Public Document Pack

CYNGOR SIR YNYS MÔN
ISLE OF ANGLESEY COUNTY COUNCIL

GŴYS A RHAGLEN	SUMMONS AND AGENDA
ar gyfer	for a
CYFARFOD RHITHWIR O GYNGOR SIR YNYS MÔN	VIRTUAL MEETING OF THE ISLE OF ANGLESEY COUNTY COUNCIL
ar	on
DYDD MAWRTH 9 MAWRTH 2021	TUESDAY 9 MARCH 2021
→ am 2.00 o'r gloch ←	→ at 2.00 pm ←

At present this Committee is not being webcast live. A recording of the meeting will be made available on the Council's website as soon as possible.

A G E N D A

1. **MINUTES**

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

- 8 December 2020
- 2 February 2021 (Extraordinary)

2. **DECLARATION OF INTEREST**

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

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

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

To submit the following question on notice by Councillor Robert Ll Jones to the Council Leader:-

"We are now seeing a big decline in the freight traffic coming and going to Dublin through the Port of Holyhead.

There are various reasons being given for this and we as a County Council have to be concerned and be seen to be doing all we can to support the two ferry operators and their workforce.

Will you please inform the local Seamen and Women and the residents of Caergybi and Ynys Môn as to exactly what we as a Council have done to engage with our Assembly Member and our Member of Parliament to ensure they are doing all they can to help our Port increase the traffic flow through Holyhead.

This is a very serious situation and make no mistake the other Port Operators in the U.K. and France are doing all they can to take our traffic through their Port and their Local Authorities will be doing all they can to encourage them".

5. **PRESENTATION OF PETITIONS**

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

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

To receive the following Notice of Motion by Councillor Robert Llewelyn Jones:-

"Our Council is honour bound by the Dublin Declaration on Age Friendly Cities and Communities in Europe 2013 to promote general public awareness of older people

in the community and to ensure their concerns are acted upon and given an opportunity to be listened to. Ynys Mon has one of the largest elderly communities In Wales and their contributions to the economy of Ynys Mon is very important.

We have an Older People's Forum on Ynys Mon and they have never been given a presentation by the Economic or Planning Department on large developments such as Wylfa, Penrhos Woods, the large Marina development in Holyhead or the Ty Mawr development in Llanfair PG.

I am asking for this to be made mandatory and for a presentation to be made on each and every large development that ensures their voice can be heard when open spaces and possible environmental destruction is to take place.

Open spaces and walks in our towns and countryside are so important to all of us but especially so to the elderly and the disabled residents".

7. TREASURY MANAGEMENT MID-YEAR REVIEW 2020/21

To submit a report by the Director of Function (Resources)/Section 151 Officer, as presented to the Executive on 14 December 2020.

8. TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22

To submit a report by the Director of Function (Resources)/Section 151 Officer, as presented to the Executive on 1 March 2021.

9. CAPITAL STRATEGY AND CAPITAL PROGRAMME 2021/22 TO 2023/24

To submit a report by the Director of Function (Resources)/Section 151 Officer, as presented to the Executive on 1 March 2021.

10. BUDGET 2021/22

(a) Medium Term Financial Strategy and Budget 2021/22

To submit a report by the Director of Function (Resources)/Section 151 Officer, as presented to the Executive on 1 March 2021.

(b) Capital Budget 2021/22

To submit a report by the Director of Function (Resources)/Section 151 Officer, as presented to the Executive on 1 March 2021.

(c) Council Tax Setting

To submit a report by the Director of Function (Resources)/Section 151 Officer, as presented to the Executive on 1 March 2021.

(d) Amendments to the Budget

To submit the following amendments to the Budget, of which notice has been received under Paragraph 4.3.2.2.11 of the Constitution.

Councillor Bryan Owen, on behalf of the Anglesey Independents Party, to propose that the Council Tax rate increase is set at 2% with the following amendments to the Budget:-

- *£150,000 to come out of the Eco Park (Parc Adfer) currently with approximately £911,000 in the account.*

- *£75,000 from the Wylfa funding that stands at approximately £675,000 between 3 accounts.*

- *£75,000 from the contingency fund that has approximately £365,000 in the account.*

This with the Council Tax Reduction Scheme would provide the £308,000 needed so that the 2021/22 Council Tax increase could be set at 2%.

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

11. REPLACEMENT OF LAY MEMBER ON THE AUDIT AND GOVERNANCE COMMITTEE

To submit a report by the Head of Audit and Risk, as presented to the Audit and Governance Committee on 9 February 2021.

12. LOCAL GOVERNMENT AND ELECTIONS (WALES) ACT 2021

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

13. PAY POLICY STATEMENT 2021

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

14. POLITICAL BALANCE ARRANGEMENTS WITHIN THE COUNCIL

To submit a report by the Head of Democratic Services.

ISLE OF ANGLESEY COUNTY COUNCIL

Minutes of the Virtual meeting held on 8 December 2020

PRESENT: Councillor Margaret Murley Roberts (Chair)
Councillor Glyn Haynes (Vice-Chair)

Councillors R Dew, John Griffith, Richard Griffiths, K P Hughes, T Ll Hughes MBE, Vaughan Hughes, Llinos Medi Huws, A M Jones, Carwyn Jones, Eric Wyn Jones, Richard Owain Jones, G O Jones, R Ll Jones, R Meirion Jones, Alun W Mummery, Bryan Owen, R G Parry OBE FRAgS, Dylan Rees, Alun Roberts, Dafydd Roberts, J A Roberts, Nicola Roberts, P S Rogers, Dafydd Rhys Thomas and Robin Williams

IN ATTENDANCE: Chief Executive,
Deputy Chief Executive,
Director of Function (Council Business)/Monitoring Officer,
Director of Function (Resources)/Section 151 Officer,
Director of Education, Skills and Young People,
Interim Director of Social Services,
Head of Highways, Waste and Property,
Head of Profession (Human Resources) and Transformation,
Head of Housing Services,
Head of Democratic Services,
Interim Head of Regulation and Economic Development,
Solicitor (Corporate Governance and Contracts) (MY),
Scrutiny Manager (AD),
Committee Officer (MEH).

ALSO PRESENT: None

APOLOGIES: Councillor Ieuan Williams

1. MINUTES

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

- 8 September 2020 (Ordinary Meeting)
- 8 September 2020 (Annual Meeting)
- 27 October 2020 (Extraordinary)

2. DECLARATION OF INTEREST

None received.

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

The Chair made the following announcements:-

- The Chair wished to thank the staff for the tireless work due the difficult year which has seen many challenges and it is sincerely hoped that things will improve in the coming months.
- Congratulations to the Anglesey Young Farmers who have recently received an award for their Welsh youth work in the Youth Work Excellence Awards as a result of arranging Eisteddfod Môn 2019.

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

4. NOTICE OF MOTION

Submitted – the following Notice of Motion by Councillor Bryan Owen and endorsed by Councillor Aled Morris Jones :-

'We, the Anglesey Independent Group, request that Anglesey takes all measures to ensure the economic well-being of Ynys Môn in the post Brexit economic climate after the 1st of January, 2021.'

Councillor Bryan Owen said that as many other local authorities Anglesey has benefited from EU funding over the years. He questioned as to the measures the Authority is undertaking to secure the prosperity funding that both Welsh Government and UK Government are predicting following Brexit. Councillor Owen said that Anglesey needs to secure financial support as has been previously been received before the post Brexit period.

Councillor Aled M Jones seconded the Motion and gave an overview of projects that has been supported on the Island. He further expressed that :-

- A review of the Joint Local Development Plan needs to be undertaken as a matter of urgency as the Plan is not sustainable to develop the local communities of Anglesey;
- The outcome of the Wylfa Newydd DCO is anticipated by the end of this year;
- Free Port status is paramount to the future of Holyhead;
- The links between this Authority and Pembrokeshire and Dun Laoghaire needs to be strengthen.

The Leader said that she would address the Motion that has been presented before the Council. She said that it must be recognised that the Authority has shown resilience in facing the Covid-19 pandemic which also coincides with Brexit. The

Authority has collaborated with WLGA and their consultants Grant Thornton UK LLP to inform and influence a review of potentially economic impacts that would influence well-being on Anglesey. The paper published is Wales based and assesses two scenarios related to the UK's withdrawal leaving a broad agreement with leaving without a Deal under WTO rules. The paper will assist to inform local authorities financial planning processes to hopefully minimise any negative future economic well-being impacts. The Transition Exposure Boards being prepared by the consultants Grant Thornton UK LLP define key areas of concerns for local authorities' areas. The Authority's Brexit risk register has informed key service provision risks and mitigation where necessary to protect the Island's well-being and is updated and reviewed weekly. The County Council's EU Co-Ordinator continues to work with all services to review new guidance and information and to ensure that necessary steps are undertaken. Particular focus has been placed on Social Services and Education to assess impacts on heating fuel, food; IT in respect of data; Regulation and Economic Development in respect of Public Protection and local businesses. The Leader further said that considerable focus is made around the multi-agency collaboration to manage the impact on traffic at the Port of Holyhead due to potential delays caused by HGV's. The Council continues to monitor the effects on agriculture and contribute to Welsh Government consultations as regards to this matter. The Authority also contribute to the Regional Investment Framework which is developed by Welsh Government to seek clarification of the proposed shared prosperity fund and would support the economy and businesses on the Island. She further referred to the North Wales Growth Bid which will bring needed business and employment opportunities to the Island.

Councillor R Ll Jones expressed deep concerns as regards to the future of Port of Holyhead with a possibility of a No Deal Brexit withdrawal. He said that an Office be established in Holyhead to give guidance to local residents and to put pressure on ferry operators.

The Leader of the Council proposed an amendment to the Motion as follows:-

'That the County Council seeks assurances from both Governments that the economy of the Island is safeguarded following Brexit and Covid-19 pandemic. '

Councillor Carwyn Jones seconded the amendment to the Motion.

The Chair took a vote to include the amendment to the Motion and following the vote the amendment was approved.

The amendment to the motion was carried.

5. PRESENTATION OF PETITIONS

No petitions received.

6. ADOPTION OF ANNUAL DELIVERY DOCUMENT 2020-22

The report of the Head of Profession (HR) and Transformation incorporating the Annual Delivery Document for the 18 month period from October, 2020 to March, 2022 was presented for Council's acceptance. The Annual Delivery Document focuses on the work which the Authority will undertake to accomplish aspirations set in the County Council Plan 2017-22.

The Portfolio Member for Council Business introduced the report highlighting that the Delivery Document covers a period of 18 month rather than the customary 12 months. Although drafting the document in a time of change and uncertainty has been challenging due to the pandemic and Brexit in the New Year the aim has been to develop a programme of work that is realistic and achievable. Giving his personal perspective, the Portfolio Member cited promoting the economy of the Island through the North Wales Economic Ambition Board, increasing housing supply, modernising schools and developing a climate change action plan as key areas. The Delivery Document also includes four themed recovery programmes which will provide a steer out of the pandemic for economic recovery, destination recovery, social and community recovery and organisational recovery; the detailed programmes will be made available in the New Year.

Councillor Aled M Jones expressed that if circumstances allow in future months, whilst accepting that difficult months are ahead due to the pandemic, that meetings of the Council are convened in May, 2021 in the Council Chamber in the Council Offices and that a service of thanks be arranged at the appropriate time for those who has safeguarded and supported their communities during the pandemic. The Leader of the Council responded that the Emergency Resilience Team meeting is held each week and these matters have been discussed; when appropriate meetings will be convened in the Council Offices and also the service of thanks will also need to be considered.

The Portfolio Member for Major Projects and Economic Development highlighted numerous achievements within his portfolio to the Council.

It was RESOLVED to adopt the Annual Delivery Document for 2020/2022.

(Councillors A M Jones, R Ll Jones, Bryan Owen and P S Rogers abstained from voting).

7. FINAL GROWTH DEAL

The report of the Chief Executive as presented to the Executive on 30th November, 2020 was presented for the Council's acceptance.

The Leader of the Council said that a significant milestone has been reached in the North Wales Growth Deal Bid which has resulted in the culmination of a long process to which the Isle of Anglesey County Council has contributed fully along the way. She that thanks are due to Officers who have served on the range of boards developing the Growth Bid which has brought it to the point of this historic occasion; it is hoped that this programme of much needed economic investment in the North Wales region will quickly produce results and employment opportunities at a time when the Covid-19 pandemic has severely impacted the economy.

Councillor Carwyn Jones gave his perspective as Portfolio Member for Major Projects and Economic Development and welcomed the regional collaboration which underpinned the Growth Deal Bid and had made it possible, and he acknowledged also the work of Officers in progressing the Deal through various stages. The Deal Agreement offers opportunities on a scale that would not be available to the authorities working on their own and offers the prospect of economic regeneration for the Isle of Anglesey as well as the region at a critical time.

It was RESOLVED to:-

- Approve the Overarching Business Plan as the document that sets out the arrangements to deliver the North Wales Growth Deal as the basis for entering into the Final Deal Agreement and acceptance of the Grant Funding Letter with the UK and Welsh Governments;
- Approve the provisions of GA2 relating to non-executive functions, specifically adopting the arrangements for Scrutiny set out in Schedule 3 thereof, as the basis for completing the final deal agreement and acceptance of the Grant Funding Letter with the UK and Welsh Governments;
- Authorise the accountable body, Gwynedd Council, to sign the Grant Funding Offer letter on behalf of the Partners;
- Approve the method used to calculate the cost of borrowing notionally required to facilitate the negative cash flow for the Growth Deal, and to include a provision within the Council's budget to pay this contribution and the established core and supplementary contributions as set out in GA2 (paragraphs 2.5 - 2.7 within the report).
- Delegate authority to the Chief Executive in consultation with the Leader, Monitoring Officer and Section 151 Officer to agree minor changes to the documents with the Partners as necessary to complete the agreement.

8. AMENDING THE CONSTITUTIONAL TIMETABLE IN RELATION TO THE SETTING OF THE COUNCIL'S BUDGET

The report of the Director of Function (Council Business)/Monitoring Officer as presented to the Executive on 30th November, 2020 was presented for the Council's acceptance.

It was RESOLVED that:-

- **the Council's Constitution is amended as noted in the table in paragraph 9 of the report, and**
- **the Monitoring Officer be given delegated authority to make any consequential amendments to the Constitution to reflect the amendments approved in 10.1 of the report.**

9. REVIEW OF THE ELECTORAL ARRANGEMENTS FOR THE ISLE OF ANGLESEY COUNTY COUNCIL BY THE LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

The report of the Head of Democratic Services as presented to the Democratic Services Committee on 23 November, 2020 was presented for the Council's acceptance.

It was RESOLVED to accept the recommendations of the Electoral Arrangements for the Isle of Anglesey County Council by the Local Democracy and Boundary Commission for Wales.

(Councillors A M Jones, Bryan Owen and Peter Rogers abstained from voting).

The meeting concluded at 3.30 pm

COUNCILLOR MARGARET M ROBERTS
CHAIR

ISLE OF ANGLESEY COUNTY COUNCIL

Minutes of the virtual meeting of the Extraordinary meeting held on 2 February 2021

PRESENT:	Councillor Margaret Murley Roberts (Chair) Councillor Glyn Haynes (Vice-Chair) Councillors R Dew, John Griffith, K P Hughes, T Ll Hughes MBE, Vaughan Hughes, Llinos Medi Huws, A M Jones, Carwyn Jones, Richard Owain Jones, G O Jones, R Ll Jones, R Meirion Jones, Alun W Mummery, Bryan Owen, Bob Parry OBE FRAgS, Alun Roberts, Dafydd Roberts, J A Roberts, Nicola Roberts, P S Rogers and Dafydd Rhys Thomas.
IN ATTENDANCE:	Chief Executive, Deputy Chief Executive, Director of Function (Council Business)/Monitoring Officer, Director of Education, Skills and Young People, Head of Profession (Human Resources) and Transformation, Head of Highways, Waste and Property, Head of Housing Services, Head of Democratic Services, Committee Officer (MEH),
ALSO PRESENT:	None
APOLOGIES:	Councillor Richard Griffiths, Dylan Rees, Ieuan Williams and Robin Williams. Interim Director of Social Services.

1. DECLARATION OF INTEREST

None received.

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

The Chair made the following announcements:-

- The current restrictions as regards to the pandemic have now been in place since before Christmas and it continues to be a challenging period for everyone as well as the sevices of the Council. It is important that everyone follows the rules during a period where important work is currently undertaken with the rollout of the vaccine across the country. The Chair thanked the staff for their committment of the difficult period and she also thanked the support of other services who support the public sector, voluntary sector and the private sector. She expressed her thoughts during this difficult period as to those who have lost close family and friends.

- Best wishes was extended to Councillor Lewis Davies following his decision to retire as being an Elected Member of the Council. Councillor Davies served as a Member for the Seiriol Ward for many years and the Chair thank him for his services.

- Congratulations was extended to the Chief Executive, Mrs Annwen Morgan on becoming a grandmother once again.

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Condolences were extended to the families of Mr Robert Hughes from the Waste Section and Ms Maureen Williams of Ysgol Corn Hir who passed away recently.

Condolences were extended to Mr Fôn Roberts, Interim Director of Social Services who lost his mother recently.

Condolences were also extended to any Member or staff who had suffeered a bereavement.

Members and Officers paid silent tribute as a mark of respect and sympathy.

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The Chief Executive in her role as Returning Officer announced that the by-elections for the vacant seats on the Holyhead Ward and Seiriol Ward on the Isle of Anglesey Council will be convened on the 6th May, 2021 in conjunction with the Assembly Elections and Police and Crime Commissioner Elections.

3. CHANGES TO THE CONSTITUTION - RESTRUCTURE OF THE SENIOR LEADERSHIP TEAM

The report of the Chief Executive with regard to restructuring the Senior Leadership Team was presented for the Council's acceptance.

The Portfolio Member for Corporate Business introduced the report as dealing with a proposed restructure of the Senior Leadership Team and the consequential constitutional changes.

The Chief Executive referred to the changes to the Council's Constitution approved by Council in March 2020 to reflect the internal restructuring of the senior management team by the former Chief Executive in 2019. Following the departure of the Chief Executive, the Deputy Chief Executive was appointed Chief Executive and the Director of Place and Community Well-being was appointed Deputy Chief Executive. Since November, 2019 the role of Director of Place and Community Well-being has been vacant despite the post being subject to two external advertising campaigns. Following the first unsuccessful advertising campaign the duties of the Director post has been carried out by internal applicants appointed as Interim Head Of Service – Regulation and Economic Development and an officer appointed as a lead on place shaping.

