**
DATE:	**18 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 Executive is required to propose a capital budget for 2019/20, which will be presented to the full Council for approval at its meeting on 27 February 2019.

2. RECOMMENDATIONS

- To recommend to the full Council 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?

	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

APPENDIX 1

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 Executive is requested to recommend the following capital budget to the Full Council at its meeting on 27 February 2019, 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:	**The Executive**
Date:	**18 February 2019**
Subject:	**The Executive's Forward Work Programme**
Portfolio Holder(s):	**Cllr Llinos Medi**
Head of Service:	**Lynn Ball** **Head of Function – Council Business / Monitoring Officer**
Report Author: Tel: E-mail:	**Huw Jones, Head of Democratic Services** **01248 752108** **JHuwJones@anglesey.gov.uk**
Local Members:	**Not applicable**

A –Recommendation/s and reason/s
In accordance with its Constitution, the Council is required to publish a forward work programme and to update it regularly. The Executive Forward Work Programme is published each month to enable both members of the Council and the public to see what key decisions are likely to be taken over the coming months. The Executive is requested to: confirm the attached updated work programme which covers **March – October 2019**; identify any matters for specific input and consultation with the Council's Scrutiny Committees and confirm the need for Scrutiny Committees to develop their work programmes further to support the Executive's work programme; note that the forward work programme is updated monthly and submitted as a standing monthly item to the Executive.

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

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

C – Why is this a decision for the Executive?
The approval of the Executive is sought before each update is published to strengthen accountability and forward planning arrangements.

D – Is this decision consistent with policy approved by the full Council?
Yes.

DD – Is this decision within the budget approved by the Council?
Not applicable.

E – Who did you consult?		What did they say?
1	**Chief Executive / Strategic Leadership Team (SLT)** (mandatory)	The forward work programme is discussed at Heads of Service meetings ('Penaethiaid') on a monthly basis (standing agenda item). It is also circulated regularly to Heads of Services for updates.
2	**Finance / Section 151** (mandatory)	
3	**Legal / Monitoring Officer** (mandatory)	
5	**Human Resources (HR)**	
6	**Property**	
7	**Information Communication Technology (ICT)**	
8	**Scrutiny**	Monthly joint discussions take place on the work programmes of the Executive and the two Scrutiny Committees in order to ensure alignment.
9	**Local Members**	Not applicable.
10	**Any external bodies / other/s**	Not applicable.

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

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

FF - Appendices:
The Executive's Forward Work Programme: March – October 2019.

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

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

THE EXECUTIVE'S FORWARD WORK PROGRAMME

Period: March – October 2019

Updated: 7 February 2019

The Executive's forward work programme enables both Members of the Council and the public to see what key decisions are likely to be taken by the Executive over the coming months.

Executive decisions may be taken by the Executive acting as a collective body or by individual members of the Executive acting under delegated powers. The forward work programme includes information on the decisions sought, who will make the decisions and who the lead Officers and Portfolio Holders are for each item.

It should be noted, however, that the work programme is a flexible document as not all items requiring a decision will be known that far in advance and some timescales may need to be altered to reflect new priorities etc. The list of items included is therefore reviewed regularly.

Reports will need to be submitted from time to time regarding specific property transactions, in accordance with the Asset Management Policy and Procedures. Due to the influence of the external market, it is not possible to determine the timing of reports in advance.

The Executive's draft Forward Work Programme for the period **March – October 2019** is outlined on the following pages.

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

** Key:*
S = Strategic – key corporate plans or initiatives
O =Operational – service delivery
FI = For information

THE EXECUTIVE'S FORWARD WORK PROGRAMME

Period: March – October 2019

Updated: 7 February 2019

	Subject & *category and what decision is sought	Decision by which Portfolio Holder or, if a collective decision, why	Lead Service	Responsible Officer/ Lead Member & contact for representation	Pre-decision / Scrutiny (if applicable)	Date to Executive or, if delegated, date of publication	Date to Full Council (if applicable)
				March 2019			
1	**Annual Equality Report 2017/18** Approval of report.	Social Services Portfolio Holder	Council Business	Huw Jones Head of Democratic Services Cllr Llinos Medi		Delegated decision March 2019	
2	**The Executive's Forward Work Programme (S)** Approval of monthly update.	The approval of the full Executive is sought to strengthen forward planning and accountability.	Council Business	Huw Jones Head of Democratic Services Cllr Llinos Medi		The Executive 25 March 2019	
3	**Corporate Scorecard – Quarter 3, 2018/19 (S)** Quarterly performance monitoring report.	This is a matter for the full Executive as it provides assurance of current performance across the Council.	Corporate Transformation	Carys Edwards Head of Profession – HR and Transformation Cllr Dafydd Rhys Thomas	Corporate Scrutiny Committee 11 March 2019	The Executive 25 March 2019	
4	**CIW Inspection of Children's Services in Anglesey – Improvement Plan – Quarterly Progress Report**		Children's Services	Fôn Roberts Head of Children's Services Cllr Llinos Medi	Children's Services Improvement Panel 27 February 2019 Corporate Scrutiny Committee 11 March 2019	The Executive 25 March 2019	