The Chief Executive further said that the pandemic emergency has shown that the Council must have suitably qualified officers within specific areas for the future; the coronavirus response has also clearly demonstrated the importance of appropriate competencies for this level of posts. In addition, the pandemic period has also proved the essential importance of working with partners and communities to build community resilience to deal with different challenges for which work officers need sufficient and reasonable time. Sufficient balanced capacity is needed across all services to ensure the Council's future resilience within the higher tier of management and leadership. Although interim arrangements have worked well they are not effective in the long term. There is a requirement to make a decision in relation to the role of Director and the resultant interim posts created as a result of the failure to recruit to that role.

A report was presented to the Appointments Committee 18th December, 2020 seeking its recommendation for the best way forwards in terms of filling the void in the Council's senior management team. In that report the Chief Executive expressed her professional view that the best option would be to delete the Director's post and appoint one Head of Service for Regulation and Economic Development thereby eliminating the workload associated with the senior Team; the Deputy Chief Executive would in practice lead on this aspect of the post in the Senior Team. As such consideration would therefore need to be given to supporting some of the Deputy's duties and under his supervision linking them to the Place Shaping aspect from the Director's role. The simplest option would be to create an additional post on Grade 9 to provide capacity and resilience for the structure and support the Deputy Chief Executive and the newly created Head of Regulation and Economic Development The Appointments Committee endorsed this approach and its formal resolutions to that effect are noted in the report. Sections 5 and 6 of the report set out the implications from a constitutional perspective and the changes to be made to reflect the proposed amended SLT/Heads of Service structure.

Councillor A M Jones ascertained whether the proposed additional post of Grade 9 was one level below a Head of Service post. The Head of Profession (Human Resources) and Transformation responded that the conditions of employment for Heads of Service are different compared with other Officers of the Council. Salary grades of other Offers of the Council are graded from Grades 1 to 10. Councillor Jones considered that the Grade 9 post is similar to the creation of the previous post of Head of Policy. The Chief Executive said that the experience of dealing with the pandemic has shown the requirements for resilience and capacity within services and climate change will need to be high on the agenda within the Council. Place Shaping will also need to be addressed and will be part of the duties of the Grade 9 post.

Councillor Jones further said that part of the report to the Appointment Committee has not been presented to the Council which reads as follows:-

' That experience of the Appointment Committee will be able to attest that there are few applicants for any senior posts at this level whatever the service area, due to a combination of factors such as the location of the Council, the size of the Council, the linguistic requirements of the post etc.'

Councillor Jones said that he had expressed in the Appointment Committee that the above statement within the report does not address the situation faced in the recruitment of senior posts and he noted that he would be voting against the recommendations before the Council.

The Leader said that the part of the report to the Appointment Committee held on 18 December, 2020 was within a confidential report and it is why it has not been included in the report to the Council. Councillor A M Jones responded that he had ascertain legal advice by the Monitoring Officer to rise the matter as he considered that it was taken out mistakenly from the report to the Council. The Monitoring Officer said that she did not consider that the statement was confidential.

Councillor R Ll Jones questioned whether the job description for the post of Head of Regulation and Economic Development will be afforded to the Elected Members. The Head of Profession (Human Resources) and Transformation responded that all job descriptions for advertised post are within the website of the Council to be viewed by members of the public.

It was RESOLVED to:-

- **Note the recommendations of the Appointments Committee and confirms that :-**

  - **The post of Director of Place and Community Wellbeing (also known as the Director of Place and Regulation for the purpose of the recent recruitment attempts) be removed from the Council's Constitution;**
  - **A permanent role of Head of Regulation and Economic Development be created and for this role to be advertised externally;**
  - **A new post of Corporate Strategy Officer be established and advertised externally.**

- **Confirms its approval to the insertion of Enclosure 2 which reflects the above amendments to the Council's structure, in the Council's Constitution;**

- **Confirms its approval for the Chief Executive (following consultation), in accordance with the existing authority included in 3.5.2.11 of the Constitution, and as a result of the above structural alteration, to distribute the relevant areas of responsibility among the Senior Leadership Team and the Heads of Service, as required.**

- **Confirms its approval for the Monitoring Officer, in accordance with the existing authority included in 3.5.3.6.6 of the Constitution, to amend the Constitution (including the scheme of delegation to Officers) to reflect the decisions made by Council in relation to the above structural alteration and the distribution of responsibilities among the Senior Leadership Team and the Heads of Service made by the Chief Executive under the sixth bullet point above;**

- **Confirms its approval for such other consequential amendments to be made to the Constitution by the Monitoring Officer to reflect the above recommendations.**

Councillor A M Jones abstained from voting.

The meeting concluded at 2.35 pm

COUNCILLOR MARGARET M ROBERTS
CHAIR

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	**COUNTY COUNCIL**
Date:	**09 MARCH 2021**
Subject:	**TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2020/21**
Portfolio Holder(s):	**COUNCILLOR R WILLIAMS**
Head of Service / Director:	**R MARC JONES**
Report Author: Tel: E-mail:	**JEMMA ROBINSON** **01248 752675** **JemmaRobinson@ynysmon.gov.uk**
Local Members:	**n/a**

1. Background

1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued revised Prudential and Treasury Management Codes. As from 2020/21, all local authorities will be required to prepare a Capital Strategy which is intended to provide the following: -

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

A report setting out our Capital Strategy was taken to the Executive Committee on 1 March 2021, and will be taken to the full Council on 9 March 2021.

1.2 Treasury Management

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

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

Accordingly, treasury management is defined as:-

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

2. Introduction

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

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

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

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

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

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

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

- An economic update for the first half of the 2020/21 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2020/21;
- A review of the Council's borrowing strategy for 2020/21;
- A review of any debt rescheduling undertaken during 2020/21;
- A review of compliance with Treasury and Prudential Limits for 2020/21.

3. Economic Update

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

	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023
Bank Rate (%)	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
5yr PWLB rate (%)	1.80%	1.80%	1.80%	1.80%	1.80%	1.90%	1.90%	1.90%	1.90%	1.90%
10yr PWLB rate (%)	2.10%	2.10%	2.10%	2.10%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%
25yr PWLB rate (%)	2.50%	2.50%	2.60%	2.60%	2.60%	2.60%	2.70%	2.70%	2.70%	2.70%
50yr PWLB rate (%)	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%

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

4. Treasury Management Strategy Statement and Annual Investment Strategy Update

4.1 The Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by the full Council on 10 March 2020. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5. Annual Investment Strategy

5.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions. As shown by the interest rate forecasts in section 3, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%. Given this risk environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31 March 2023, investment returns are expected to remain low.

5.2 While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the Covid crisis; this has caused some local authorities to have sudden large increases in investment balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

5.3 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

5.4 The Council held £42.224m of investments as at 30 September 2020 (£20.208m at 31 March 2020) and the investment portfolio yield for the first six months of the year was 0.07%. A full list of investments as at 30 September 2020 can be found in Appendix 3. A summary of the investments and rates can be found in Appendix 4.

5.5 Due to the large sums of grants received from Welsh Government to help deal with the Covid crisis and the availability of call accounts to the Council, this has resulted in the Council holding balances in call accounts over and above the limits approved within the Annual Investment Strategy included in the TMSS 2020/21. When producing the TMSS 2020/21, these unprecedented times could not be foreseen. In light of this, counterparty limits will be assessed and reviewed when producing the TMSS for 2021/22.

5.6 The Council's budgeted investment return for the whole of 2020/21 is £0.053m and performance for the year to date is in line with the budget, with £0.027m received to the end of Quarter 2. However, our projection to year end is that we will underachieve the budget by approximately £0.011m. Although our cash balances have been higher than normal, this is offset by the lower than anticipated interest rates.

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

5.8 The approved countries for investments can be seen in Appendix 5.

5.9 The table below shows a list of investments made to other Local Authorities during the first half of this financial year. Given that security of funds is the key indicator of this Council, other Local Authorities is seen as the most secure way of investing funds, and this gives a greater rate of return than most bank call accounts.

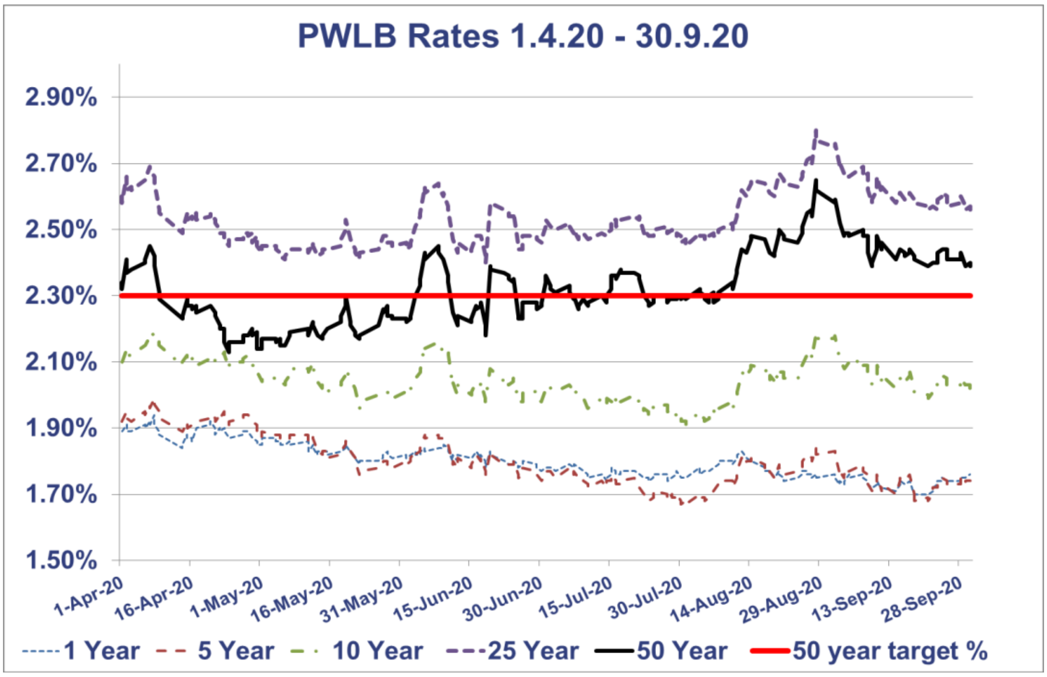
Local Authority	Start Date	End Date	Interest Rate %	Amount £
Blackpool Borough Council	30/07/2020	23/10/2020	0.15	5,000,000
Thurrock Council	11/09/2020	11/01/2021	0.15	5,000,000
Dudley Metropolitan Borough Council	25/09/2020	23/12/2020	0.15	3,500,000

6. Borrowing

6.1 The projected capital financing requirement (CFR) for 2020/21 is £140.6m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive, the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council has projected year end borrowings of £128.9m and will have used £11.7m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate, but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

6.2 No borrowing was undertaken during the first half of this financial year, and it is anticipated that borrowing will be undertaken during the second half of the financial year. There will be a borrowing requirement to fund a part of the 2020/21 capital programme and this will be through internal borrowing (drawing down cash balances) and external borrowing. External borrowing is in relation to funding the capital cost of new vehicles as per the conditions of the waste contract awarded to Biffa. This is anticipated to be £4.449m and is subject to Executive approval on 30 November 2020. In addition, the effect of coronavirus on the capital programme objectives are being assessed. Therefore, our borrowing strategy will be reviewed and then revised in order to achieve optimum value and risk exposure in the long-term.

The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date. PWLB rates varied within a relatively narrow range between April and July but the longer end of the curve rose during August. This increase came in two periods: the first in the second week of the month was on the back of hopes for fresh US stimulus. This saw investors switch monies out of government bonds and into equities. The second shift higher at the longer end of the curve came in the latter stages of the month as investors reacted to the announcement of the tweak to the Fed's inflation target. Despite moves further out in the yield curve, the short end remained anchored on the basis of no fundamental change to the interest rate outlook. The 50-year PWLB target rate for new long-term borrowing was unchanged at 2.30%.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.70%	1.67%	1.91%	2.40%	2.13%
Date	18/09/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
High	1.94%	1.99%	2.19%	2.80%	2.65%
Date	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
Average	1.80%	1.80%	2.04%	2.54%	2.33%

6.3 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has, therefore, been undertaken to date in the current financial year.

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

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

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

7.2 Prudential Indicator for Capital Expenditure

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

Capital Expenditure	**2020/21 Original Estimate £'000**	**Position as at 30 September 2020 £'000**	**2020/21 Current Estimate £'000**
Council Fund	30,434	7,791	20,967
HRA	19,032	3,680	12,788
Total	**49,466**	**11,471**	**33,755**

7.2.1 The projected expenditure shows that the majority of projects are on target to be completed within budget but the main project that is forecast to be underspent is the 21st Century Schools Programme, along with HRA forecasting a significant underspend. This is reflected in the above table. A full breakdown on the planned capital expenditure for 2020/21 is provided in the Capital Budget Monitoring Report Q2, presented to the Executive on 30 November 2020.

7.3 Changes to the Financing of the Capital Programme

7.3.1 There are some changes to the financing of the capital programme, as can be seen in the table below. The main reason for the change is as noted in paragraph 7.2.1, as there will be significant underspend in capital schemes in 2020/21 (21st Century Schools Programme and HRA). However, these schemes will slip into 2021/22, along with their funding, and it is not anticipated, at this point, that any funding will be lost due to the delays.

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

Capital Financing	2020/21 Original Estimate £'000	2020/21 Revised Estimate £'000
Capital Grants	20,769	15,070
Capital Receipts	793	782
Reserves	619	487
Revenue Contribution	16,133	10,152
Supported Borrowing	7,955	5,727
Unsupported Borrowing	1,796	136
Loan	1,401	1,401
Total	**49,466**	**33,755**

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

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

7.4.2 Prudential Indicator – the Operational Boundary for external debt

	2020/21 Operational Boundary as per TMSS 2019/20 £'000	2020/21 Opening Borrowing Position £'000	Amount Within the Boundary £'000	2020/21 Estimated Borrowing Position £'000	Amount Within the Boundary £'000
Prudential Indicator – External Debt/ The Operational Boundary					
Borrowing	189,000	139,232	49,768	128,924	60,076
Other long term liabilities	3,000	0	3,000	0	3,000
Total Debt 31 March	**192,000**	**139,232**	**52,768**	**128,924**	**63,076**

7.4.3 Prudential Indicator – Capital Financing Requirement (CFR)

7.4.3.1 We are currently slightly below the original forecast for Capital Financing Requirement due to the forecast underspend in borrowing, mainly down to the 21st Century Schools Programme.

	2020/21 Original Estimate £'000	2020/21 Revised Estimate £'000
Prudential Indicator – Capital Financing Requirement		
CFR – Council Fund	108,536	101,469
CFR – HRA	39,449	39,198
Total CFR	147,985	140,667
Net movement in CFR	**5,951**[1]	**3,763**[2]

[1] Movement between 2019/20 estimate and 2020/21 estimate in TMSS 2020/21
[2] Movement between 2019/20 actual (per Statement of Accounts 2019/20) and 2020/21 revised estimate

Original CFR Forecast	147,985
Reduced MRP between TMSS 2020/21 forecast and Capital Q2 2020/21 revised forecast	154
Underspend in Unsupported Borrowing for HRA in 2020/21	-250
Underspend on loan (difference between TMSS 2020/21 forecast and Capital Q2 revised forecast)	-3
Underspend in Unsupported Borrowing in 2019/20 and 2020/21 due to the delay in the progress of the 21st Century Schools programme	-4,105
Underspend in Supported Borrowing in 2019/20 due to additional grant received in 2019/20 as substitute funding which reduced the need for Supported Borrowing	-3,114
Revised CFR Forecast	**140,667**

7.5 Limits to Borrowing Activity

7.5.1 The first key control over the treasury activity is a prudential indicator to ensure that, over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need, which will be adhered to if this proves prudent. The current borrowing position is £135.650m, which is below the CFR forecast for this and the next two financial years (see table below), therefore, this indicator has not been breached.

	2020/21 £'000	2021/22 £'000	2022/23 £'000
CFR (year-end forecast)	**140,667**	**163,266**	**168,970**

	2020/21 Original Estimate £'000	Current Position at 30 September 2020 £'000	2020/21 Revised Estimate £'000
External Borrowing	139,232	135,650	128,924
Internal Borrowing	8,753	5,017	11,743
Plus other long term liabilities	0	0	0
CFR (year-end position)	**147,985**	**140,667**	**140,667**

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

7.5.3 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members, currently £183m. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003.

Authorised Limit for External Debt	**2020/21 Original Indicator £'000**	**Current Borrowing Position as at 30 September 2020 £'000**	**Estimated Borrowing Position as at 31 March 2021 £'000**
Borrowing	178,000	135,650	128,924
Other long term liabilities	5,000	0	0
Total	**183,000**	**135,650**	**128,924**

8. Compliance with Treasury and Prudential Limits

8.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2020, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2020/21. No difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in compliance with the Council's Treasury Management Practices, however, please refer to paragraph 5.5 for explanation regarding deviation from approved investment limits.

9. Recommendation

9.1 To note and accept the contents of the report.

MARC JONES
DIRECTOR OF FUNCTION (RESOURCES)
& SECTION 151 OFFICER **10 NOVEMBER 2020**

ATODIAD / APPENDIX 1

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

As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

- The fall in **GDP** in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
- The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.
- It forecast that there would be excess demand in the economy by Q3 2022 causing CPI **inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including QE and the use of forward guidance.

The MPC expected the £300bn of **quantitative easing** purchases announced between its March and June meetings to continue until the "turn of the year". This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.

In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the "medium-term projections were a less informative guide than usual" and the minutes had multiple references to **downside risks,** which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid September.

Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.

There will be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

One key addition to **the Bank's forward guidance** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate.

The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

US. The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked **its inflation target** from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

EU. The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.

China. After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

Japan. There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and 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. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.

World growth. Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

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

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields spiked up during the initial phases of the health crisis in March, we have seen these yields fall sharply to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. At the close of the day on 30th September, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were at only 0.76% and 50 year at 0.60%.

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates** in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. It is clear HM Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

Following the changes on 11th March 2020 in margins over gilt yields, the current situation is as follows:-

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)

- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year.