** Key:*
S = Strategic – key corporate plans or initiatives
O =Operational – service delivery
FI = For information

THE EXECUTIVE'S FORWARD WORK PROGRAMME

Period: March – October 2019

Updated: 7 February 2019

	Subject & *category and what decision is sought	Decision by which Portfolio Holder or, if a collective decision, why	Lead Service	Responsible Officer/ Lead Member & contact for representation	Pre-decision / Scrutiny (if applicable)	Date to Executive or, if delegated, date of publication	Date to Full Council (if applicable)
5	**Discretionary Housing Payments Policy**		Resources	Marc Jones Head of Function – Resources / Section 151 Officer Cllr Robin Wyn Williams		The Executive 25 March 2019	
6	**Further Education Trust – Annual Report**		Resources	Marc Jones Head of Function – Resources / Section 151 Officer Cllr Robin Wyn Williams		The Executive 25 March 2019	
7	**Local Full Fibre Network (LFFN) Project** To delegate to another Council authority to implement the LFFN Project.		Regulation and Economic Development / Council Business	Dylan Williams Head of Regulation and Economic Development/ Lynn Ball Head of Function - Council Business / Monitoring Officer Cllr Carwyn Jones Cllr Dafydd Rhys Thomas		The Executive 25 March 2019 – subject to agreed regional version of the report.	
8	**Housing Revenue Account Business Plan**		Housing	Ned Michael Head of Housing Services Cllr Alun Wyn Mummery		The Executive 25 March 2019	

Page 250

** Key:*
S = Strategic – key corporate plans or initiatives
O =Operational – service delivery
FI = For information

THE EXECUTIVE'S FORWARD WORK PROGRAMME

Period: March – October 2019

Updated: 7 February 2019

	Subject & *category and what decision is sought	Decision by which Portfolio Holder or, if a collective decision, why	Lead Service	Responsible Officer/ Lead Member & contact for representation	Pre-decision / Scrutiny (if applicable)	Date to Executive or, if delegated, date of publication	Date to Full Council (if applicable)
9	**Supporting People Commissioning Plan**		Housing	Ned Michael Head of Housing Services Cllr Alun Wyn Mummery		The Executive 25 March 2019	
10	**Schools Modernisation – Report on objections to the refurbishment and expansion of Ysgol Llandegfan, closure of Ysgol Beaumaris and refurbishment of Ysgol Llangoed**		Learning	Arwyn Williams Head of Learning Cllr R Meirion Jones		The Executive 25 March 2019	
11	**Schools Modernisation – Report on objections to the expansion of Ysgol y Graig and closure of Ysgol Talwrn**		Learning	Arwyn Williams Head of Learning Cllr R Meirion Jones		The Executive 25 March 2019	
12	**School Transport Policy** Approval of new policy.		Learning	Arwyn Williams Head of Learning Cllr R Meirion Jones	Finance Scrutiny Panel 22 February 2019 Corporate Scrutiny Committee 11 March 2019	The Executive 25 March 2019	

Key:
S = Strategic – key corporate plans or initiatives
O =Operational – service delivery
FI = For information

THE EXECUTIVE'S FORWARD WORK PROGRAMME

Period: March – October 2019

Updated: 7 February 2019

	Subject & *category and what decision is sought	Decision by which Portfolio Holder or, if a collective decision, why	Lead Service	Responsible Officer/ Lead Member & contact for representation	Pre-decision / Scrutiny (if applicable)	Date to Executive or, if delegated, date of publication	Date to Full Council (if applicable)
				April 2019			
13	**The Executive's Forward Work Programme (S)** Approval of monthly update.	The approval of the full Executive is sought to strengthen forward planning and accountability.	Council Business	Huw Jones Head of Democratic Services Cllr Llinos Medi		The Executive 29 April 2019	
14	**Report on the statutory consultation on lowering the admission age for Ysgol Henblas** Approval.		Learning	Arwyn Williams Head of Learning Cllr R Meirion Jones		The Executive 29 April 2019	
				May 2019			
15	**The Executive's Forward Work Programme (S)** Approval of monthly update.	The approval of the full Executive is sought to strengthen forward planning and accountability.	Council Business	Huw Jones Head of Democratic Services Cllr Llinos Medi		The Executive 20 May 2019	
				June 2019			
16	**Welsh Language Standards Annual Report 2018/19** Approval of report.	Portfolio holder with responsibility for the Welsh language.	Council Business	Huw Jones Head of Democratic Services Cyng Ieuan Williams	To be confirmed	Delegated decision June 2019	

** Key:*
S = Strategic – key corporate plans or initiatives
O =Operational – service delivery
FI = For information

THE EXECUTIVE'S FORWARD WORK PROGRAMME

Period: March – October 2019

Updated: 7 February 2019

	Subject & *category and what decision is sought	Decision by which Portfolio Holder or, if a collective decision, why	Lead Service	Responsible Officer/ Lead Member & contact for representation	Pre-decision / Scrutiny (if applicable)	Date to Executive or, if delegated, date of publication	Date to Full Council (if applicable)
17	**The Executive's Forward Work Programme (S)** Approval of monthly update.	The approval of the full Executive is sought to strengthen forward planning and accountability.	Council Business	Huw Jones Head of Democratic Services Cllr Llinos Medi		The Executive 17 June 2019	
18	**Corporate Scorecard – Quarter 4, 2018/19 (S)** Quarterly performance monitoring report.	This is a matter for the full Executive as it provides assurance of current performance across the Council.	Corporate Transformation	Carys Edwards Head of Profession – HR and Transformation Cllr Dafydd Rhys Thomas	Corporate Scrutiny Committee June 2019	The Executive 17 June 2019	
19	**2018/19 Revenue and Capital Budget Monitoring Report – Quarter 4 (S)** Quarterly financial monitoring report.	This is a matter for the full Executive as it provides assurance of current financial position across the Council.	Resources	Marc Jones Head of Function – Resources / Section 151 Officer Cllr Robin Wyn Williams	Finance Scrutiny Panel Date to be confirmed	The Executive 17 June 2019	
				July 2019			
20	**The Executive's Forward Work Programme (S)** Approval of monthly update.	The approval of the full Executive is sought to strengthen forward planning and accountability.	Council Business	Huw Jones Head of Democratic Services Cllr Llinos Medi		The Executive 15 July 2019	

* *Key:*
S = Strategic – key corporate plans or initiatives
O =Operational – service delivery
FI = For information

THE EXECUTIVE'S FORWARD WORK PROGRAMME

Period: March – October 2019

Updated: 7 February 2019

	Subject & *category and what decision is sought	Decision by which Portfolio Holder or, if a collective decision, why	Lead Service	Responsible Officer/ Lead Member & contact for representation	Pre-decision / Scrutiny (if applicable)	Date to Executive or, if delegated, date of publication	Date to Full Council (if applicable)
21	**Learning Disabilities – Transformation of Daytime Opportunities** Consent regarding the engagement process.		Adults' Services	Alwyn Jones Head of Adults Services Cllr Llinos Medi	Corporate Scrutiny Committee Date to be confirmed	The Executive 15 July 2019	
22	**Annual Report of the Statutory Director of Social Services**		Adults' Services	Alwyn Jones Head of Adults Services Cllr Llinos Medi	Corporate Scrutiny Committee Date to be confirmed	The Executive 15 July 2019	
	September 2019						
23	**The Executive's Forward Work Programme (S)** Approval of monthly update.	The approval of the full Executive is sought to strengthen forward planning and accountability.	Council Business	Huw Jones Head of Democratic Services Cllr Llinos Medi		The Executive 16 September 2019	
24	**Corporate Scorecard – Quarter 1, 2019/20 (S)** Quarterly performance monitoring report.	This is a matter for the full Executive as it provides assurance of current performance across the Council.	Corporate Transformation	Carys Edwards Head of Profession – HR and Transformation Cllr Dafydd Rhys Thomas	Corporate Scrutiny Committee September 2019	The Executive 16 September 2019	

** Key:*
S = Strategic – key corporate plans or initiatives
O =Operational – service delivery
FI = For information

THE EXECUTIVE'S FORWARD WORK PROGRAMME
Period: March – October 2019

Updated: 7 February 2019

	Subject & *category and what decision is sought	Decision by which Portfolio Holder or, if a collective decision, why	Lead Service	Responsible Officer/ Lead Member & contact for representation	Pre-decision / Scrutiny (if applicable)	Date to Executive or, if delegated, date of publication	Date to Full Council (if applicable)
25	**2019/20 Revenue and Capital Budget Monitoring Report – Quarter 1 (S)** Quarterly financial monitoring report.	This is a matter for the full Executive as it provides assurance of current financial position across the Council.	Resources	Marc Jones Head of Function – Resources / Section 151 Officer Cllr Robin Wyn Williams	Finance Scrutiny Panel Date to be confirmed.	The Executive 16 September 2019	
October 2019							
26	**The Executive's Forward Work Programme (S)** Approval of monthly update.	The approval of the full Executive is sought to strengthen forward planning and accountability.	Council Business	Huw Jones Head of Democratic Services Cllr Llinos Medi		The Executive 28 October 2019	

Key:
S = Strategic – key corporate plans or initiatives
O =Operational – service delivery
FI = For information

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	
Report to:	**Executive Committee**
Date:	**18th February 2019**
Subject:	**Childcare Sufficiency Progress Report & Action Plan**
Portfolio Holder(s):	**Councillor R. Meirion Jones**
Head of Service:	**Mr Arwyn Williams**
Report Author: Tel: E-mail:	**Anwen Le Cras, Childcare Development Officer** **01248 352436** **anwenlecras@ynysmon.gov.uk**
Local Members:	**All Elected members**

A –Recommendation/s and reason/s

The Childcare Act 2006 places a statutory duty on all Local Authorities in Wales to:

- to ensure, so far as is reasonably practicable, sufficient childcare to meet local needs of parents, (albeit for working parents or parents undertaking education or training) to assist them to obtain work.
- Undertake childcare sufficiency assessments; and
- Provide information, advice and assistance relating to childcare to parents, prospective parents and those with parental responsibility or care of a child.

The first full assessment was undertaken and published in April 2017.
This is the second update and progress report along with a revised action plan.

Gaps in provision identified in 2017

1. A lack of childminders in the rural areas of Bro Aberffraw and Bro Rhosyr and in the Talybolion area.
2. A lack of Welsh speaking childminders across the county.
3. Breakfast clubs for children aged 3 years old in part time education settings.
4. Flexible pricing options for parents who work part time during school hours.
5. A number of After Schools clubs are currently unregistered. Parents using these settings are not able to access financial support with their childcare costs.
6. No Registered After School or Holiday Provision in Llangefni which has a primary school population of 547 pupils.
7. Lack of regular and reliable out of school provision for pupils in secondary schools.