As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

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

- **UK** - second nationwide wave of virus infections requiring a national lockdown
- **UK / EU trade negotiations** – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.
- **UK - Bank of England** 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.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU recently agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** 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. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been a rise in anti-immigration sentiment in Germany and France.

- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.
- **US – the Presidential election in 2020:** this could have repercussions for the US economy and SINO-US trade relations.

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

- **UK -** stronger than currently expected recovery in UK economy.
- **Post-Brexit** – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

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

Crynodeb Benthyca a Buddsoddi – Chwarteroedd 1 a 2 2020/21
Borrowing and Investment Summary – Quarters 1 and 2 2020/21

	30 Medi / Sept 2020		30 Mehefin / June 2020	
	£'m	% (talwyd ar fenthyca a dderbyniwyd ar fuddsoddi) / % (paid on borrowing and received on investment)	£'m	% (talwyd ar fenthyca a dderbyniwyd ar fuddsoddi) / % (paid on borrowing and received on investment)
Benthyca – graddfa sefydlog Borrowing – fixed rate BBGC / PWLB Dim BBGC / Non-PWLB	 132.9 2.7	 4.24 0	 132.9 2.7	 4.24 0
Benthyca – graddfa amrywiol Borrowing – variable rate	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Adneuon – galw hyd at 30 diwrnod Deposits – Call to 30 days	28.7	0.03	44.6	0.02
Adneuon – Tymor sefydlog < 1 bl. Deposits – Fixed Term < 1 year	13.5	0.15	Dim / Nil	d/b / n/a
Adneuon – Tymor sefydlog 1 bl. + Deposits – Fixed Term 1 year +	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Cyfanswm Adneuon Total Deposits	44.2	0.07	44.6	0.02
Adneuon Uchaf yn y Chwarter Highest Deposits in the Quarter	51.6	d/b / n/a	56.9	d/b / n/a
Adneuon Isaf yn y Chwarter Lowest Deposits in the Quarter	42.2	d/b / n/a	37.2	d/b / n/a
Cyfartaledd Adneuon yn y Chwarter Average Deposits in the Quarter	48.2	0.04	48.0	0.18

ATODIAD / APPENDIX 4

Graddfeydd Credyd Gwrthbartïon buddsoddi a'r adneuon a ddelir gyda phob un ar 30 Medi 2020*
Credit ratings of investment counterparties and deposits held with each as at 30 September 2020*

Grŵp Bancio/ Banking Group	Sefydliad/ Institution	Adneuon / Deposit £'000	Hyd (Galw/ tymor sefydlog) / Duration (Call / Fixed Term**)	Cyfnod (O / I) / Period (From / To)	Graddfa Dychweliad/ Rate of Return %	Graddfa Tymor Hir Fitch Long Term Rating	Graddfa Tymor Byr Fitch Short Term Rating	Graddfa Tymor Hir Moody's Long Term Rating	Graddfa Tymor Byr Moody's Short Term Rating	Graddfa Tymor Hir Standard & Poor's Long Term Rating	Graddfa Tymor Byr Standard & Poor's Short Term Rating	Lliw Sector/Hyd Awgrymiedig/ Sector Colour / Suggested Duration
Lloyds Banking Group plc	Bank of Scotland plc	**7.207**	**Galw/ Call**	**n/a**	**0.00**	**A+**	**F1**	**Aa3**	**P-1**	**A+**	**A-1**	**Oren – 12 mis / Orange -12 months**
Santander Group plc	Santander UK plc	**7.490**	**Galw/ Call**	**n/a**	**0.12**	**A+**	**F1**	**Aa3**	**P-1**	**A**	**A-1**	**Coch – 6 mis / Red - 6 months**
The Royal Bank of Scotland Group plc	The Royal Bank of Scotland plc (Rhan / Gwladoli / Part / Nationalised)	**0.002**	**Galw/ Call**	**n/a**	**0.01**	**A+**	**F1**	**A1**	**P-1**	**A**	**A-1**	**Glas - 12 mis / Blue – 12 months**
The Royal Bank of Scotland Group plc	National Westminster Bank Deposit	**14.025**	**Galw/ Call**	**n/a**	**0.01**	**A+**	**F1**	**A1**	**P-1**	**A**	**A-1**	**Glas - 12 mis / Blue – 12 months**
Cyngor Bwrdeistref Blackpool Borough Council	Cyngor Bwrdeistref Blackpool Borough Council	**5.000**	**Sefydlog/ Fixed**	**30/07/20 - 23/10/20**	**0.15**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Cyngor Thurrock Council	Cyngor Thurrock Council	**5.000**	**Sefydlog/ Fixed**	**11/09/20 – 11/01/21**	**0.15**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Cyngor Bwrdeistref Metropolitan Dudley Metropolitan Borough Council	Cyngor Bwrdeistref Metropolitan Dudley Metropolitan Borough Council	**3.500**	**Sefydlog/ Fixed**	**25/09/20 – 23/12/20**	**0.15**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

* Ceir y Rhestr Benthyca Cymeradwyedig yn Atodiad 8 o'r Datganiad Strategaeth Rheoli Trysorlys 2020/21/Strategaeth Buddsoddi Blynyddol/The Approved Lending List can be found at Appendix 8 of the 2020/21 Treasury Management Strategy Statement / Annual Investment Strategy

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

Gwledydd cymeradwy ar gyfer buddsoddi
Approved countries for investments

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

AAA

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

AA+

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

AA

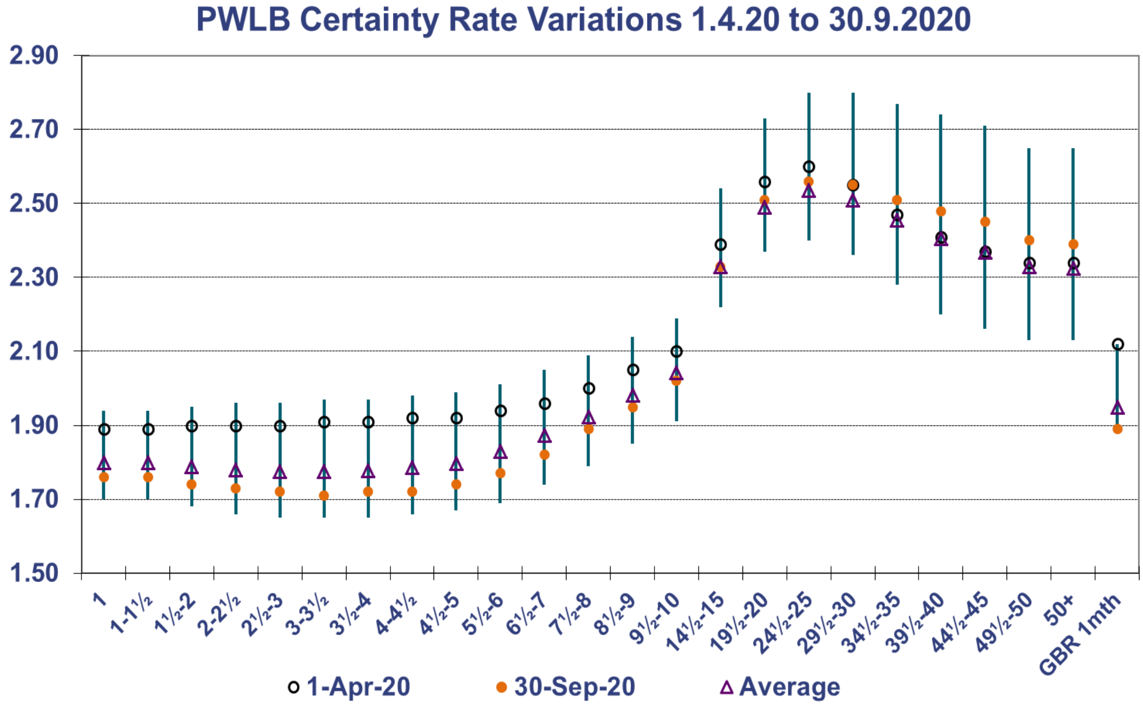
- Abu Dhabi (UAE)
- Frainc / France

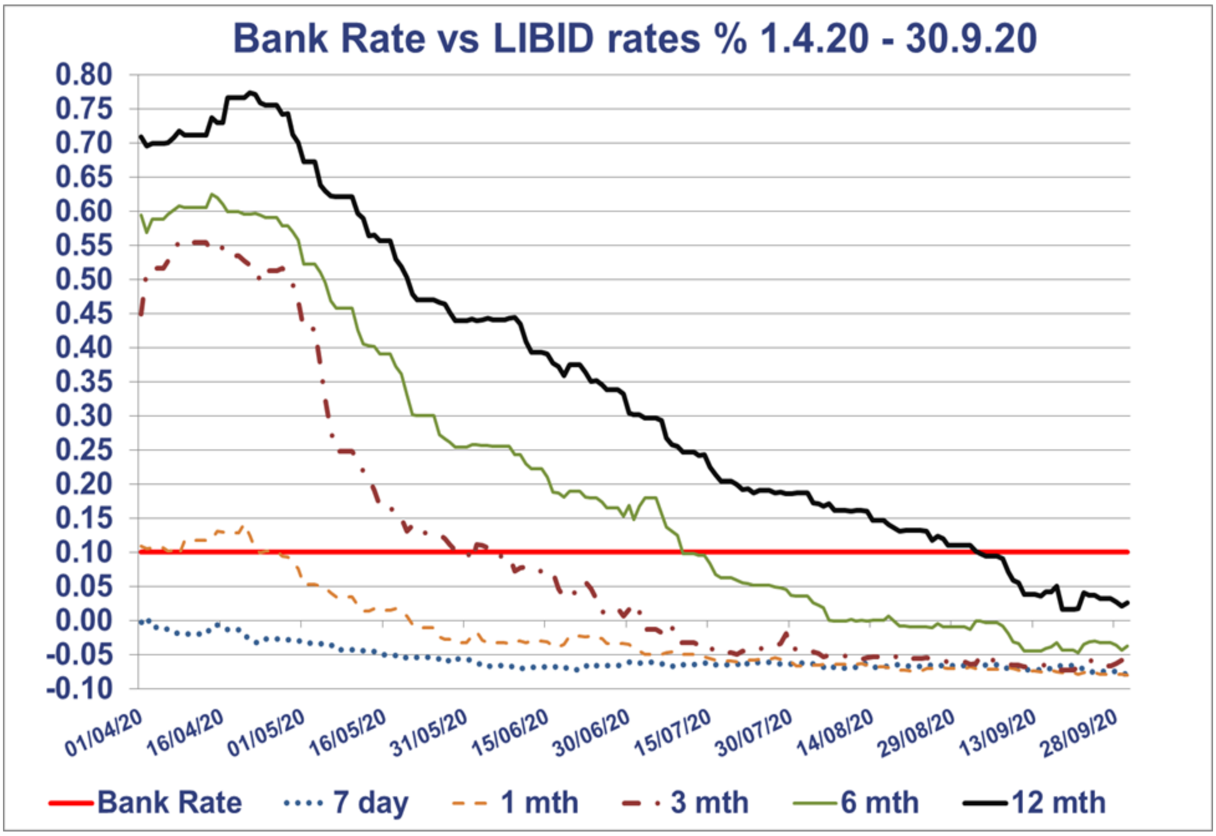
AA-

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

Graffiau Ychwanegol / Additional Graphs

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





ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**COUNTY COUNCIL**
DATE:	**09 MARCH 2021**
SUBJECT:	**TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22**
LEAD OFFICER:	**MARC JONES, DIRECTOR OF FUNCTION (RESOURCES) AND SECTION 151 OFFICER**
CONTACT OFFICER:	**JEMMA ROBINSON, SENIOR ACCOUNTANT**
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 & Governance Committee with this function.

2. The CIPFA Code of Practice on Treasury Management (Section 7) recommends that the Authority's Treasury Management Practices (TMPs) should be approved, documented and monitored. It goes on to state that the nature and extent of the involvement of an organisation's responsible body in approving and monitoring its TMPs and accompanying schedules is a matter for local decision and recognises that in some organisations this may be delegated to the responsible officer. In all cases, it should be subjected to scrutiny by the responsible body following recommendations by the responsible officer. This Authority has produced documented TMPs, and were approved by the Audit Committee on 11 February 2020.

3. In terms of updates to the Treasury Management Strategy Statement, there are no proposed amendment to the core principals and policies of the 2020/21 Statement.

4. As noted in the Treasury Management Mid-Year Report 2020/21, presented to the Council on 09 March 2021, due to the large sums of grants received from Welsh Government to help deal with the Covid crisis and the availability of call accounts to the Council, this has resulted in the Council holding balances in call accounts over and above the limits approved within the Annual Investment Strategy included in the Treasury Management Strategy Statement (TMSS) 2020/21. When producing the TMSS 2020/21, these unprecedented times could not be foreseen. In light of this, counterparty limits have been assessed and reviewed when producing the TMSS for 2021/22. Appendix 8 has been amended (with specific reference to NatWest Bank cash limit).

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

6. Recommendations

- Note the contents of the covering report; and
- To approve the 2021/22 Treasury Management Strategy Statement (which includes the Annual Investment Strategy, MRP Policy, Annual Treasury Management Policy and the Prudential and Treasury Indicators) (Annex A to this report).

ANNEX A

TREASURY MANAGEMENT STRATEGY STATEMENT

ANNUAL INVESTMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND TREASURY MANAGEMENT POLICY STATEMENT 2021/22

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

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 as well as the implications for future financial sustainability. The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- A Treasury Management Strategy which sets out the Council's strategy in terms of borrowing and investment which follows on from the Capital Strategy, sets out the constraints on borrowing, determines a set of prudential indicators and determines the Council's risk appetite and strategy in respect of investments.

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:-

- World growth has been in recession in 2020 and this is likely to continue into the first half of 2021 before recovery in the second half.
- Inflation is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor.
- Continuing uncertainty surrounding Brexit and its impact on the UK and Eurozone economy, however the final agreement of a trade deal in December 2020 has eliminated a significant downside risk for the UK economy.
- Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two 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 2024

Annual Average	Bank Rate (%)	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
March 2021	0.10	0.80	1.50	1.30
June 2021	0.10	0.80	1.60	1.40
September 2021	0.10	0.80	1.60	1.40
December 2021	0.10	0.80	1.60	1.40
March 2022	0.10	0.90	1.60	1.40
June 2022	0.10	0.90	1.70	1.50
September 2022	0.10	0.90	1.70	1.50
December 2022	0.10	0.90	1.70	1.50
March 2023	0.10	0.90	1.70	1.50
June 2023	0.10	1.00	1.80	1.60
September 2023	0.10	1.00	1.80	1.60
December 2023	0.10	1.00	1.80	1.60
March 2024	0.10	1.00	1.80	1.60

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

Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme

3.3. Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising. Given the forecast for bank base rates, the suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long term forecast is for periods over 10 years in the future):

2020/21: 0.10%;
2021/22: 0.10%;
2022/23: 0.10%;
2023/24: 0.10%;
2024/25: 0.25%;
Long term later years: 2.00%.

3.4. The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. There is uncertainty regarding Brexit in relation to the economic impact of the deal agreed between the UK and the EU. There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

3.5. Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

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					
	PWLB / PWLB Maturity	**PWLB EIP/ Annuity**	**Market Loans**	**PWLB Variable**	**Total Maturing**
Loan Outstanding	£121,684k	£208k	£0k	£0k	£121,892k
Average life (years)	30.62	5.28	0.00	0.00	30.57
Average rate (%)	4.58	9.42	0.00	0.00	4.59

OTHER LOANS						
	Salix Loan 1	**Salix Loan 2**	**Salix Loan 3**	**Salix Loan 4**	**Salix Loan 5**	**Total**
Outstanding Balance	£58k	£228k	£509k	£224k	£1,614k	£2,633k
Repayment Date	2024/25	2025/26	2028/29	2029/30	2030/31	
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 accounts, call accounts and with other UK local authorities. The balance invested in these accounts changes daily (balance as at 31 December 2020 was £34.8m).

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 0.09% (as at 31 December 2020).

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 2021/22 – 2023/24

	2021/22 £'000	2022/23 £'000	2023/24 £'000
Non - HRA	**15,842**	**16,380**	**17,221**
HRA	**20,313**	**18,816**	**22,670**
Commercial Activities / Non Financial Investment	**0**	**0**	**0**
TOTAL EXPENDITURE	**36,155**	**35,196**	**39,891**
Financed By			
Capital Grants	**12,042**	**9,181**	**10,282**
Capital Receipts	**0**	**100**	**100**
Reserves	**921**	**0**	**0**
Revenue	**15,639**	**10,156**	**10,510**
Balance Funded from Borrowing	**7,553**	**15,759**	**18,999**

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 a MRP statement in advance of each financial year. The policy for 2021/22 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 2021/22. 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. The Council may choose to pay more MRP in any given year. These overpayments of MRP (which in the Council's case, are to ensure enough cash for loan repayments), can, if needed, be reclaimed in later years. Up until 31 March 2020, the total overpayments were £212k and related specifically to the Salix loans where the MRP charged to the revenue account has been calculated on the basis of the life of the loan rather than on the life of the asset which was funded by the loan. This ensures that the Council has sufficient cash to repay the loans when they become due for repayment.

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 2020/21 to 2023/24

	2020/21 £'000	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**
Capital Financing Requirement				
Opening Balance of CFR	**136,904**	**142,687**	**146,084**	**157,552**
Capital Expenditure	33,798	36,155	35,196	39,891
External Capital Grants	(14,976)	(12,042)	(9,181)	(10,283)
Capital Receipts	(665)	0	(100)	(100)
Revenue Contribution & Reserves	(8,878)	(16,560)	(10,156)	(10,510)
Minimum Revenue Provision	(3,496)	(4,156)	(4,291)	(4,590)
CLOSING BALANCE OF CFR	**142,687**	**146,084**	**157,552**	**171,960**

External Borrowing				
Opening Balance of External Borrowing	**139,232**	**133,803**	**140,991**	**154,099**
Borrowing to Fund Capital Expenditure	9,279	7,553	15,759	18,999
Borrowing to Fund Loan Repayments	0	0	0	0
Borrowing to Replace Internal Borrowing	0	0	0	0
Loan Repayments	(14,708)	(365)	(2,651)	(2,222)
Closing Balance of External Borrowing	**133,803**	**140,991**	**154,099**	**170,875**
Internal Borrowing				
Opening Balance of Internal Borrowing	**(2,328)**	**8,884**	**5,093**	**3,453**
Replacement of Internal Borrowing	0	0	0	0
Funding Loan Repayments from External Borrowing	0	0	0	0
External Loan Repayments	14,708	365	2,651	2,222
Borrowing to Fund Capital Expenditure	0	0	0	0
Minimum Revenue Provision	(3,496)	(4,156)	(4,291)	(4,590)
Closing Balance of Internal Borrowing	**8,884**	**5,093**	**3,453**	**1,085**
TOTAL BORROWING	**142,687**	**146,084**	**157,552**	**171,960**

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 £8.884m 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 2021/22 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:-

- if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered if it is cost effective to do so.
- If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- Any decisions will be reported to this Committee at the next available opportunity.