Progress Made 2018

1. Bro Aberffraw area continues to be an area for development. Consideration is being given to childcare services at the new Ysgol Santes Dwynwen scheduled for opening in Spring 2019.
2. Four new Welsh speaking childminders registered in 2018
   Grant available to new childminders to purchase Welsh language resources.
3. Wrap around childcare expanded in some areas. Further research work required as the 30 hour childcare offer expands.
4. Task group created to produce guidance to school governors and head teachers on running childcare services on school sites.
5. No reported demand for this type of provision. Mapping of informal after school activities to take place in 2019 by Teulu Môn to ensure parents have access to information about services available.

The revised action plan takes into account that demand for childcare services and the childcare market is evolving. The 30 hour childcare offer has had an impact on demand mainly in the Day Nursey and Wrap Around services. Few Childminders have reported a change for demand.

The Executive Committee is asked to accept the progress report and agree to the actions in the revised action plan.

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

N/A

C – Why is this a decision for the Executive?

To ensure compliance with statutory duty arising from Sections 22 & 26 of the Childcare Act 2006

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

This is not contrary to council policy.

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

No additional budget considerations

DD – Who did you consult?		What did they say?
1	**Chief Executive / Senior Leadership Team (SLT)** (mandatory)	.
2	**Finance / Section 151** (mandatory)	
3	**Legal / Monitoring Officer** (mandatory)	
4	**Human Resources (HR)**	
5	**Property**	
6	**Information Communication Technology (ICT)**	
7	**Procurement**	
8	**Scrutiny**	
9	**Local Members**	
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:
Ynys Môn Childcare Sufficiency Progress Report 2019

FF - Background papers (please contact the author of the Report for any further information):
Childcare Sufficiency Assessment 2017 - Report Childcare Sufficiency Assessment 2017 – Action Plan 2017 - 2022

Isle of Anglesey

Childcare Sufficiency Assessment 2017 – 2022

Update and Progress Report

January 2019

DRAFT

Anwen Le Cras 16.01.19

1.Introduction

Following a consultation by Welsh Government in 2015 and the resulting revised Statutory Childcare Guidance published in July 2016 Childcare Sufficiency Assessments are required to be carried out every 5 years. Annual reports will be published detailing progress made against the actions, priorities and milestones identified in the action plan. The Local Authority will liaise closely with the Care Inspectorate Wales (CIW) and the Family Information Service (Teulu Môn) to ensure we have an accurate and up to date picture of the supply of and demand for childcare, which will allow the action plan to be reviewed and updated when required.

This report is the second review undertaken since publishing the full assessment and action plan in April 2017

The Welsh Government announced its intention in 2016 to introduce The Childcare Offer for Wales, which will provide working parents with 30 hours of government funded childcare and early education for 3 and 4 year olds for up to 48 weeks of the year. From September 2017 the offer has been piloted in 6 areas across Wales. Anglesey and Gwynedd are collaborating as early implementers of the offer. The offer is expected to be available across the whole of Wales by the end of this Assembly term in 2020.

The childcare market, in particular the provision for 3 – 4 year old and families' childcare choices will be closely scrutinised over the next year as the 30 hour childcare offer expands.

While Anglesey's population remains steady, the population is aging and the number of live birth live births decreasing. There were an unusually high number, of live births, 935, in 2012 but numbers have decreased steadily year on year until another slight increase in 2016 (716).

In 2017 there were 659 live births in Anglesey
The number of births in the Llangefni area has been higher in recent years, in comparison with the rest of Anglesey and Wales. Birth data in Appendix 1.

DRAFT

2. Current Childcare Supply as at December 2018

Ward	Area	School Catchment	Day Nursery	Number of Places	Child Minder	Number of Places	Cylch Meithrin	Number of Places	Wrap Around	Number of places	Registered After School Club	Number of Places	Un Registered After School club	Number of Places
Aethwy	Llanfairpwll	Llanfairpwll	1	34	3	26	1	44	1	20			2	70
	Penmynydd													
	Menai Bridge	Porthaethwy	2	119	3	26	1	24					1	24
Bro Aberffraw	Aberffraw	Bodorgan												
	Bodorgan	Niwbwrch												
	Rhosyr	Dwyran												
Bro Rhosyr	Llanidan	Brynsiencyn					1	18	1	18				
	Llanfihangel Esceifiog	Esceifiog			1	4	1	16	1	16	1	24		
	Llanddaniel Fab	Parc y Bont	1	70			1	24	1	28	1	32		
	Llangristiolus	Henblas					1	15	1	15				
		Llangaffo												
Caergybi	Holyhead Town	Cybi	1	40	2	17	1	19	1	19				
	Morawelon	Llanfawr	1	52										

	Porthyfelin	St. Mary's					1	19	1	19	1	19		
	Bryngwran	Bryngwran					1	13						
	Bodffordd	Bodffordd	1	37			1	20						
	Llangefni	Y Graig	2	115	3	22	1	24					1	16
Canolbarth	Llangwyllog	Corn Hir					1	26			1 (SCS)	10	1	35
Môn	Tregaean	Y Ffridd			1	10	1	16			1	16		
		Talwrn			1	9	1	16						
	Llanfaelog	Pencarnisiog					1	15						
	Llanfair yn Neubwll	Rhosneigr					1	12					1	16
Llifon	Valley	Y Tywyn	1	68	1	10							1	16
		Caergeiliog	1	57	4	40	1	26	1	26	1	50		
		Valley			2	8								
	Moelfre	Moelfre			2	19								
	Llaneurgad	Goronwy Owen			5	35	1	21	1	21				
Lligwy	Llanfair M. E.	Pentraeth					1	16					1	16
	Pentraeth	Llanbedrgoch			1	10							1	12
	Llanfihangel Tre'r Beirdd													

	Beaumaris	Biwmares			1	6	1	24						
Seiriol	Cwm Cadnant	Llandegfan			2	20	2	46	1	22	1	24		
	Llanddona	Llanddona												
	Llangoed	Llangoed												
	Bodedern	Bodedern			2	12	1	16						
	Llanerchymedd	Llanerchymedd											1	16
Talybolion	Llanfaethlu	Rhyd Y Llan					1	22						
	Mechell	Llanfechell					1	20						
	Tref Alaw	Cemaes			1	10	1	13						
		Carreglefn					1	12						
	Amlwch	Amlwch	1	32	7	56	2	44			1	20		
Twrcelyn	Llaneilian	Penysarn			3	30	1	20						
	Rhosybol	Rhosybol			2	13	1	15	1	15				
	Trearddur													
	Rhoscolyn	Rhoscolyn					1	28	1	28	1	28		
Ynys Gybi	Maes Hyfryd (Holyhead)	Morswyn					1							
	Kingsland (Holyhead)	Kingsland			3	14	1	24	1	24				

Overview	Year – increase or reduction	Day Nursery	Number of Places	childminder	Number of places	Child Minder	Number of Places	Wrap Around	Number of places	Registered After School Club	Number of Places	Un Registered After School club	Number of Places
reduction /no provision	2018	12	567	44	360	34	666	13	301	8	223	10	221
Stayed the same Increased	2017	12	569	47	383	34	697	14	282	8	200	11	237
	2016	12	597	50	363	39	836	Not avail able		10		10	

DRAFT

The above demonstrates that across the sector, save for private day nurseries, the provision has reduced resulting in the number of spaces available reducing across the total provision from a total of 2,338 in 2018 to compare with 2,368 one year previously. The numbers for 2016 are unfortunately incomplete. Overall a reduction in 30 spaces.

However the demand for places between the ages of 3 -4 years old in order that parents are eligible for the 30 hours free childcare programme operated by the Welsh Government is starting to affect the supply chain. Many providers particularly day nurseries and wrap around services are reporting that they are to capacity. Some school sites are to capacity and have limited availability for expansion either due to premises in the main and also staff recruitment in this field.

2.1 Summary of Supply

2.1.1 Full day care

Childcare supply in Anglesey has remained relatively stable over the last year in relation to full day care spaces available for children 0 – 12 years. There are however, areas of the county which have little or no childcare. Bro Aberffraw currently has no childcare provision in the ward for any age of children, and there is no Cylch meithrin or pre school provision in the area. Niwbwrch has Flying Start childcare provision for eligible 2 year olds and the Early Years Education is provided by the school. Locally it is known that cylch meithrin provision in Bodorgan, Llanfgaffo and Dwyran have closed owing to a number of factors such as low numbers of children, difficulty recruiting staff and maintaining voluntary Committees.

There are strategic developments in the area in line with the Anglesey Strategy for Education to provide childcare within the new Ysgol Santes Dwynwen which will be developed in line with requirements in that area .

Other areas may have sufficient childcare spaces but lack the choice in the type of childcare. Llangefni is an area of high population and employment with 2 full day care nurseries offering 115 childcare spaces, with another nursery in Bodffordd offering 37 spaces. There are only 3 registered childminders within Llangefni and 1 in Talwrn, which only allows spaces for 9 children under school age. Parental choice in the type of childcare they would like for their children is limited in the area. The day nurseries in the area are operating at close to capacity,

In Amlwch there are 56 childminder spaces compared to 32 in the day nursery. There are sufficient empty spaces in both sectors to afford parents the choice in the type of childcare they wish to use.

Aethwy ward has seen a decline in the number of registered childminders over the last few years. There are 153 day nursery spaces in the ward with a further 70 spaces in Llanedwen which although not in the Aethwy ward is only 2 miles from Llanfairpwll. There are a total of 52 childminder spaces in the ward. The local Cylch meithrin offers a wrap around service for 3 and 4 year old children.

DRAFT

2.1.2 Pre School Provision

Pre school provision for children from 2 ½ , with the Early Years Education for 3 year olds being provided at present only in the Cylchoedd Meithrin and/or Pre School Playgroups across the county.

Four settings have closed during 2018. Sustainability of such settings is dependent on a number of factors including the number of children attending, recruitment and retention of suitably qualified staff, suitable premises and additional grant funding and fundraising activities.