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 2021/22 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.

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

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 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. All investments with local authorities are also specified investments regardless of the length of period to maturity.

    - **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. (Investments, [other than investments with local authorities], which would be specified investments apart from originally being for a period longer than 12 months remain as non-specified even when the remaining period to maturity falls to under twelve months.)

5. **Non-specified investments limit**. The Council has determined that it will limit the maximum total exposure to non-specified investments by ensuring that no non-specific investment is undertaken without the prior consent of the Council. The Council does not hold any non-specified investments, nor does it intend to during 2021/22 (see **Appendix 7**).

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

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

8. This Authority will set a limit for the amount of its investments which are invested for **longer than 365 days** (see **Appendix 11**).

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

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

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

12. As a result of the change in accounting standards for 2020/21 under **IFRS 9,** this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. The Welsh Government has passed a statutory override to allow Welsh local authorities time to adjust their portfolio of all pooled investments by delaying implementation of IFRS 9 for five years until 31.03.23.

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 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 Section 151 Officer will maintain a counterparty list in compliance with the criteria set out in **Appendix 8** and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

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

7.3.4. 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.

7.3.5. This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads from which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council, at the discretion of the Section 151 Officer, to assist in determining the duration for investments. The Council will, therefore, normally use counterparties within the following durational bands:-

Yellow:	5 years *
Dark pink :	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
Light pink :	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
Purple:	2 years
Blue:	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange:	1 year
Red:	6 months
Green:	100 days
No colour:	not to be used

7.3.6. 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.

7.3.7. 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.

7.3.8. All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link 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.

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

7.3.10. Although the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30.06.20 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. However, during Q1 and Q2 2020, banks made provisions for expected credit losses and the rating changes reflected these provisions. As we move into future quarters, more information will emerge on actual levels of credit losses. (Quarterly earnings reports are normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that banks went into this pandemic with strong balance sheets. This is predominantly a result of regulatory changes imposed on banks following the Great Financial Crisis. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the UK banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

7.3.11. All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on Negative Outlook, but with a small number of actual downgrades.

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

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

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 7 November 2019. 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 Link Asset Services as its external treasury management advisors. The Treasury Management advisory service was advertised for tender for the period 1 April 2016 to 31 March 2019 with an option to extend for two years, with Link Asset Services (previously Capita Asset Services) being the successful tenders. The Council exercised the option to extend for two years. In accordance with procurement regulations, the Council will retender this service during early 2021 for the period 1 April 2021 to 31 March 2026 with an option to extend for two years.

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 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

APPENDIX 1

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

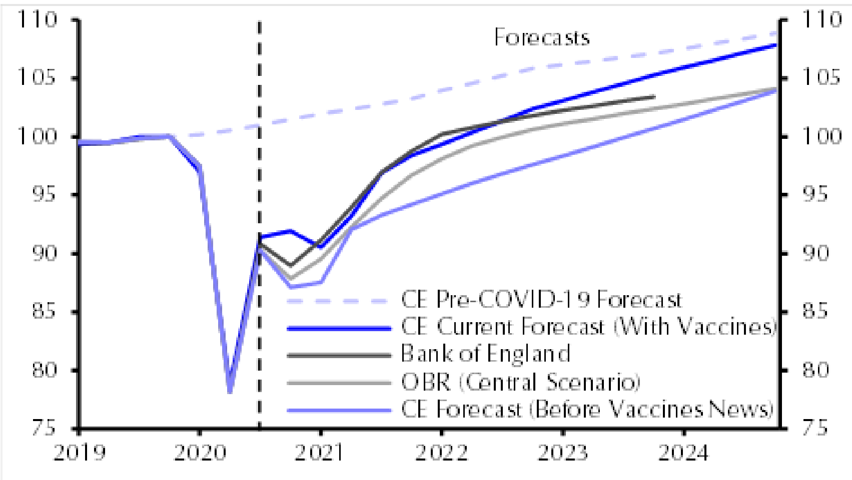
- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
    - The economy would recover to reach its pre-pandemic level in Q1 2022
    - The Bank also expected there to be excess demand in the economy by Q4 2022.
    - CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance in August** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor due to base effects from twelve months ago falling out of the calculation, and so is not a concern. Looking further ahead, it is also unlikely to be a problem for some years as it will take a prolonged time for spare capacity in the economy, created by this downturn, to be used up.

- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.
- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. While the one month second national lockdown that started on 5th November caused a further contraction of 5.7% m/m in November, this was much better than had been feared and showed that the economy is adapting to new ways of working. This left the economy 'only' 8.6% below the pre-crisis level.

- **Vaccines – the game changer.** The Pfizer announcement on 9th November of a successful vaccine has been followed by approval of the Oxford University/AstraZeneca and Moderna vaccines. The Government has a set a target to vaccinate 14 million people in the most at risk sectors of the population by 15th February; as of mid-January, it has made good, and accelerating progress in hitting that target. The aim is to vaccinate all adults by September. This means that the national lockdown starting in early January, could be replaced by regional tiers of lighter restrictions, beginning possibly in Q2. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines have radically improved the economic outlook so that it may now be possible for GDP to recover to its pre-virus level as early as Q1 2022. These vaccines have enormously boosted confidence that **life could largely return to normal during the second half of 2021**. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for when life returns to normal.

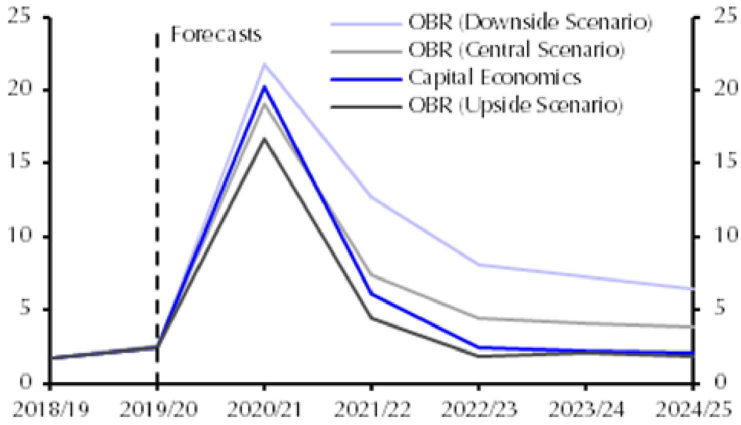
- Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant risk is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development, and vaccine production facilities are being ramped up around the world.

Chart: Level of real GDP (Q4 2019 = 100)



This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade, would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (as a % of GDP)



- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a **reversal of globalisation** as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, **digital services** are one area that has already seen huge growth.

- **Brexit.** The final agreement of a trade deal on 24.12.20 has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, “Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case.” So, while vaccines are a positive development, in the eyes of the MPC at least, the economy is far from out of the woods in the shorter term. The MPC, therefore, voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)

- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.
  - The Budget on 3.3.21 will lay out the “next phase of the plan to tackle the virus and protect jobs”. This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

- The **Financial Policy Committee** (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to “somewhat less than £80bn”. It stated that in its assessment, “banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC’s central projection”. The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC’s projection, with unemployment rising to above 15%.

- **US.** The Democrats gained the presidency and a majority in the House of Representatives in the November elections: after winning two key Senate seats in Georgia in elections in early January, they now also have a very slim majority in the Senate due to the vice president’s casting vote. President Biden will consequently have a much easier path to implement his election manifesto. However, he will not have a completely free hand as more radical Democrat plans may not be supported by all Democrat senators. His initial radical plan for a fiscal stimulus of $1.9trn, (9% of GDP), is therefore likely to be toned down in order to get through both houses.

- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, individual states might feel it necessary to return to more draconian lockdowns.

- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and declining in December, and retail sales dropping back. The economy is set for further weakness into the spring. **GDP growth** is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.

- After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- The Fed's meeting on **5 November** was unremarkable - but at a politically sensitive time around the elections. At its **16 December** meeting the Fed tweaked the guidance for its monthly asset quantitative easing purchases with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that **inflation** will only get back to 2.0% in 2023, the vast majority expect the Fed funds rate to be still at near-zero until 2024 or later. Furthermore, officials think the balance of risks surrounding that median inflation forecast are firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.

- **EU**. In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has seriously affected many countries. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.

- With **inflation** expected to be unlikely to get much above 1% over the next two years, **the ECB** has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank's forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.

- **World growth.** World growth will has been in recession in 2020 and this is likely to continue into the first half of 2021 before recovery in the second half. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

- Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand and the pace of recovery in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

INTEREST RATE FORECASTS

Brexit. The interest rate forecasts provided by Link in paragraph 3.3 were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed. Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

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

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand and the pace of recovery of the economy.
- **UK - Bank of England** 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.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** 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. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Italy, Spain, Austria, Sweden, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.

- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

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

- **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.

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

Rhagolygon Graddfeydd Llog 2021/2024
Interest Rate Forecasts 2021/2024

The PWLB rates below are based on the new margins over gilts announced on 26th November 2020.
PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Group Interest Rate View	9.11.20						(The Capital Economics forecasts were done 11.11.20)						
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Bank Rate													
Link	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Capital Economics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
5yr PWLB Rate													
Link	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
Capital Economics	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	-	-	-	-	-
10yr PWLB Rate													
Link	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
Capital Economics	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	-	-	-	-	-
25yr PWLB Rate													
Link	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
Capital Economics	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	-	-	-	-	-
50yr PWLB Rate													
Link	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Capital Economics	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	-	-	-	-	-

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

DADANSODDIAD BENTHYCIADAU PWLB YN AEDDFEDU 2021/22 YMLAEN / PWLB LOANS MATURITY ANALYSIS 2021/22 ONWARDS						
	Aeddefedu PWLB Maturity £'000	Blwydd-dal PWLB EIP/ Annuity £'000	Benthyciadau Marchnad/ Market Loans £'000	Amrywiol/ PWLB Variable £'000	Cyfanswm yn Aeddfedu/ Total Maturing £'000	%Yn Aeddfedu o'r Cyfran yn sefyll/ Maturing of Total Outstanding %
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	263	26	0	0	289	0.2
2029/30	1,538	21	0	0	1,559	1.3
2030/31	451	15	0	0	466	0.4
2031/32	1,941	9	0	0	1,950	1.6
2032/33	315	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	23.2
2054/55	3,000	0	0	0	3,000	2.5
2055/56	3,500	0	0	0	3,500	2.9
2056/57	5,000	0	0	0	5,000	4.1
2057/58	8,513	0	0	0	8,513	7.0
2059/60	1,763	0	0	0	1,763	1.4
2064/65	10,000	0	0	0	10,000	8.2
2066/67	6,200	0	0	0	6,200	5.1
2068/69	15,000	0	0	0	15,000	12.3
	121,684	**208**	**0**	**0**	**121,892**	**100.0**
Cyfartaledd bywyd (blynyddoedd)/ Average life (years	30.62	5.28	0.00	0.00	30.57	
Cyfartaledd graddfa (%)/ Average rate (%)	4.58	9.42	0.00	0.00	4.59	

PROFFIL AD-DALU BENTHYCIADAU ERAILL 2021/22 YMLAEN / OTHER LOANS REPAYMENT PROFILE 2021/22 ONWARDS						
	Benthyciad Salix Loan 1 £'000	**Benthyciad Salix Loan 2 £'000**	**Benthyciad Salix Loan 3 £'000**	**Benthyciad Salix Loan 4 £'000**	**Benthyciad Salix Loan 5 £'000**	**Cyfanswm / Total £'000**
2021/22	16	46	64	26	199	351
2022/23	16	46	64	26	199	351
2023/24	17	46	64	26	199	352
2024/25	9	45	64	26	200	344
2025/26	0	45	64	26	200	335
2026/27	0	0	63	27	200	290
2027/28	0	0	63	27	200	290
2028/29	0	0	63	27	200	290
2029/30	0	0	0	13	200	213
2030/31	0	0	0	0	200	200
Cyfanswm / Total	**58**	**228**	**509**	**224**	**1,997**[1]	**3,016**

[1] Total amount to be repaid differs from the total amount outstanding in Table 4.1.1 due to only having received £1,614k to date, however £1,997k will be received.

APPENDIX 6

Minimum Revenue Provision Policy Statement 2021/22

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 2021/22 the Council does not intend to make any investments in foreign currencies, nor any with low credit quality bodies, nor any that are defined as capital expenditure by legislation (such as company shares). Non-specified investments will therefore be limited to (i) long-term investments; and (ii) deposits with the Council's own banker for transactional purposes if it fails to meet the basic credit criteria; in this instance balances will be minimised as far as is possible

The table in Appendix 8 set out the investment criteria and limits for the categories of investments intended for use during 2021/22 and therefore form the basis for the approved lending list.

Any proposed revisions or amendments during the year to the categories of specified and non-specified investments to be used and / or to the associated credit rating criteria / investment limits will be subject to prior approval by the County Council.

***** *Section 2.4 of the 'Guidance' defines a long term investment as ''any investment other than (a) one which is due to be repaid within 12 months of the date on which the investment was made or (b) one which the local authority may require to be repaid within that period.''*

****** *For the purposes of high credit quality the 'Guidance' states that ''for the purposes of paragraph 5.1(d), Welsh ministers recommend that the Strategy should define high credit quality (and where this definition refers to credit ratings, paragraph 6.1 (***) is relevant).'*

*** *Paragraph 6.1 of the 'Guidance' recommends that ''the Strategy should set out the authority's approach to assessing the risk of loss of investments, making clear in particular:*

- ***(a)*** *to what extent, if any, risk assessment is based upon credit ratings issued by one or more credit rating agencies;*
- ***(b)*** *where credit ratings are used, how frequently credit ratings are monitored and what action is to be taken when ratings change; and*
- ***(c)*** *what other sources of information on credit risk are used, additional to or instead of credit ratings.''*

The table in Appendix 8 of this strategy sets out what this Council defines as high credit quality and the associated investment criteria and limits and section 7.3 of this strategy sets out the Council's creditworthiness approach.

Counterparty Criteria

Category	Short Term Credit Rating (Fitch)	Short Term Credit Rating (Moody's)	Short Term Credit Rating (Standard & Poor's)	Long Term Credit Rating (Fitch)	Long Term Credit Rating (Moody's)	Long Term Credit Rating (Standard & Poor's)	Cash Limit	Time Limit
Bank and Building Societies (not nationalised or part nationalised)	**F1+**	**P-1**	**A-1+**	**AAA**	**Aaa**	**AAA**	**£10m**	**5 years**
	F1+	**P-1**	**A-1+**	**AA**	**Aa2**	**AA**	**£10m**	**3 years**
	F1+	**P-1**	**A-1+**	**AA-**	**Aa3**	**AA-**	**£10m**	**364 days**
	F1	**P-1**	**A-1**	**A**	**A2**	**A**	**£7.5m**	**6 months**
Nationalised / Part Nationalised UK Banks	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**£10m**	**364 days**
NatWest Bank (Part Nationalised)	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**£30m**	**364 days**
UK Central Government (irrespective of credit rating)	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**No maximum**	**No maximum**
UK Local Authorities*	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**£5m**	**364 days**
Money Market Funds	**n/a**	**n/a**	**n/a**	**AAA**	**AAA**	**AAA**	**£5m**	**6 months**

as defined in the Local Government Act 2003

Notes and Clarifications

(1) Cash Limit

(i) The cash limits apply both to the individual counterparty and to the overall group to which it belongs (e.g. for the banks within the Lloyds Banking Group plc (being Bank of Scotland plc and Lloyds Bank plc), the investment limit applies to those banks individually and the banking group as a whole);

(ii) The overall cash limit for deposits over 364 days is £15m.

(2) Time Limit

(i) This up to and including the period indicated.

(3) Foreign Countries

(i) Investments in foreign countries will be limited to those that hold a sovereign credit rating of (Fitch) AA- or equivalent (from the agencies referred to in section 4.3 of this strategy) sovereign credit rating (based upon the lowest common denominator), and to a maximum of £10 million per foreign country.

(ii) Investments in countries whose lowest sovereign rating is not AA- or above will not be permitted. No country limit will apply to investments in the UK, irrespective of the sovereign credit rating.

(iii) Subsidiaries of foreign banking groups will normally be assessed according to the country of domicile of the parent organisation. However, Santander UK plc (a subsidiary of Spain's Banco Santander) will be classed as a UK bank due to its substantial UK franchises and the arms-length nature of the parent-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. <u>Credit Rating Downgrade</u>

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 5 January 2021]

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

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

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

APPENDIX 10

Treasury management scheme of delegation

(i) County Council

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

(ii) Executive Committee

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

(iii) Audit Committee

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

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

The Treasury Management role of the Section 151 Officer

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

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers; and

- Responsibility for the execution and administration of its Treasury decisions, including decision on borrowing, investment and financing, have been delegated to the Section 151 Officer, who will act in accordance with the Council's policy statements and TMP's.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
    - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
    - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

PRUDENTIAL & TREASURY INDICATORS **APPENDIX 11**
BUDGET SETTING 2021/22

No.	Indicator					
	Affordability	**2019/20 out-turn**	**2020/21 estimate**	**2021/22 proposal**	**2022/23 proposal**	**2023/24 proposal**
1,2	Estimates of [or actual] ratio of financing costs to net revenue stream:					
	Council Fund	4.96%	4.80%	4.78%	4.73%	4.75%
	Housing Revenue Account (inclusive of settlement)	19.01%	16.34%	9.63%	13.17%	13.91%
	Total	6.62%	6.16%	5.36%	5.77%	5.90%
	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	18,203	22,788	15,842	16,380	17,221
	Housing Revenue Account	11,812	11,010	20,313	18,816	22,670
	Total	30,015	33,798	36,155	35,196	39,891
6,7	Estimates of [or actual] Capital Financing Requirement					
	Council Fund	96,906	103,489	105,669	111,946	117,767
	Housing Revenue Account	39,998	39,198	40,415	45,606	54,193
	Total	136,904	142,687	146,084	157,552	171,960
	External Debt	**£000**	**£000**	**£000**	**£000**	**£000**
8	Authorised Limit					
	: General Borrowing	175,000	175,000	178,000	190,000	204,000
	: Other long term liabilities	3,000	5,000	5,000	5,000	5,000
	: Total	178,000	180,000	183,000	195,000	209,000

9	Operational Boundary					
	: General Borrowing	170,000	170,000	173,000	185,000	199,000
	: Other long term liabilities	3,000	5,000	5,000	5,000	5,000
	: Total	173,000	175,000	178,000	190,000	204,000
10	Actual External Debt	139,232				
Treasury Management		**2019/20 out-turn**	**2020/21 estimate**	**2021/22 proposal**	**2022/23 proposal**	**2023/24 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:	155,000	155,000	158,000	170,000	184,000
	(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)					
			2021/22 upper limit		**2021/22 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 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

C) Capital expenditure

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

4 & 5 Estimates of Capital Expenditure

This is the forecast Capital Expenditure from 2020/21 to 2023/24, and is based on the Capital Programme for 2020/21 and the Capital Strategy for 2021/22.