2.1.3 After School Provision

Smaller schools have difficulty sustaining an after school club due to the low numbers of children attending. For many families, having access to after school childcare is essential to enable parents to work. After school childcare may be provided by childminders, nurseries or after school clubs. In areas where there is no day care provision having an after school club on the school site

The majority of after school clubs operating in Anglesey do so as unregistered settings for less than 2 hours per day. Families who use these services are unable to access financial assistance with childcare costs in the form of Tax Credits, Childcare Vouchers or the 30 hour Childcare Offer.

There are examples where schools have full day care settings on the premises which offer pre school, lunch club, wrap around and after school childcare for children from 3years old. Such settings are registered with CIW.

3.0 New Provisions and Closures

Type of Setting	Opened in 2018	Closed in 2018	Comments
Cylch Meithrin/PPA	Cylch Meithrin y Tywyn		New Welsh language Cylch Meithrin opened in September 2018. Application has been made to register with Care Inspectorate Wales for 19 children.
		Lilypad Pre School Provision	Lilypad Day Nursery continues to operate as a full day care facility but no longer provide Early Years Education.
		Cylch Meithrin Moelfre	Temporary closure due to lack of qualified staff.
		Cylch Meithrin Llanerchymedd	Temporary closure due to lack of qualified staff
		Cylch Meithrin Bodorgan	Closure due to staff recruitment difficulties.
		Cylch Meithrin Y Fali	Closed. No provision at present.
	Cylch Meithrin Cybi		Newly registered Cylch Meithrin registered following closure of full day care provision by Anglesey Childcare Ltd.

DRAFT

After School Clubs		Clwb Llanfechell	Unregistered setting closed. Unsustainable due to low attendance numbers.
		Clwb Rhosyr, Dwyran	Low attendance numbers made the club unsustainable and forced closure.
Childminders	4 new childminders registered during 2018. 2 x Caergeiliog 20 spaces 1 x Amlwch 10 spaces 1 x Gwalchmai 10 spaces		40 new childcare places created in 2018. Three of the newly registered childminders are first language Welsh speakers. One childminder is first language English and speaks Welsh as a second language and offers a bilingual childcare service.
		4 Childminders ceased to operate 2 in Rhosgoch x 12 spaces 1 in Benllech x 10 spaces 1 in Llangefni x 6 spaces	Three childminders have retired from their childcare careers. One Childminder was not operating on a regular basis but was a back up child carer for his partner who is a full time childminder. His registration was not required. A total of 28 registered childcare spaces lost in 2018. In practical

DRAFT

			terms 18 fewer childminder spaces available.
Full Day Care		Anglesey Childcare – Ysgol Cybi	Full day care provision at Ysgol Cybi has closed. The Cylch Meithrin provision has re-opened under new management.

4.0 Demand for Childcare

The implementation of the Welsh Government's 30 hour Childcare Offer began in some areas of Anglesey in September 2017. The whole of Anglesey was included by April 2018. To date 350 children and their families have benefited from the offer in Anglesey. The Programme has benefited the local childcare economy and on average childcare settings receive **£107,147.25 (June 2018)** as a sector every month via the Programme. Consequently we have anecdotal evidence from parents that this has enabled them to increase their working hours and/or benefits them financially to be able to afford the essential materials. The Welsh Government are undertaking an evaluation of the programme and consulting with parents to assess the benefits of the Programme for parents and childcare providers.
152 receive their childcare in Welsh language settings, 118 in English language settings and 113 in bilingual provisions, (some children may attend 2 settings).

Many day nurseries and wrap around provisions have reported an increase in demand since the 30 hour offer was introduced in September 2017. Few childminders have reported an increase in demand.

School sites will also be pivotal to increasing demand to meet supply, particularly in rural areas such as the catchment area of Santes Dwynwen, with providers currently expanding to meet demand. The Education Strategy by Anglesey County Council identifies drivers for change as part of the school modernisation programme as :

- Widen communal use of school buildings
- Childcare and Communal facilities for parents and older inhabitants
- Bilingual and Welsh medium provision

- Nursery provision
- Ensure that school buildings are fit for purpose.

The use of school buildings by the community

Research suggests that schools with additional provisions such as breakfast clubs, after-school clubs, childcare provision, summer and weekend activities achieve higher standards and ensure parent and community engagement. Additionally, schools are expected to be a resource for the local community in order to promote community activities that include parents, members of the community and local groups. This kind of activity is important in relation to developing the link between schools and the local community. The strategy identifies that Anglesey Council will continue to consult, engage and work with partners, particularly in relation to developing places in schools side by side with the sufficiency of childcare provision through the medium of Welsh with the Mudiad Meithrin, Welsh Pre-Schools Playschool Association and partners in the private childcare sector for those children between 0 and 3 years old.

The strategy further identifies that Childcare and Community facilities for parents and older inhabitants are important to community cohesion. It stipulates that the Anglesey Family Support Unit is responsible for ensuring adequate childcare places on Anglesey, and it participates in the national pilot offering 30 hours of free childcare. The Unit works closely with the school modernisation programme and contributes to the work of developing associated business cases, particularly in calculating future pupil forecasts.

The Authority's strategy also acknowledges that there is an opportunity to promote the vision of wraparound childcare on one site for all pupils younger than 11 years old, including siblings that are infants on some sites. It is foreseen that ensuring nursery provision for 0-3 year olds on the site of new schools or those that are being adapted, (to be managed with a partner from the local childcare sector) in order to provide care between 7.30am and 6.00pm for families, along with nursery education, ' wraparound' care and after school/holiday care clubs, is a key aspect.

The new language policy refers to the objective of increasing the portion of pupils that achieve Welsh language targets as a First Language in the foundation phase up to the end of their period in secondary school. It is also intended to use the above childcare models to increase the capacity of Welsh-medium childcare on Anglesey. The childcare partnership model has the potential to be a key contributor towards the Welsh Government's ambition to achieve a million Welsh speakers by 2050.

DRAFT

5.0 Action Plan & Progress

Target	Why	Action	Progress
Adequate After School provision in the secondary school sector.	There is currently no formal out of school childcare available to pupils of secondary school age. A range of after school activities are offered on and off school premises after school hours	Review available childcare and monitor demand through Teulu Môn. Mapping of available activities for 11 – 16 year old after school	No evidence of demand for formal after school childcare for the secondary school sector. Teulu Môn which is Ynys Môn's Information, Advice and Assistance hub are continuing with the work of transferring data to the Dewis database and website. Once this work is completed it will be easier to collate information about the various schemes and activities which fall outside CIW registered childcare provision.
Registration of Out of School Clubs	A number of out of school clubs currently operate under 2 hours without CIW registration. Registration would ensure families who are entitled to tax free childcare/ The Childcare Offer for Wales/Universal Credit are able to access the funding support.	Business Support Officer employed to support Out of School Clubs with business planning, Encourage all Out of School Clubs to become CIW registered which would allow access to additional funding.	Business Support Officer in post until October 2018. Post Currently under review. There has been very little development in the after school sector over the past 5 years. Clubs have either been closing or cancelling registration with CIW and operating under 2 hours per day. Work is in progress to develop a strategy that enables governing bodies and head teachers to develop childcare on school sites in line with demand/supply in that area and the Education Department Strategy.

DRAFT

Welsh Language provision is improved and supported across the childcare sector.	To support the Welsh Government target of 1million Welsh speakers by 2050.	Promote the use of Welsh in non Welsh settings. Recruit Welsh speaking childminders. Support non Welsh settings to use the welsh language regularly and build confidence among staff members.	Mudiad Meithrin run the Cymraeg i Blant project which works with parents and young babies. CWLWM partners have been using Gwiriwr to assess their staff's knowledge of the Welsh language. Training and support packages are being trialled ready for full roll out in April 2019. Support Officers encouraging all childcare staff members to log in and use the Gwiriwr tool. Mudiad Meithrin have received Government funding to open two new Cylchoedd Meithrin in designated areas for the next 2 financial years. Cylch Meithrin Tywyn opened September 2018 and is awaiting CIW registration. Childminders receive an additional start up grant to help towards buying Welsh language resources. Of the 4 Childminders recruited in 2018 3 are first language Welsh and one is first language English but is able to speak Welsh. We will work with the Education Strategy to ensure there is Welsh medium provision across the sector.

DRAFT

Increase the number of available childcare places in rural areas.	The number of registered childminders decreasing. This is not unique to Ynys Môn but happening across the country. Currently little or no childcare provision in specific rural areas, particularly the south west of the Island along the B4080 Brynsiencyn to Rhosneigr area.	Promote childminding as a career. Work in partnership with external agencies such as Job Centre Plus, Communities 4 Work and PaCE to recruit potential childminders. Secure wrap around provision in schools for 3 and 4 year old. Taking into consideration future demand and sustainability.	Childcare as a career promoted at events throughout the year: • Gwyl Dewin a Doti • Job Centre Plus Jobs Fairs x 2 • Anglesey County Show Also promoted through: • Posters sent to all Town and Community Councils to display on their notice boards/websites • Weekly sharing of flyer on Local Authority twitter and facebook accounts. • Mudiad Meithrin Support Officers shared flyers in their Ti a Fi groups. 1 prospective childminder in the Ty Croes are currently working towards registration with CIW. Strategic planning around the new school Ysgol Santes Dwynwen which opens in spring 2019 to consider the childcare provision in this area. To further develop childcare across school sites Anglesey County Council have made a bid in excess of 3 million for capital resources to develop provision where there is none/lack of provision/ further development. Decision expected by Welsh Government early January 2019.

DRAFT

Ensure adequate holiday provision for working families.	Traditional holiday clubs have had difficulties with sustainability. Parents aren't always aware of the provision available. Ad hoc provision affects overall sustainability of regular childcare provision. Lack of open access and supervised play schemes on the Island.	Map available holiday provision in terms of registered childcare and play and sporting activities. Monitor use of and demand for the different types of provision during school holidays. Trial supervised play schemes during school holidays.	Teulu Môn continue to work towards uploading data onto the Dewis Cymru database and website. Survey undertaken in the Santes Dwynwen school catchment area in 2018 Further surveys to be conducted during Easter and Summer Holidays 2019. As part of the 30 hours free childcare programme and capital investment in this area, holiday provision will be planned across the island in strategic locations.
Increase availability of atypical hours childcare/flexible childcare	Current provision does not lend itself easily to offering flexible childcare arrangements. Some day nurseries and childminders are able to offer limited flexibility to parents who may require childcare on different days or times each week.	Encourage settings to offer flexibility where possible without affecting sustainability. A full costing exercise should be conducted prior to offering such service.	There is no direct evidence of a need for childcare settings to be available before 7am and after 6pm. All prospective and new childminders encouraged to offer flexibility in terms of hours of childcare offered and pricing structure where possible for those parents who work atypical hours or irregular shift patterns. Childminders will work with individual families to best meet their childcare needs.