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.

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ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**FULL COUNCIL**
DATE:	**9 MARCH 2021**
SUBJECT:	**CAPITAL STRATEGY AND CAPITAL PROGRAMME 2021/22 to 2023/24**
PORTFOLIO HOLDER(S):	**COUNCILLOR ROBIN WYN WILLIAMS**
HEAD OF SERVICE:	**MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER**
REPORT AUTHOR: TEL: E-MAIL:	**MARC JONES / CLAIRE KLIMASZEWSKI** **2601 / 2133** **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, 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.

Recommendations

The full Council is requested to :-

- Approve the Capital Strategy for 2021/22 – 2023/24 as detailed in Appendices 1 and 2 below.

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 remains with 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)	The SLT have considered the overall capital strategy as part of the process to agree the capital budget for 2021/22
2	**Finance / Section 151** (mandatory)	N/A – this is the Section 151 Officer's report
3	**Legal / Monitoring Officer** (mandatory)	The Monitoring Officer is a member of the SLT and any comments made would have been considered as part of the overall comments made by the SLT
4	**Human Resources (HR)**	Not Applicable
5	**Property**	The assessment of future repair and maintenance prepared by the property team have been taken into consideration in drawing up the capital strategy

6	**Information Communication Technology (ICT)**	The assessment of future IT investment prepared by the Head of IT has been taken into consideration in drawing up the capital strategy
7	**Scrutiny**	The capital programme for 2021/22 was considered by the Finance Scrutiny Panel at its meeting on 12 February 2021 and by the Corporate Scrutiny Committee on 16 February 2021
8	**Local Members**	Not Applicable
9	**Any external bodies / other/s**	The capital programme for 2021/22 was consulted on as part of the overall budget consultation process
E -	**Risks and any mitigation (if relevant)**	
1	**How does this decision impact on our long term needs as an Island**	The capital strategy targets expenditure at the key priorities of the Council (see Appendix 1, Section 1.2. below). This ensures that the Council's assets help the Council deliver services which meet the Council's priorities, including the long-term needs of Anglesey. Capital projects will meet planning requirements to ensure that buildings and structures are sympathetic to Anglesey's built and natural environment. The capital budget ensures funding to maintain the Council's assets and forms part of the strategy to meet the objectives set out in the Council's corporate plan**.**
2	**Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority. If so, how:-**	Continued maintenance of the Council's assets will prevent higher costs in the future.
3	**Have we been working collaboratively with other organisations to come to this decision, if so, please advise whom:**	Capital projects in respect of 21st Century Schools and the HRA are aligned to priorities set out by the Welsh Government.
4	**Have Anglesey citizens played a part in drafting this way forward? Please explain how:-**	The Council's stakeholders, including Anglesey Citizens, are asked for their views on the capital programme each year as part of the annual budget consultation. Significant consultation is also sought for significant schemes such as the 21st Century Schools programme.
5	**Outline what impact does this decision have on the Equalities agenda and the Welsh language**	The capital strategy and capital projects directly help increase equality through works which improve accessibility for individuals with disabilities. Every year, the Council provides funding for adaptations for individuals to remain in their home. There is capital funding each year for improving accessibility in schools.
6	**Outcome Agreements**	
7	**Other**	
F -	**Appendices:**	

Appendix 1 – Capital Strategy 2021/22 to 2023/24
Appendix 2 – Summary of Draft Proposed Capital Programme 2021/22

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

Treasury Management Strategy Statement 2021/22, Executive, 1 March 2021
Medium Term Financial Plan 2021/22 to 2023/24, the Executive, 28 September 2020
Draft Capital Programme 2021/22 Report, the Executive, 18 January 2021
Capital Strategy and Capital Programme 2021/22 Report, the Executive, 1 March 2021
Revenue Budget 2021/22, the Executive, 1 March 2021

APPENDIX 1

Capital Strategy 2021/22 to 2023/24

Isle of Anglesey County Council
Capital Strategy 2021/22 to 2023/24

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 2021/22 meets the requirements of the CIPFA Prudential Code 2017, aligns with the Council's Treasury Management Strategy Statement 2021/22 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 2021/22 to 2023/24. 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 to protect them into the future.

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.

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

The Council Plan 2017/22

The key strategies and plans below are important and inter-related to help identify an affordable level of revenue and capital resources needed to deliver the key priorities of the Council Plan 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. Capital expenditure is expenditure to acquire or create new assets or to refurbish existing assets where the life of the asset is greater than one financial year. The assets can be tangible (buildings, vehicles and infrastructure) or intangible (software licences). Non-current assets which are £10k or more will be considered as capital expenditure. £10k is the Council's recommended de minimis level to qualify as part of the capital programme. Non-current assets less than £10k will be charged to revenue in most cases. The Council reserves the right to waive the de minimis if appropriate.

4.2 Developing the Annual Capital Programme

4.2.1 Bidding Process and Scoring

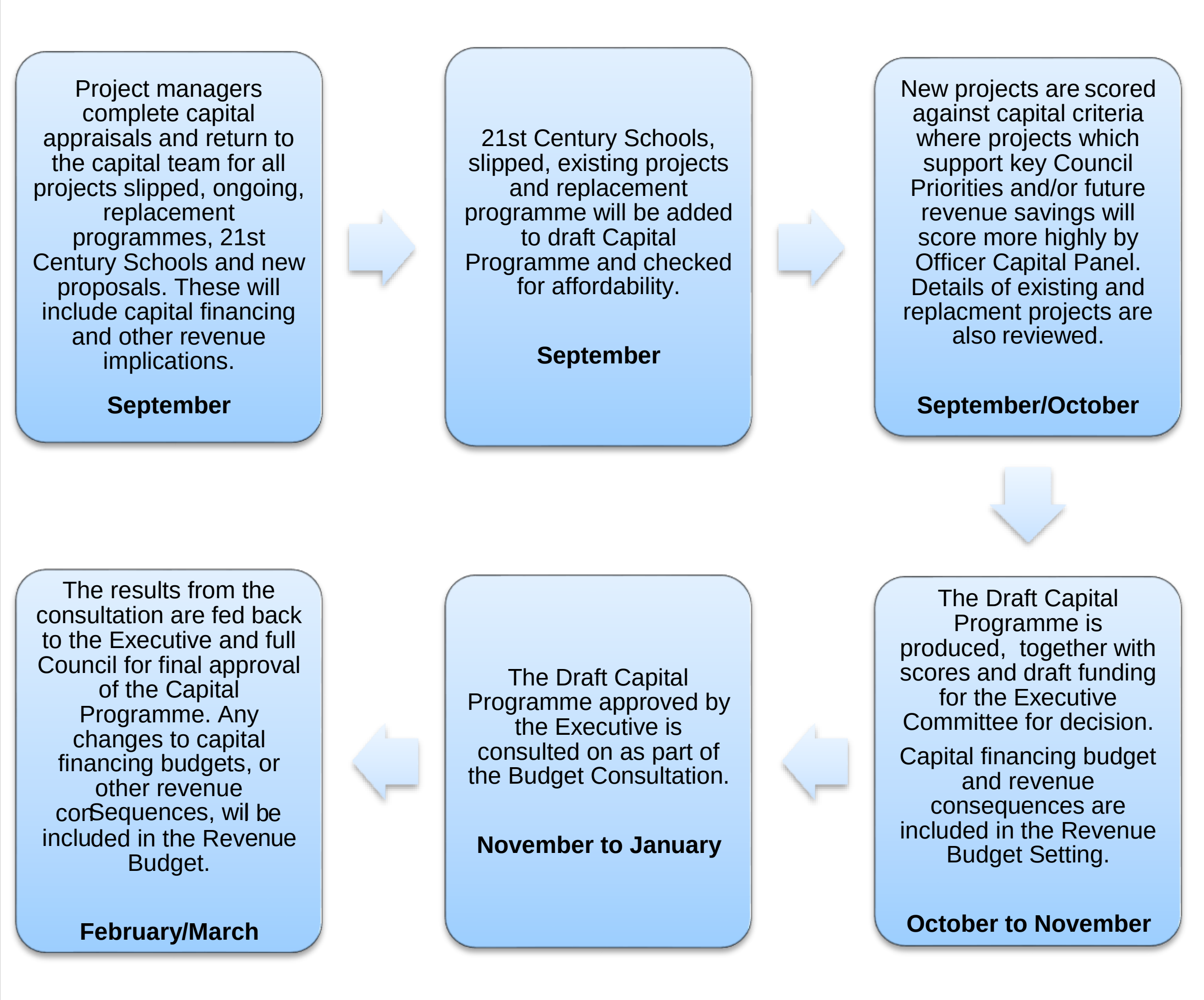
In determining which projects are included in the Capital Programme, bids must not only be affordable but also help deliver the key priorities of the Council Plan and meet the objectives and principles of the Capital Strategy. Each year, Services are asked to submit new capital appraisals/bids and update 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:-



4.2.3 Authorisation

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

5. Current Financial Context

5.1 Revenue Constraints

5.1.1 The initial Medium Term Financial Plan (MTFP) for 2021/22 to 2023/24 was presented to the Executive in September 2020. This acknowledged the difficulty in financial planning beyond one year due to the lack of three year budget forecasts from Central and Welsh Governments. Brexit alone caused significant uncertainty for the economy, and still does. The Coronavirus Pandemic, however, puts the impact of Brexit in the shade with an extremely fragile economy after nearly a year of Covid-19 restrictions. Public sector borrowing for 2020/21 is at its highest in one year since WWII. National debt is an estimated £2.13 trillion, 99.4% of gross domestic product (GDP). The Bank of England's action to reduce the base interest rate to 0.1% in response to the economic impact of Covid-19 restrictions has led to pitiful returns on treasury management investments. Conversely, this has resulted in reduced interest payable costs on new borrowing for capital expenditure. Despite this significant funding to prop up the economy, investment in PPE and vaccinations, there are significant job losses and business closures. The financial pressures the Government and Welsh Government are facing could jeopardise the amount of Council funding provided by Welsh Government in the medium and long-term. It is, therefore, important to set a capital strategy which minimises it impact on the revenue budget.

5.1.2 The revised MTFP for 2021/22 to 2023/24, reported to the Executive in January 2021, highlights a better than expected provisional settlement for 2021/22, particularly in light of the significant cost of the Pandemic on Welsh Government. After nearly a decade of significant funding cuts to 2019/20, Welsh Government's provisional settlement for 2021/22 is an increase of 3.41% (3.84% Welsh average), this is similar to 2020/21's final settlement. Yet again, this is welcomed after years of significant cuts.

5.1.3 Welsh Government's provisional settlement also includes details of the capital funding provided to the Council for 2021/22. The Council will provisionally receive a general capital grant of £2.163m and £2.158m in supported borrowing which, together, amount to £4.321m. In order to keep capital financing costs affordable for the revenue budget, particularly with the uncertainty about future revenue funding levels, it is a key principle of this strategy that capital programmes should not exceed this available funding from Welsh Government, with the exception of unsupported borrowing for the Council's element of funding the 21st Century Programme. It is predicted that Welsh Government will keep this level of funding the same, or less, in the future. Increasing the life of the Council's aging assets, and keeping up-to-date with technological upgrades will have the first call against this funding. This will, therefore, mean that there will not be significant funding for new projects. Under this strategy, new projects, should only be considered when there is significant grant funding to undertake a specific project or could be funded from unsupported borrowing if the project meets the requirement of the Prudential code in terms of being able to fund the capital financing costs from additional income or expenditure savings/cost avoidance. Council reserves could be used to fund capital projects, but using reserves is not sustainable and should only be considered when the general reserve is above its recommended minimum level. Use of surplus reserves to fund match-funding for grant funded projects can be considered.

5.1.4 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 2022 and Band B running until 2026. The programme, if it achieves all its planned objectives, will take over 10 years to complete at a significant potential total capital cost.

5.2.2 There are four phases to the programme, identified as Band A, B, C and D. Two schools have been completed, Ysgol Cybi and Ysgol Rhyd y Llan, with a third school, Ysgol Santes Dwynwen, now completed and operational. Refurbishments are also complete at Ysgol Parc y Bont and Brynsiencyn. The final projects from Band A are expected to start in 2021, depending on the outcome from robust consultation and development works.

5.2.3 The Council is also starting consultations and scoping options for Band B of the 21st Century Schools Programme. Some work might start in 2020/21, however, it is estimated that major works may start in 2021/22. The total estimated cost of Band B is currently £36m.

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 has 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. It is, therefore, assumed that 50% of Welsh Government funding will be provided as a grant and 50% by supported borrowing.

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). Table 1 shows the estimated expenditure and funding for 2021/22.

Table 1
Estimated Funding for 2021/22 for Band A and Proposed Band B Projects

Band	Region	Unsupported Borrowing (net of capital receipt) £'m	Supported Borrowing £'m	WG Grant £'m	Total £'m
	TOTAL BAND A	**0**	**2.5**	**2.5**	**5.0**
	TOTAL BAND B	**0.5**	**0.4**	**0.7**	**1.6**

5.2.7 It is assumed that all of the unsupported and supported borrowing would be undertaken through new PWLB loans over a length of time which matches the expected life of the asset (50 years).

5.2.8 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 3.2%) would result in additional capital financing charges to the revenue budget of £0.658m per annum (£0.405m interest payable and £0.253m 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.

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

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. This must be spent by 31 March of the financial year it relates to.
- **Supported Borrowing** – The Council will borrow from the Public Works Loans Board (PWLB) to fund the expenditure. The revenue costs arising from the borrowing (Interest Costs and Minimum Revenue Provision) are funded by the Welsh Government through the annual revenue settlement, hence the term "Supported Borrowing".
- **Unsupported Borrowing –** Again, the Council borrows the funding from the PWLB or elsewhere but is required to finance the revenue costs from its own resources. Projects funded by means of unsupported borrowing tend to be projects which deliver revenue savings and it is these savings that are used to meet the additional revenue costs arising from the borrowing.
- **Specific Capital Grants –** The Council will be awarded capital grants which partly or fully fund the cost of a project. Capital grants usually come with restrictions surrounding the expenditure which can be funded and by when the expenditure must be incurred.
- **Revenue Contribution** – Services can make a contribution from their revenue budgets to fund projects. These contributions tend to be as a match funding to a project which is mainly funded from a specific capital grant.
- **Capital Receipts** – The funds generated from the sale of assets can be used to contribute to the funding of the capital programme. These are usually generated from the sale of surplus assets (normally land or buildings).
- **Reserves –** Funding held in reserve, e.g. unapplied capital receipts, can be used to support the capital programme.

6.2 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:-

6.2.1 Funding that is received in the form of grants (general or specific) does not have any impact on the long-term financial position of the Council as any grant received is used to fund the capital expenditure. There may be timing differences which can lead to grants being unapplied and carried from one year to the next via the Council's balance sheet.

6.2.2 Capital receipts result in surplus assets being converted into cash which, in turn, results in the creation of a new asset. Again, this type of funding has little long term impact on the Council's financial position but there will come a point where all surplus assets have been disposed of and the level of funding available through capital receipts will fall.

The Housing Revenue Account uses the surplus on the HRA account (excess of rental income over expenditure) to fund capital expenditure. This is reflected in the HRA business plan and does not impact on the Council Fund.

6.2.3 The use of revenue funding will reduce the value of funds held in reserves or the sum transferred to the general Council balances at the year end, i.e. it converts surplus cash into a new asset.

6.2.4 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.

6.2.5 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 uncertain 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. However, the general grant funding was increased for 2019/20 and 2020/21.

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

6.3.5 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 2021/22 amount to £8m, including the general capital grant. The Council has received substantial funding in previous years from the EU. This source of funding will not be available from 2021/22 and onwards, but the Council will seek to identify alternative sources of grant funding where possible.

6.3.6 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.

6.3.7 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 £0.800m. It is expected that the majority of this will be used towards funding the 2020/21 programme.

6.3.8 Unallocated capital receipts are held in a reserve. The balance of the reserve at 31 March 2020 was £1.3m. These receipts will be used as a funding source for the 2020/21 programme, or will help fund slipped expenditure in 2021/22 and beyond as needed.

6.3.9 In summary, the funding for new capital projects in 2021/22 should be limited to the level of general capital grant (£2.163m), supported borrowing (£2.158m) and any unallocated capital receipts generated in the year. This would give a total budget available in the region of £4.3m, 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 2021/22 to 2023/24

6.4.1 The external Welsh Government funding (excluding 21st Century Schools) for the period 2021/22 to 2023/24 is shown in Table 2 below. It should be noted that the Council will also receive a number of minor capital grants.

Table 2
Estimated Welsh Government Capital Funding 2021/22– 2023/24

	2021/22 £'m	2022/23 £'m	2023/24 £'m
General Capital Grant	2.163	1.818	1.818
Supported Borrowing	2.158	2.158	2.158
Major Repairs Allowance	2.660	2.660	2.660
Total Welsh Government Capital Funding	**6.981**	**6.636**	**6.636**

6.4.2 There is little scope to fund new projects in 2021/22 through the funding that is received as part of the Welsh Government's financial settlement. Welsh Government's increase in the Capital General Grant for 2018/19 to 2021/22 helped the Council fund additional priority capital projects. It is predicted that the general grant will revert back to previous levels from 2022/23. 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 2021/22, summarised below, proposes an affordable programme with limited use of unsupported borrowing.

7. The Draft Capital Programme 2021/22

7.1 The draft capital programme for 2021/22 will be presented alongside this capital strategy to the Executive on 1 March 2021 and full Council on 9 March 2021. The table below summarises the proposed capital programme, including funding sources. Additional detail is provided in Appendix 2.

Summary Draft Capital Programme 2021/22

	Ref	£'000
2020/21 Schemes Brought Forward	Para 3.1	4,000
Refurbishment / Replacement of Assets	Para 3.1	4,137
New One Off Capital Projects (Priority Projects)	Para 3.3	780
New One Off Capital Projects (Subject to Funding being Available)	Para 3.3	325
21st Century Schools	See report 18/01/21	6,600
Housing Revenue Account	"	20,313
Total Recommended Capital Programme 2021/22		**36,155**
Funded By:		
General Capital Grant		2,163
Supported Borrowing General		2,158
General Balances		596
General Balances (if sufficient funding available)		325
21st Century Schools Supported Borrowing		2,897
21st Century Schools Unsupported Borrowing		498
HRA Reserve & In Year Surplus		15,639
HRA Unsupported Borrowing		2,000
External Grants		5,909
2020/21 Schemes Brought Forward (External Grants)		3,970
2021/22 Total Capital Funding		**36,155**

7.2 Longer-term Capital Expenditure Plans

7.2.1 The below draft capital programme provides a 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 2023/24. 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. The Welsh Government also plans a phase C and D of the programme, however, these could only be undertaken if affordable.

7.2.2 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.

7.3 Non-Treasury Management Investment Strategy

7.3.1 The Treasury Management Investment Strategy is included in the TMSS discussed below. In addition, the Council holds a number of non-treasury management investments. These are the investment properties from which the Council earns rental income. These help provide a long-term revenue stream for the Council. The investment property portfolio held approximately 70 properties at 31 March 2020, which were valued at £6.2m. These include retail properties, office units and commercial units. In 2019/20, £349k of rental income was collected from investment properties. Costs of £140k were spent on maintenance etc., which resulted in a net operational income of £209k from rental income. In terms of future plans for the investment properties, the buildings will continue to be maintained to legal standards. In addition, a new industrial unit complex was recently constructed and is operational in Llangefni. The Council is also working in partnership with Welsh Government on the construction of Industrial Units at Penrhos, Holyhead. These are likely to become operational in 2021/22.

7.3.2 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 2021/22 is affordable. The TMSS will be presented to the full Council on 9 March 2021.

8.2 Appendix 11 of the TMSS 2020/21 provides the prudential and treasury indicators for the periods 2019/20 to 2023/24, 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 are as follows:-

2019/20 (Actual)	6.62%
2021/22(Projected)	6.18%
2022/23 (Projected)	5.51%
2023/24 (Projected)	6.04%

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

9. Potential Risks arising from the Capital Strategy

9.1 It is likely that substantial annual savings will be required over the next three years which puts the Council at risk, and this includes the capital programme. If the savings target is difficult to achieve, which is probable as most budgets are cut to the core, 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 loss of substantial grant funding currently received from the European Union, there is a risk that this assumed level of grant funding may not be received as set out in the strategy. Any changes to funding will require a reassessment of the capital strategy and annual capital programme.

9.3 The Council used internal borrowing for a number of years to fund capital expenditure. This has had a significant impact on cash balances. The Council externalised £15m of borrowing in March 2019 at very low rates with the PWLB. Increasing these costs further 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 D. 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 four qualified accountants, including the Director of Function (Resources) / Section 151 Officer, who look after the capital programme and treasury management function. There is also a qualified accounting technician who has substantial experience in capital and treasury management. The team attend CIPFA courses on capital and treasury management and have a sound knowledge of this specialised accounting area. There is also a team of professionals within services such as architects, project managers, engineers, which support the Council with delivering the Capital Programme. The Council also commissions specialist advice from Link Asset Services. This service is currently being retendered in line with procurement rules. The decision-makers of the Council receive regular reports on capital and treasury management and Members are offered treasury management training. The governance arrangements are outlined in the Constitution and the Treasury Management Strategy Statement.

Appendix 2
Proposed Capital Programme 2021/22

		FUNDED BY						
SCHEME	**BUDGET 2021/22 £'000**	**External Grants £'000**	**General Capital Grant £'000**	**Supported Borrowing £'000**	**Unsupported Borrowing £'000**	**HRA Reserve £'000**	**General Reserves £'000**	**General Reserves (if sufficient funding) £'000**
2020/21 Committed schemes b/f								
Gateway Units (ERDF)	**2,032**	2,032						
Tourism Gateway	**1,290**	1,290						
Holyhead Landscape Partnership	**210**	210						
Holyhead Regeneration (THI Phase II)	**438**	438						
IT Assets Schools	**30**	30						
TOTAL 2020/21 Committed schemes b/f	**4,000**	**4,000**	**-**	**-**	**-**	**-**	**-**	**-**
Refurbishment / Replacement of Assets								
Disabled Facilities Grants	**500**		500					
Disabled Access in Education Buildings	**300**			300				
Refurbishment of Schools	**1,000**			1,000				
Refurbishment of Non School Buildings	**600**			600				
Highways	**1,250**		1,250					
Vehicles	**195**		195					
I.T Assets	**292**		218	74				
TOTAL Refurbishment / Replacement of Assets	**4,137**	**-**	**2,163**	**1,974**	**-**	**-**	**-**	**-**

SCHEME	BUDGET 2021/22 £'000	FUNDED BY External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Reserve £'000	General Reserves £'000	General Reserves (if sufficient funding) £'000
New One Off Capital Projects (Priority)								
Flood Relief Schemes	**180**			89			91	
Econ Dev - Match Funding pot	**95**			95				
Chromebooks for schools	**305**						305	
Resurfacing play areas (large area)	**200**						200	
TOTAL New One Off Capital Projects (Priority)	**780**	**-**	**-**	**184**	**-**	**-**	**596**	**-**
New One Off Capital Projects (Subject to funding)								
Traeth Coch Flood Scheme	**225**							225
Resurfacing play areas (small area)	**100**							100
TOTAL New One Off Capital Projects (Subject to funding)	**325**	**-**	**-**	**-**	**-**	**-**	**-**	**325**
21st Century Schools								
Band A	**5,077**	2,539		2,538				
Band B	**1,523**	666		359	498			
TOTAL 21st Century Schools	**6,600**	**3,205**	**-**	**2,897**	**498**	**-**	**-**	**-**
TOTAL GENERAL FUND	**15,842**	**7,205**	**2,163**	**5,055**	**498**	**-**	**596**	**325**

SCHEME	BUDGET 2021/22 £'000	FUNDED BY External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Reserve £'000	General Reserves £'000	General Reserves (if sufficient funding) £'000
Housing Revenue Account								
WHQS Traditional Planned Maintenance Programme	**9,555**	2,674				6,881		
New Developments and re-purchase of RTB properties	**10,758**				2,000	8,758		
TOTAL - Housing Revenue Account	**20,313**	**2,674**	**-**	**-**	**2,000**	**15,639**	**-**	**-**
TOTAL CAPITAL PROGRAMME 2021/22	**36,155**	**9,879**	**2,163**	**5,055**	**2,498**	**15,639**	**596**	**325**

Agenda Item 10.

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**COUNTY COUNCIL**
DATE:	**9 MARCH 2021**
SUBJECT:	**MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2021/22**
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 2020/21 REVENUE BUDGET

1.1 Purpose

The Executive has agreed a number of key matters in respect of the 2021/22 budget. This allows the final recommendations to be presented to the Full Council at its meeting on 9 March 2021. The matters agreed by the Executive were:-

- The Council's Revenue Budget and resulting Council Tax for 2021/22;
- The Council's updated Medium Term Financial Strategy;
- The use of any one off funds to support the budget.

1.2 Summary

The report considered by the Executive showed the detailed revenue budget proposals requiring final review and agreement for 2021/22 and the resulting impact on the Isle of Anglesey County Council's revenue budget. These are matters for the Council to agree.

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

2. 2021/22 REVENUE BUDGET AND COUNCIL TAX RECOMMENDATIONS

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

- To note the formal consultation meetings on the budget and consider the resulting feedback, as outlined in Section 3 of Appendix 1 and Appendix 2;
- To agree the final details of the Council's proposed budget, as shown in Section 9 of Appendix 1 and Appendix 3;
- To note the Section 151 Officer's recommendation that the Council should be working towards achieving a minimum of £7.3m general balances;
- To note the comments made by the Section 151 Officer on the robustness of the estimates made, as set out in Section 7 of Appendix 1;
- To recommend a net budget for the County Council of £147.420m and resulting increase in the level of Council Tax of 2.75% (£35.91 – Band D) to the full Council, noting that a formal resolution, including the North Wales Police and Community Council precepts, will be presented to the Council on the 9 March 2021;

- That any differences between the provisional settlement and the final settlement will be adjusted for by using the general contigency which is included in the 2021/22 budget, or by making a contribution to / from the Council's general reserves in order to set a balanced budget;
- 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 confirm that the level of Council Tax Premium for second homes remains at 35% and for empty homes remains at 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 16 February 2021. A verbal update on the outcome of the meeting will be provided to the Executive.
8	**Local Members**	The Council's budget is applicable to all Members and consultation has taken place throughout the budget setting Process.
9	**Any external bodies / other/s**	See Section 2 of the report.

E -	Risks and any mitigation (if relevant)	
1	**Economic**	
2	**Anti-poverty**	Increasing Council Tax will impact on the levels of disposable income for Taxpayers. The Council Tax Reduction Scheme assists low income taxpayers by reducing the sum due in part or in full.
3	**Crime and Disorder**	-
4	**Environmental**	-
5	**Equalities**	See Section 11 of Appendix 1.
6	**Outcome Agreements**	-
7	**Other**	-

F - Appendices:

- Appendix 1 – Detailed report on the Budget Proposals – presented to the Executive 1 March 2021
- Appendix 2 – Summary of the Results of the Consultation Process
- Appendix 3 – Summary of the Proposed Revenue Budget 2021/22 by Service

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

- Initial Budget Proposals for 2021/22 – Executive Committee – 18 January 2021
- Initial Budget Proposals for 2021/22 – Corporate Scrutiny Committee – 16 February 2021
- Medium Term Financial Plan for 2021/22 to 2023/24 – Executive Committee – 28 September 2020

APPENDIX 1

1. INTRODUCTION AND BACKGROUND

1.1. The following report sets out the 2021/22 revenue budget proposals, and is one of a set of reports which provides an overall picture of the financial position of the Council and ensures that the Council funding is allocated to meet its priorities. The other reports in the set relate to the Council's Capital Programme and Capital Strategy, the Council's Treasury Management Strategy and Fees and Charges.

1.2. The revenue budget and the continued need to identify revenue savings has been driven by the Medium Term Financial Plan as approved by the Executive Committee in September 2020 and can be summarised as follows:-

Table 1
Medium Term Financial Plan 2021/22 to 2023/24

	2021/22 £'m	2022/23 £'m	2023/24 £'m
Net Revenue Budget B/F	142.146	148.205	151.402
Budget Pressures and Inflation	6.059	3.197	3.009
Revised Standstill Budget	**148.205**	**151.402**	**154.411**
Aggregate External Finance (AEF) for 2020/21	101.005	101.005	101.005
Council Tax	41.141	41.141	41.141
Total Funding	**142.146**	**142.146**	**142.146**
Additional Funding Requirement / Savings Required	**6.059**	**9.256**	**12.265**
Main Assumptions			
Pay Awards – Non Teaching	2.6%	2.0%	2.0%
Pay Awards - Teaching	2.8%	2.0%	2.0%
General Inflation	1.5%	2.0%	2.0%

1.3. Given the lack of forward information, it was difficult to estimate the change in the level of the Aggregate External Finance (AEF) provided by the Welsh Government for 2021/22, and even more difficult to estimate the changes in 2022/23 and 2023/24. The AEF is a significant figure from which the Council then determines the level of Council Tax increase and any savings it is required to make in each year.

1.4. The Executive had previously agreed a strategy that set the annual Council Tax rise at 5% per annum. A rise of this level would generate an additional £2.06m in Council Tax in 2021/22, £2.16m in 2022/23 and £2.27m in 2023/24. This would fund just over 50% of the £12.265m increase in costs by 2023/24, with the remainder being funded from any increase in the AEF and savings.

2. THE INITIAL BUDGET PROPOSAL

2.1. At its meeting on 18 January 2021, the Executive discussed its original budget proposal and the provisional budget settlement which the Welsh Government had published on 22 December 2020.

2.2. The provisional settlement was better than anticipated and would provide the Council with £104.825m, which is an increase in cash terms of £3.545m (3.5%) but, after allowing for grants transferring into the settlement and the effect of the change in the Council's taxbase, the adjusted increase was £3.456m (3.4%).

2.3. The Executive accepted that the standstill budget for 2021/22 would be £147.076m and, given the provisional AEF of £104.825m, this would require an increase of 2.65% in Council Tax to balance the budget.

2.4. However, the Executive recognised the need to invest in a number of areas to increase staffing capacity, to invest in services for schools and to respond to changes in demand as a result of increased tourism and the need to respond to climate change. The Executive also proposed to freeze the price of school meals. These changes would increase the revenue budget by £0.653m and would be funded from an increase in parking charges for seasonal car parks at seaside locations (an additional £100k in income) and by raising the Council Tax by a further 1.1%. This would take the proposed budget to £147.531m and the Council Tax increase to 3.75%.

2.5. The budget proposal did not require any services to implement any budget savings for 2021/22.

2.6. Although not intended as a measure of what the Council's net revenue budget should be, the Standard Spending Assessment (SSA) does give some indication as to whether the Council's budget is at a reasonable level for the Council. The SSA for 2021/22 is £148.168m and the proposed budget is, therefore, 99.6% of the SSA.

3. THE COUNCIL'S CONSULTATION

3.1. The Council published its budget proposals on 19 January 2021 and the consultation period closed on 3 February 2021. Citizens, partners, stakeholders and staff were asked to respond to the consultation by responding to a questionnaire on the Council's website. The consultation process was widely advertised on the Council's social media.

3.2. Given the short time available to undertake consultation, arising from the late announcement of the provisional settlement and the fact that the pandemic and associated lockdown has restricted the Council's ability to hold meetings with its partners and stakeholders, the only additional meeting that took place to discuss the budget was with the Schools' Finance Forum, which met on 10 February 2021 to discuss the budget proposals.

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

4. REVISED STANDSTILL BUDGET 2021/22 AND THE BUDGET GAP

4.1. Since the completion of the initial budget proposals, further work has been undertaken to review and revise the standstill budget for 2020/21. This has not resulted in any changes and the initial budget proposal is set out in Table 2 below:-

Table 2
Adjustments to Standstill Budget

	£m	£m
Standstill Budget as at 13 January 2020		147.076
Additional Funding for Budget Pressures		0.630
Increased Car Park Charges		(0.100)
Freezing of School Meal Prices		0.023
Adjustment of CTRS Budget to reflect 3.75% proposed Council Tax increase		(0.075)
Adjustment to General Contingency		(0.023)
Initial 2021/22 Budget Proposal as at 18 January 2021 (assumes 3.75% increase in Council Tax)		**147.531**

4.2. The Welsh Government will publish its final local government settlement on 2 March 2021, which will be too late for the Executive to take account of in its final budget proposals. It is not anticipated that there will be any significant change between the provisional and final settlement but any change will be accounted for by adjusting the level of general contingency if the variance is small or by funding from / contributing to the Council's general balances should the variance be larger. As such, the proposed level of Council Tax will remain unchanged even if the final AEF differs from the figure shown in the provisional settlement.

5. COUNCIL TAX

5.1. The Council's Band D Council Tax charge for 2020/21 was £1,248.57, which was 16th from the 22 Authorities in Wales and is lower than the Welsh Average of £1,319. 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 2020/21 £	Amount Above / Below Anglesey £	Percentage Above / Below Anglesey %
Anglesey	1,305		
Gwynedd	1,430	+ 125	+ 9.6%
Conwy	1,344	+ 39	+ 3.0%
Denbighshire	1,384	+ 79	+ 6.1%
Flintshire	1,342	+ 37	+ 2.8%
Wrexham	1,233	- 72	- 5.5%

5.2. The Council Tax budget for 2021/22 (prior to an increase in the Council Tax but after adjusting for the change in the Council Tax Base and premium) is £41.14m. Therefore, each 1% increase generates an additional £411k.
After taking into account the provisional settlement figure of £104.825m, the revised budget requirement of £147.531m (see Table 2) would require £42.706m in Council Tax funding. To fund the revised budget requirement, the minimum increase in the level of Council Tax would be 3.75%, taking the Band D charge to £1,353.69, an increase of £48.96 or £0.94 per week.

5.3. In the provisional 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 £1,403.57, which is 5.1% higher than the 2020/21 figure.

6. GENERAL AND SPECIFIC RESERVES, CONTINGENCIES AND FINANCIAL RISK

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

- The global pandemic increased the Council's expenditure considerably (estimated figure for 2020/21 is £5.1m) and also reduced its ability to raise income through fees and charges (estimated figure for 2020/21 is £1.75m). In addition, the collection rate for Council Tax is currently around 2% lower than the normal levels and, although it is anticipated that the Council will collect some of this shortfall, it is anticipated that the level of Council Tax debts written off for 2020/21 will be considerably higher than in previous years. To date, the Welsh Government have funded the additional expenditure and loss of income and there is an expectation that additional funding will continue in 2021/22. However, there is a risk that if the pandemic remains a significant risk in 2021/22 and further lockdowns are required, or social distancing measures continue, then the additional expenditure incurred by the Council and the income losses experienced will be higher than the funding available from the Welsh Government. As a result, there is a significant risk that the Council will have to utilise its own reserves to make up any shortfall.