DRAFT

	Evening and weekend childcare provision is not generally available. 1 childminder currently offers weekends and late evenings. Other childminders would be willing to extend hours on a need basis for their customers but would not extend their general opening hours.	Promote the Welsh Government Voluntary Approval Scheme for nannies.	Coleg Llandrillo Menai are members of the Childcare Operational Group and have shared information with their students regarding childcare career options. Pacey Cymru have also visited 2nd year CCLD students to promote childcare careers.
Ensure sufficient number of fully qualified staff in the sector.	Sustainability of settings relies on having staff who are qualified for the roles. Staff turnover presents a risk to small settings where reliance is on one key person with a level 3 qualification.	Conduct Training needs Analysis top measure current qualification levels and ascertain future training needs. Implement a subsidised CPD Training Programme for the Childcare Workforce.	A Training Needs Survey was conducted recently. Surveys were sent out to 94 providers. We received 40 returns (42.5%). Respondents reported the following qualification levels: Childcare, Learning & Development (CCLD) Level 2 - 18% Level 3 – 37.5% Level 5 – 17.5 There are an estimated 370 staff employed in the childcare sector. In order to ensure training is available to all staff on a 3 year rolling programme an average of 124 spaces for Paediatric First Aid, which is a compulsory course, therefore the highest attended course is required

DRAFT

DRAFT

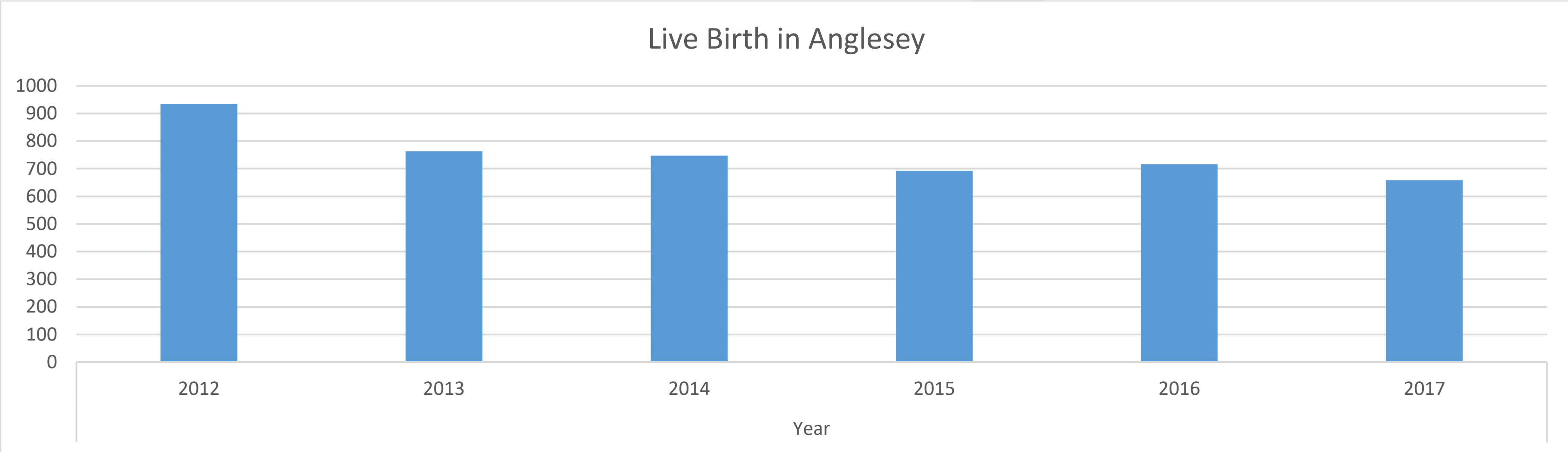
			annually. Survey responses indicated that 30% of reported staff would require this course in 2019 Safeguarding and Food Safety courses are not compulsory for CIW registration but staff are encouraged to attend to ensure they can evidence knowledge of legislation and current best practice is up to date. Consider raising a fee of £20 per person per course to ensure a comprehensive programme of training is available. 52% Respondents to Needs Analysis agreed to raising the fees. No objections were made to raising the fees. Consider charging a non attendance fee of £100 for non attendance without cancellation. 27.5% of respondents agreed with charging a non attendance fee. Annual Subsidised Training Programme Implemented in 2018: Course fees £10.00 per person per course 9 x Paediatric First Aid – 96 attended 6 Safeguarding – 89 attended 4 Food Safety – 47 attended 1 x Manual Handling – 10 attended

			1 x Health & Safety (including Risk Assessment) - 8 attended 1 x L2 Community Food & Nutrition - 9 attended 1 x Pre School Nutrition – 9 attended 1 L3 transition to playwork Transition to – 12 attended

DRAFT

Appendix 1

Birth data



Page 285

This page is intentionally left blank