- However, the pandemic has resulted in a temporary reduction in some services which has resulted in a projected underspend of the Council's revenue budget of between £1m and £1.5m. This underspending will boost the Council's general balances, although the Executive has earmarked some of the underspend to increase the capital budget in 2021/22. It is difficult at this stage to estimate the increase demand for services as the Council emerges from the lockdown and a level of normality resumes in 2021/22. The projected underspend in 2020/21 is seen as a temporary position and it is expected that services will at least require their full budget allocation in 2021/22.
- 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 and this has been matched by budget increases in previous 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, particularly as we return to a level of normality during 2021/22.
- The teachers' pay award up to September 2021 has been agreed, and the required sum included in the budget proposal. However, the pay award for the period September 2021 onwards has not. The Chancellor has announced a pay freeze for public sector staff in 2021/22, however, the teacher's pay award in Wales has been devolved to the Welsh Government who have not indicated whether they will follow the position set out by the Chancellor. As a result, a 1% increase has been allowed for. The Council's budget for teachers pay is around £30m and if the actual pay award from September 2021 was 2% then this would increase costs by £175k higher than allowed for in the budget proposal. Previous increases above the normal level of inflation have been funded by the Welsh Government but there is no guarantee that this will be the position for 2021/22.
- The non-teaching pay award, which is effective from 1 April 2021, has not been agreed. The Chancellor has stated that only those employees who earn under £24,000 should receive a £250 pay award. The Unions have called for a £2,000 flat rate increase or 6%, whichever is the greater. The non teaching pay award for local government staff is not set by the UK Government so, again, the actual pay award may differ from the Chancellor's intentions. A 1% increase has been allowed for in the budget but, based on a non teaching pay budget of approximately £50m, if the Unions were successful with their 6% pay claim, then pay costs would increase by £2.5m more than has been allowed for in the budget. This additional cost is not normally funded by the Welsh Government and the cost would fall on the Council to fund.
- An inflationary increase of 1.5% has been allowed for across all of the non-pay expenditure (unless the contractual inflationary increase is known). Although most forecasts suggest that inflation will remain on or below 2% for the foreseeable future, the uncertainty over Brexit and its impact on the UK economy may result in inflation rising 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.

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

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

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

6.5. As at 31 March 2020, the Council's general reserves stood at £7.060m, which is equivalent to 4.97% of the Council's net revenue budget for 2020/21, 7.0% 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 2021/22 proposed revenue budget, this would require a level of general reserves of approximately £7.3m. 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 £5.24m.

6.6. The revenue budget is projected to underspend by £1.47m (as at end of quarter 3) and, if this is the actual outcome at the end of the financial year, this would increase the general balances to £8.53m (5.8% of the proposed net revenue budget for 2021/22). However, it should be noted that the Executive initially proposed to use £0.921m of general reserves to fund the 2021/22 capital budget. This would reduce the level of general balances back down to £7.609m (5.16% of the proposed net revenue budget for 2021/22).

6.7. 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.

6.8. It is the professional opinion of the Section 151 Officer that the level of general reserves is currently at an adequate level to meet the future financial risks faced by the Council. However, it should be noted that achieving the projected level of reserves noted in paragraph 6.6 above is dependent on the financial results over the final quarter of the 2020/21 financial year, and there is a risk that the final outturn position may differ from this projection. It should also be noted that the level of reserves of £7.6m is sufficient to meet the normal financial risks faced by the Council, but the pandemic creates a greater level of uncertainty and increased financial risks going forward. The financial risks posed by the pandemic are mitigated if the Welsh Government continue to support the Council with additional funding for the additional costs incurred and for the loss of income.

6.9. The Council also holds £10.29m as earmarked and restricted reserves and school balances (as at 31 March 2020). 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 a full report will be presented to the Executive on the earmarked and restricted reserves at the end of the financial year. The majority of the reserves are held 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 2021/22. There may be scope to release a small amount of the earmarked reserves back to the general reserves at the end of the financial year, which will further increase the general balances.

6.10. The proposed revenue budget for 2021/22 includes £1.294m of earmarked and general contingencies. Items included under this heading include a general contingency £350k, salary and grading contingency £150k and £155k for time limited funding, including, Regional Growth bid and the North Wales STEM project. The contingency budgets also includes the £640k proposed to cover the budget pressures. These funds will be allocated to service budgets as and when the expenditure starts to be incurred. 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.

7. ROBUSTNESS OF ESTIMATES

7.1. 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.

7.2. 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.

7.3. 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 2021/22, 1% inflation has been allowed for to cover staffing pay awards (teachers and NJC staff) and the financial risks relating to pay are detailed in 6.1 above. The latest forecasts do not show that inflation will rise significantly during 2021/22 and it is expected to be on or around the Government's target of 2% and as such, 1.5% has been included in the budget to cover general price inflation. Approximately £60m of the Council's budget is for supplies and service where the price will increase as inflation increases. A 1% rise in inflation may add £600k to the Council's costs (around 0.4% 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, they will not rise significantly during 2021/22. 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 –** In previous years, probably the greatest risk in current circumstances is that the Authority, Members and Officers, have been over-optimistic in the savings that will be achieved or that demand for services, particularly social care, will not increase significantly. For 2021/22, there are no savings proposed and, as such, this risk is not applicable to the 2021/22 budget.

- **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.

- **Staff Redundancy Costs –** Due to the level of savings required in previous years, both teaching and non-teaching staff have been released through the redundancy process. The cost of redundancy has been funded from a central contingency. The contingency was £400k in 2019/20 but, as the need for savings has reduced in 2020/21 and no savings are proposed in 2021/22, the contingency to fund staff redundancy costs has been reduced to £150k. Although there is no overall need to reduce staff numbers at this point, there is a risk that the position of individual schools may require to reduce staff costs to balance their own individual budget or to clear deficits that still exist. The contingency set should be sufficient to meet any redundancy costs which arise during the year.

- **Council Tax Premium –** In setting the taxbase, it is accepted that the number of empty properties and second homes can change during the year and, as such, only 80% of eligible properties are included in the taxbase. This protects the Council's budget should there be a significant drop in numbers. However, it should be noted that the number of empty properties used in the taxbase calculation rose from 336 properties in October 2019 to 394 properties in October 2020, and the number of second homes rose from 2,044 to 2,067 over the same period.

- **Council Tax Income –** The Council Tax income budget is based on the taxbase calculation as at November of the previous financial year. The taxbase changes constantly during the year, as new properties are included and exemptions and single person discounts are granted. These changes cannot be estimated and, invariably, lead to a difference between the actual debit raised and the budget. It should be noted that the number of properties being identified as self-catering accommodation and transferring to the business rates register has increased from 718 properties in March 2020 to 927 properties in February 2021, an increase of 209 properties. When a property moves across, the Valuation Office Agency will determine a date from which the property becomes liable for business rates, which can be a number of years back. Not only does the Council lose the Council Tax on these properties, but must also refund any Council Tax and premium which has been paid from the date when the property is placed on the Business Rates register. These movements can have a significant impact on the Council Tax yield in any one year.
- **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 2021/22 has taken into account the increased demand experienced during 2020/21, but any further increases would be unfunded and increase the risk of demand led services overspending in 2021/22.

7.4. 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.

8. SCRUTINY COMMITTEE

8.1. Due to the delays in receiving the provisional and final settlement, the budget timetable for 2021/22 has had to be condensed in order to ensure that the Council is in a position to set the Council Tax within the timeframe set out in the Local Government Finance Act 1992 (Section 30(6)). The 2021/22 budget was given further consideration by the Corporate Scrutiny Committee at its meeting of 16 February, 2021 and a verbal report on the Committee's deliberations will be presented to the Executive at the Committee meeting.

9. PROPOSED BUDGET AND COUNCIL TAX LEVEL

9.1. Having considered the funding available, 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:-

- In light of additional funding received from the Welsh Government, £300k of reserves which were to be used to fund the purchase of Chromebooks for schools can now be funded from the additional Welsh Government funding. The £300k reserves will now be used as a contribution to the funding of the revenue budget in 2021/22, and this is equivalent to a 0.75% reduction in Council Tax.
- The Council has also been successful in obtaining grant funding from Welsh Government to cover some of the cost of purchasing new refuse collection vehicles. This, in turn reduces the amount of unsupported borrowing the Council will have to undertake, which reduces the budget requirement for minimum revenue provision (MRP) and interest charges. These budget reductions allows the net revenue budget to be reduced by a further £102k, which is equivalent to a 0.25% reduction in Council Tax.
- That the final budget proposal for 2021/22, is a net revenue budget of £147.420m.
- That the Council Tax is increased by 2.75% in 2021/22, which raises the Band D Council Tax by £35.91 to £1,340.64.

- That any difference between the provisional settlement and the final settlement is adjusted for by either adjusting level of general contingency in the annual budget or by adjusting for the difference by taking a contribution from or making a contribution to the Council's general reserves.

9.2. Table 4 below summarises the movement in the 2021/22 budget, taking into account the proposals set out in paragraph 10.1 above:-

Table 4
Proposed Budget Requirement and Funding 2021/22

Budget Requirement		£'m
Final Budget 2020/21		142.146
Committed Charges and Inflation		4.930
Standstill Budget as at 18 January 2021		**147.076**
Additional Funding for Budget Pressures		0.630
Additional Income from Increased Car Park Charges		(0.100)
Freezing of School Meal Prices		0.023
Reduction in Capital Financing Budget following receipt of grant funding for refuse vehicles		(0.086)
Adjustment to CTRS budget to reflect an increase of 2.75% in Council Tax		(0.139)
Adjustment to General Contingency		0.016
Final Proposed Budget Requirement		**147.420**
Funded By:		
Revenue Support Grant	81.345	
Non-Domestic Rates	23.480	
Total AEF		104.825
Council's General Reserves		0.300
Council Tax (including Premium)		42.295
Total Funding		**147.420**

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. The proposed budget savings will not impact on any of the protected groups set out in the Regulations and, as a result, no Equality Impact Assessments are considered necessary.

11. UPDATING THE MEDIUM TERM FINANCIAL STRATEGY

11.1. The initial budget proposals to the Executive on 18 January 2021 was based on the Medium Term Financial Strategy (MTFS) approved by the Executive in September 2020 (see Table 1). The MTFP made no assumption on the future increases in AEF and Council Tax, but did set out different increases in AEF and how that would impact on the level of Council Tax required in order to balance the estimated future budgets in 2022/23 and 2023/24.

11.2. The provisional settlement for 2021/22 is at the higher end of the possible increases modelled in the MTFS and, as such, has allowed the Executive to propose a lowest Council Tax increase since 2017/18 and has not required any budget savings to be included in the budget. It should also be noted that the Council's reserves have increased, which strengthens the Council's financial position moving forward.

11.3. Estimating future changes in the AEF is difficult, and much will depend on the performance of the UK economy post Brexit and post pandemic. The UK Government will set out its new financial policies in its budget on 5 March 2021. After this point, the future funding levels for Welsh Local Government may become clearer, although 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. Given the uncertainty surrounding future funding, any update of the Medium Term Financial Plan at this point would be speculative at best, and may give the impression that the Council's financial position is better or worse than the true position that will materialise. The situation will become clearer over the coming months and the Executive will receive an update on the Council's financial position in September 2021.

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, although it is noted that a lengthy prolonging of the lockdown or significant social distancing restrictions will have an impact on the Council's budget, and this has not been factored into the proposed budget. Support from Welsh Government will need to continue to fund additional expenditure and loss of income if the pandemic continues for a significant proportion of 2021/22.

12.2. The improvement in the Council's financial reserves does put the Council in a stronger financial position moving forward into 2021/22 and beyond.

12.3. Therefore, in the professional opinion of the Section 151 Officer, the revenue budget for 2021/22 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 continued underlying financial pressures in the Services which have been impacted most by an increased demand for services: Education, Children's Services and Adults Services.
- 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 Full Council is recommended to approve the final budget proposal, as set out in Paragraph 9.

APPENDIX 2

Response to the Executive Committee's Initial Budget Proposals – 2021/22

ISLE OF ANGLESEY COUNTY COUNCIL

February 2021

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 19th January and 2nd February, 2021. The 2 week consultation period focused on proposals from across Council services.

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.

1.3. Consideration was given to a broad range of proposals such as increasing Council Tax levels by a further 1.1% on top of the 2.65% already earmarked as an annual raise, to fund essential Council services and invest in dealing with cost pressures identified as a result of the pandemic.

1.4. These proposals were publicised in various ways but were much more digitally targeted than in previous years;

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

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

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

1.5. Citizens, partners and staff were asked to respond to the consultation through the following means:

- An on-line survey on our website
- E-mail

The consultation this year followed a similar pattern to previous consultation events that have been held in recent years, with a shortened timescale enforced upon the Council by Welsh Government and of course the impact of the pandemic in being able to consult face to face with the residents of Anglesey. As a result, the emphasis again this year was placed on gaining an electronic response through our extensive use of social media due to the imposed constraints of Covid arrangements meaning that the usual public meetings could not take place.

The proposals were marketed as follows through the following social media channels –

13 times via Welsh facebook account

13 times via English Facebook account

13 times via Welsh Twitter account

13 times via English Twitter account

3 time via bilingual Instagram account

The Council received nearly 600 responses via electronic means. Correspondence was also received via e-mail. These responses encapsulate a relatively large number of responses compared to the previous annual budget setting processes which have averaged approximately 500 responses. There was an exception to this one year where in excess of 5,000 responses were received in the consultation of the Council's 19/20 budget setting process.

Bearing in mind this year's consultation was open for two weeks only, this is an appropriate and welcomed response by the residents of Anglesey to the consultation.

The results / findings are as follows –

1. Do you agree that the County Council should raise Council Tax further by 1.1% in order to fund the above activities / services?				
			Response Percent	**Response Total**
1	Yes		12.33%	72
2	No		87.67%	512
			answered	584
			skipped	4

The above response demonstrates that the majority (nearly 9 out of 10 people) that responded to the consultation do not agree with the proposal to increase the Council Tax by 1.1% in order to fund the activities noted in the consultation.

2. If not, which of the above activities / services do you think the County Council should prioritise and fund from a Council Tax increase (please pick as many of the options below that you believe should be funded)?				
			Response Percent	**Response Total**
1	Introduce a new professional entry level staffing programme to provide opportunities for young local people		14.23%	76
2	Increase public protection capacity to maintain future public health on Anglesey		18.54%	99
3	Improve educational provision for the most vulnerable learners at KS4 through further investment in the Education Inclusion Service		19.10%	102
4	IT support for schools to enable and support increased IT activity in education		21.54%	115
5	Improved Management of beaches and foreshore plus improvements in data collection to aide future tourism investment		14.23%	76
6	Climate change adaptations		15.17%	81
7	None of the above – continue as you are without the need for further investment		45.69%	244
			answered	534
			skipped	54

The above provides a picture of where those who do not wish to see a 1.1% increase to the Council Tax to fund Council Services would prioritise if required. It can be seen clearly that the majority would continue to state that no investment should be made and that the Council should continue as is without the need for further investment. This response gained approximately 46% and the second highest response was that of an additional investment in IT support for schools to enable and support increased IT activity in education.

2. To support these initiatives further and raise a proposed £100,000 the Council is also looking to increase car parking charges at seaside locations as it has concluded that the current charges are low in comparison to other authorities and destinations and believes there is scope to increase these charges. It proposes to increase these charges as follows:
Up to 1 hour – current charge £1, proposed new charge £1
Up to 2 hours – current charge £2, proposed new charge £3
Up to 4 hours – current charge £3.50, proposed new charge £6
Up to 12 hours – current charge £4.50, proposed new charge £10
Up to 12 hours (car and trailer) – current charge £6, proposed new charge £20
Would you agree with these proposals?

			Response Percent	Response Total
1	Yes		38.50%	226
2	No		61.50%	361
			answered	587
			skipped	1

The above question relating to increased car parking charges demonstrates a clear split in the opinion of respondents with an approximate 60:40 split against such a proposal. Correspondence has been received by a local Sailing & Watersports Club regarding the above proposal, who noted -

"The Club recognise that the Covid 19 Pandemic has put enormous strain on Council budgets and reductions in the support from the UK Government via the Welsh Assembly over the years have forced local councils across Wales to have to make difficult decisions.

However, Members had a number of concerns about the potential impact a substantial increase in car parking fees could have on Club participation levels". The Club itself has over 600 members of whom about 250 are children.

The Club in its response asks that the County Council recognise our concern that, as many of our members are regular full day users of the Traeth Bychan car park, an unreasonable increase in the charge may not only impact participation in our Club activities, both on and off the water, but also reduce a more or less guaranteed season long income source to the County Council.

It also understands through its response that the council proposes to introduce more modern ticket issuing machines to some car parks. If this is correct, the Club would propose that it would be to the benefit of both the Club and the County Council to introduce a scheme that rewards regular car park users, such as the clubs members, with a loyalty discount to users who are prepared to purchase blocks of parking tickets in advance.

A similar proposal (namely that residents could be offered a beneficial parking rate) has also been offered by an elected member for further consideration.

3. The Council will also look to use some of its general reserves to fund the following one-off improvements projects.

Economic Development and environmental wellbeing projects. Match funding to be used as and when grant funding becomes available to draw down external funding in order to realise projects which will benefit the Island - £95,000

Chrome books for schools To fund 1,672 chrome books for Secondary and Primary schools to ensure that children have access to chrome books, increase the ratio of chrome books for pupils and contribute to the wider scheme of the 2019-2023 boost - £305,000

Resurfacing play areas Resurfacing two play areas at Holyhead High School - £300,000

Flood Relief Schemes To provide match funding (15%) for small scale schemes and also to provide match funding (15%) for prioritised major schemes in order to draw down Welsh Government (WG) grant funding. WG grant would therefore total £2.295m and allow Flood Relief Schemes to be built at Red Wharf Bay, Menai Bridge and Valley - £405,000

Do you agree with the proposed activities above?

			Response Percent	Response Total
1	Yes		51.55%	300
2	No		48.45%	282
			answered	582
			skipped	6

The response to the Council's proposal of how to use its capital funding over the forthcoming 12 months is at odds with the previous comments with a slight majority in favour of the proposals.

Further comments regarding some of these proposals and respondents views can be gleaned in answer to the following final question of the consultation.

5. If not, where and on what should the Council invest over the forthcoming 12 months?

The findings relating to this question have been thematically collated for the ease of analysis. They are listed in the order of popularity. i.e. the largest number first / smallest response last.

- **Discontent: 69**

This number revolves around the suggestion of increasing the council tax. Several points were made, however a few themes did crop up more than others. 2nd homes - or holiday homes - was the main theme that respondents commented on. It was felt that the council should be looking to increase tax on those who do not live in Anglesey all year round and own holiday homes, rather than increasing the council tax in general. Furthermore, respondents were keen to point out that many of those who do own 2nd homes are profiteering by running their second homes as Air BnB's. Respondents also noted that it was very unfair to suggest increasing the council tax considering that there is now a £35 charge for green bins, along with the burden and cost associated with the pandemic. Many people strongly felt that they could not deal with any further costs. Finally, some respondents wanted to make their feelings heard with regards to how well some of the councillors are paid.

Away from council tax, the majority of people who did respond were totally opposed to the idea of increasing car parking charges on beaches and other tourist destinations. They generally felt that it would cause more problems – people parking on the sides of roads and the worry that it may turn some tourists away. These views are aligned to those of the Sailing & Watersports Club mentioned previously.

- **No Further Spending – Do with what we have already: 38**

A number of respondents generally felt that due to Covid they would rather see no additional investment being made by the County Council this year if it means that their council tax must be increased.

- **Highways: 35**

A number of respondents were keen to note that they wanted to see an improvement to the roads on Anglesey. Furthermore, this wasn't a view what was just based on a few areas, it was an universal view for the whole island. Respondents often pointed out that the number of pot holes and poor road surfaces had caused damage to their cars.

- **Education: 27**

Respondents were generally very supportive of the idea to bring in chrome books for school. This can be seen in the number of people that supported an improvement in education. However, the £300,000 play area in Holyhead was seen as an 'absurd' amount of money to spend on such a facility.

- **Flood Relief Schemes: 23**

Respondents were very supportive of additional work being undertaken for flood relief schemes. Many cited the recent floods as their reasoning behind wanting additional funding for flood defence schemes at different parts of the Island.

- **Health and Wellbeing: 20**

The responses to this point revolves around several different aspects. Firstly, many respondents feel that there needs to be additional funds towards ensuring that adults and children can receive the necessary mental health counselling when required. It was also felt that funds need to be made available to the wellbeing of families who are living on the breadline. Finally, a few respondents also felt that there needs to be additional support to the elderly and disabled.

- **More Activities: 17**

Many were keen to see an improvement in the number of cycle routes and walking routes for the island - in particular roads around the Llangefni area. People also cited how they would like to see an increase, or refurbishment of several playgrounds – pointing that there isn't enough spots for children to play in many areas. This point can be aligned to those noted above regarding the health and wellbeing of the residents.

- **Housing: 15**

Two main points surfaced here. Respondents were keen to see an increase in the number of houses available to first time buyers – they would like to seen an initiative from the council which supports younger people to purchase their first house. Secondly, they were keen to see either more council houses being bought, or an improvement in the state of several council houses that already exist.

- **Rubbish and Waste: 13**

This response was hugely aimed at dog waste more than anything. People are fed up of seeing dog waste at beaches and would like to see additional funding put towards bins on beaches.

- **Improving Communities: 11**

There was a general theme – especially with regards to Holyhead – that respondents wanted to see town improvements. Essentially, they were keen to see old, tired buildings refurbished and made to look more attractive.

- **Small Businesses: 10**

Respondents felt that small businesses require additional funding in order to help them through the pandemic. The effect of Covid has been very costly to small businesses who have had to close as a result of lockdowns.

- **Tourism: 10**

There was a feeling from respondents that money should be made available for tourism activities. They felt that tourism was the best way to inject money in to the local economy post-covid, and thus felt that the council should look to invest in attractions that could lure more people in to visiting Anglesey. This was seen as an opportunity.

- **More Job Opportunities: 9**

A small number of respondents were keen to see investment being made to ensure that the people of Anglesey can secure jobs. 5 of the respondents for this highlighted that they would like to see an increase in the number of opportunities for young people in particular.

- **Improve the Environment: 6**

A few respondents mentioned that they would like to see funding being made available in order to ensure that Anglesey is more eco-friendly. Responses varied from wanting to see more electric car charging stations, to wanting to see more trees etc. being planted.

APPENDIX 3

FINAL BUDGET PROPOSAL 2021/22 BY SERVICE

	Final Proposed Budget 2021/22 £
Education and Culture	54,874,010
Adult Services	27,677,674
Children's Services	11,184,105
Housing Services	1,247,378
Highways, Waste and Property	16,126,609
Economic and Community Regeneration	4,201,707
Corporate Transformation	5,436,964
Resources	3,235,694
Council Business	1,708,227
Corporate Management	635,849
Total Service Budgets	**126,328,217**
Corporate and Democratic Costs	3,009,885
Recharges to HRA	(700,000)
Levies	3,695,207
Capital Financing	7,392,381
Benefits Granted	109,239
Discretionary Rate Relief	71,050
Council Tax Reduction Scheme	6,180,558
Total Allocated Budgets	**146,086,537**
General & Other Contingencies	693,428
Budget Pressures (Held Initially as a Contingency Budget)	640,000
Total Budget 2020/21	**147,419,965**
Funded By	
Revenue Support Grant	(81,344,841)
Non Domestic Rates	(23,480,332)
Council Tax (Including Council Tax Premium)	(42,294,792)
Council Reserves	(300,000)
Total Funding	**(147,419,965)**
Difference Budget to Funding	**-**

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ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	**COUNTY COUNCIL**
Date:	**9 MARCH 2021**
Subject:	**FINAL PROPOSED CAPITAL BUDGET 2021/22**
Portfolio Holder(s):	**COUNCILLOR R WILLIAMS**
Head of Service / Director:	**R MARC JONES**
Report Author: Tel: E-mail:	**JEMMA ROBINSON** 01248 752675 JemmaRobinson@ynysmon.gov.uk
Local Members:	**n/a**

A –Recommendation/s and reason/s

1. PURPOSE OF THE REPORT

1.1 The Council is required approve a capital budget for 2021/22.

2. RECOMMENDATIONS

2.1 To approve the following Capital Programme for 2021/22:-

	Ref	£'000
2020/21 Schemes Brought Forward	Para 3.1	4,000
Refurbishment / Replacement of Assets	Para 3.1	4,137
New One Off Capital Projects (Priority Projects)	Para 3.3	0.780
New One Off Capital Projects (Subject to Funding being Available)	Para 3.3	0.325
21st Century Schools	See report 18/01/21	6,600
Housing Revenue Account	"	20,313
Total Recommended Capital Programme 2021/22		**36,155**
Funded By:		
General Capital Grant		2,163
Supported Borrowing General		2,158
General Balances		291
General Balances (if sufficient funding available)		325
21st Century Schools Supported Borrowing		2,897
21st Century Schools Unsupported Borrowing		498
HRA Reserve & In Year Surplus		15,639
HRA Unsupported Borrowing		2,000
External Grants		6,184
2020/21 Schemes Brought Forward (External Grants)		4,000
2021/22 Total Capital Funding		**36,155**

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.		
C – Why is this a decision for the Executive?		
The matter is delegated to the Executive to propose the capital budget.		
CH – Is this decision consistent with policy approved by the full Council?		
Yes		
D – Is this decision within the budget approved by the Council?		
N/A		
DD – Who did you consult?		**What did they say?**
1	**Chief Executive / Senior Leadership Team (SLT)**(mandatory)	Incorporated into the report
2	**Finance / Section 151**(mandatory)	n/a – this is the Section 151 Officer's report
3	**Legal / Monitoring Officer** (mandatory)	
4	**Human Resources (HR)**	N/A
5	**Property**	Budget requirements have been reflected in the proposed budget
6	**Information Communication Technology (ICT)**	Budget requirements have been reflected in the proposed budget
7	**Procurement**	N/A
8	**Scrutiny**	
9	**Local Members**	N/A
10	**Other**	
E – Impact on our Future Generations(if relevant)		
1	**How does this decision impact on our long term needs as an Island**	The capital budget ensures funding to maintain the Council's assets and forms part of the strategy to meet the objectives set out in the Council's corporate plan**.**
2	**Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority. If so, how:-**	Continued maintenance of the Council's assets will prevent higher costs in the future.
3	**Have we been working collaboratively with other organisations to come to this decision, if so, please advise whom:**	Capital projects in respect of 21st Century Schools and the HRA are aligned to priorities set out by the Welsh Government.

4	**Have Anglesey citizens played a part in drafting this way forward? Please explain how:-**	The capital budget will be subject to a formal budget consultation prior to final approval by the Council in March 2021.
5	**Outline what impact does this decision have on the Equalities agenda and the Welsh language**	Elements of the capital programme contribute to the Equalities agenda e.g. Disabled Facilities Grants, Disabled Access in Schools, purchase of Chromebooks for school pupils.

F - Appendices:

Appendix 1 – Report on the Capital Budget 2021/22
Appendix 2 – Proposed Capital Budget 2021/22

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

Capital Strategy Report – full Council 10 March 2020
Capital Budget 2020/21 – full Council 10 March 2020
Draft Capital Budget – Executive Committee – 18 January 2021

APPENDIX 1

1. INTRODUCTION

1.1. At its meeting on 18 January 2021, the Executive recommended to approve the following provisional Capital Programme for 2021/22, as shown in Table 1 below. The draft Capital Budget for 2021/22, set out below in Table 1, takes into account the principles set out in the Capital Strategy, which was approved by the Executive in March 2020 and the full Council in March 2020. It also meets the principles of the Draft Capital Strategy 2021/22, which will be considered alongside this Capital Programme and will be presented to full Council on 9 March 2021.

Table 1

Summary Recommended Capital Programme 2021/22
Recommended at the Executive 18 January 2021

	Ref (within draft Capital Budget Report 2021/22, Executive 18 January 2021)	£'000
2020/21 Schemes Brought Forward	Para 4.1 & Table 2	3,970
Refurbishment / Replacement of Assets	Para 4.2.2 & Table 3	4,167
New One Off Capital Projects (Priority Projects)	Para 5.2 – 5.6 & Table 4	780
New One Off Capital Projects (Subject to Funding being Available)	Para 5.6	325
21st Century Schools	Para 6	6,600
Housing Revenue Account	Para 7	20,313
Total Recommended Capital Programme 2021/22		**36,155**
Funded By:		
General Capital Grant		2,163
Supported Borrowing General		2,158
General Balances		596
General Balances (if sufficient funding available)		325
21st Century Schools Supported Borrowing		2,897
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HRA Unsupported Borrowing		2,000
External Grants		5,909
2020/21 Funding Brought Forward		3,970
2021/22 Total Capital Funding		**36,155**

2. OUTCOME OF PUBLIC CONSULTATION PROCESS

2.1. A number of comments relating to the Draft Capital Programme 2021/22 were received during the budget consultation 2021/22, which closed on 2 February 2021.

2.1.1 Respondents were generally very supportive of the idea to bring in Chromebooks for schools. This can be seen in the number of people that supported an improvement in education. However, the £300,000 play area in Holyhead was seen as an absurd amount of money to spend.

2.1.2 People were very supportive of additional methods being done for flood relief schemes. Many people cited the recent floods as their reasoning behind wanting additional funding for flood defence schemes.

2.1.3 Many people were keen to see an improvement in the number of cycle routes and walking routes for the island - in particular roads around the Llangefni area. People also cited how they would like to see an increase, or refurbishment, of several playgrounds – pointing that there isn't enough spots for children to play in many areas.

2.1.4 People were keen to see either more Council houses being bought, or an improvement in the state of several Council houses that already exist.

2.1.5 There was a huge response to the number of people who wanted to see an improvement to their roads. Furthermore, this wasn't just based to a few areas, it was universal for the whole Island. People often pointed out that the number of pot holes in poor road surfaces had caused damage to their cars.

2.1.6 A few people mentioned that they would like to see funding being made in order to ensure that Anglesey is more eco-friendly. Responses varied from wanting to see more electric car charging stations, to wanting to see more trees etc. being planted.

3. UPDATING THE CAPITAL PROGRAMME SINCE DRAFT CAPITAL BUDGET WAS PRESENTED IN JANUARY 2021

3.1 Included in the Refurbishment/Replacement of Assets figure of £4,167k, is a figure of £30k that should be included in 2020/21 Schemes Brought Forward figure. This has now been reflected in the updated Table 2 below and has no impact on the funding.

3.2 In order to maximise grant funding and to use the cheapest method of funding for the capital programme, flexibility in funding is needed. Therefore, the sources of funding per scheme identified in the Capital Budget 2021/22 (as shown in Appendix 2) may change during 2021/22. This is common practice and allows the Council to ensure that the use of grants are maximized and external borrowing is minimized.

3.3 Included in the draft budget was a figure of £300k for the resurfacing of two play areas at Holyhead secondary school. It was suggested that if sufficient reserves were not available, then this scheme can be scaled back with only one area completed in 2021/22, with an estimated cost included in the draft budget of £200k for the large area and £100k for the smaller area. It must be noted that the cost of £300k for the two areas was for completing both areas simultaneously. A revised estimate has now been received for completing the two areas separately if required, which confirms the estimated split cost of £200k and £100k.

3.4 The draft budget included a figure of £305k for Chromebooks for schools, which was funded by general reserves. Following an announcement that Welsh Government are allocating an amount to Local authorities across Wales to fund Digital Transformation, the Executive have now proposed that the Chromebooks are funded by this external grant. This change has been reflected in Table 2 below.

3.5 These changes have been incorporated into the revised Proposed Capital Programme for 2021/22, which is summarised in Table 2 below.

4. 2020/21 SLIPPAGE

4.1 There is a forecast underspend of £22.186m on the current Capital Programme for 2020/21 schemes (£8.022m HRA and £14.164m General Fund). This figure is based on the projected outturn position at the end of quarter 3. The actual outturn position at the end of quarter 4 will be presented to this Committee in a separate capital outturn report and any slippage amounts requested to be carried forward to 2021/22 will be subject to this Committee's approval at that stage. Committed schemes that are due to run for a number of years from the current year and beyond have been factored in to this programme due to new budgets being required.

<u>Table 2</u>

Final Proposed Capital Programme 2021/22

	Ref	**£'000**
2020/21 Schemes Brought Forward	Para 3.1	4,000
Refurbishment / Replacement of Assets	Para 3.1	4,137
New One Off Capital Projects (Priority Projects)	Para 3.3 & Para 3.4	780
New One Off Capital Projects (Subject to Funding being Available)	Para 3.3	325
21st Century Schools	See report 18/01/21	6,600
Housing Revenue Account	"	20,313
Total Recommended Capital Programme 2021/22		**36,155**
Funded By:		
General Capital Grant		2,163
Supported Borrowing General		2,158
General Balances		291
General Balances (if sufficient funding available)		325
21st Century Schools Supported Borrowing		2,897
21st Century Schools Unsupported Borrowing		498
HRA Reserve & In Year Surplus		15,639
HRA Unsupported Borrowing		2,000
External Grants		6,184
2020/21 Schemes Brought Forward (External Grants)		4,000
2021/22 Total Capital Funding		**36,155**

APPENDIX 2

SCHEME	BUDGET 2021/22 £'000	FUNDED BY External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Reserve £'000	General Reserves £'000	General Reserves (if sufficient funding) £'000
2020/21 Committed schemes b/f								
Gateway Units (ERDF)	**2,032**	2,032						
Tourism Gateway	**1,290**	1,290						
Holyhead Landscape Partnership	**210**	210						
Holyhead Regeneration (THI Phase II)	**438**	438						
IT Assets Schools	**30**	30						
TOTAL 2020/21 Committed schemes b/f	**4,000**	**4,000**	**-**	**-**	**-**	**-**	**-**	**-**
Refurbishment / Replacement of Assets								
Disabled Facilities Grants	**500**		500					
Disabled Access in Education Buildings	**300**			300				
Refurbishment of Schools	**1,000**			1,000				
Refurbishment of Non School Buildings	**600**			600				
Highways	**1,250**		1,250					
Vehicles	**195**		195					
I.T Assets	**292**		218	74				
TOTAL Refurbishment / Replacement of Assets	**4,137**	**-**	**2,163**	**1,974**	**-**	**-**	**-**	**-**

APPENDIX 2

		FUNDED BY						
SCHEME	**BUDGET 2021/22 £'000**	**External Grants £'000**	**General Capital Grant £'000**	**Supported Borrowing £'000**	**Unsupported Borrowing £'000**	**HRA Reserve £'000**	**General Reserves £'000**	**General Reserves (if sufficient funding) £'000**
New One Off Capital Projects (Priority)								
Flood Relief Schemes	**180**			89			91	
Econ Dev - Match Funding pot	**95**			95				
Chromebooks for schools	**305**	305						
Resurfacing play areas (large area)	**200**						200	
TOTAL New One Off Capital Projects (Priority)	**780**	**305**	**-**	**184**	**-**	**-**	**291**	**-**
New One Off Capital Projects (Subject to funding)								
Traeth Coch Flood Scheme	**225**							225
Resurfacing play areas (small area)	**100**							100
TOTAL New One Off Capital Projects (Subject to funding)	**325**	**-**	**-**	**-**	**-**	**-**	**-**	**325**
21st Century Schools								
Band A	**5,077**	2,539		2,538				
Band B	**1,523**	666		359	498			
TOTAL 21st Century Schools	**6,600**	**3,205**	**-**	**2,897**	**498**	**-**	**-**	**-**
TOTAL GENERAL FUND	**15,842**	**7,510**	**2,163**	**5,055**	**498**	**-**	**291**	**325**

APPENDIX 2

SCHEME	BUDGET 2021/22 £'000	FUNDED BY: External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Reserve £'000	General Reserves £'000	General Reserves (if sufficient funding) £'000
Housing Revenue Account								
WHQS Traditional Planned Maintenance Programme	**9,555**	2,674				6,881		
New Developments and re-purchase of RTB properties	**10,758**				2,000	8,758		
TOTAL HOUSING REVENUE ACCOUNT	**20,313**	**2,674**	**-**	**-**	**2,000**	**15,639**	**-**	**-**

TOTAL CAPITAL PROGRAMME 2021/22	**36,155**	**10,184**	**2,163**	**5,055**	**2,498**	**15,639**	**291**	**325**

APPENDIX 2

PENDERFYNIAD DRAFFT
AR OSOD
Y DRETH GYNGOR
2021/22

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DRAFT RESOLUTION
ON SETTING
THE COUNCIL TAX
2021/22

DRAFT COUNCIL TAX RESOLUTION

1. RESOLVED

(a) Pursuant to the recommendations of the Executive, to adopt the 2021/22 Budget at Section 9, as a Budget Strategy within the meaning given by the Constitution, and to affirm that it becomes part of the budget framework with the exception of figures described as current.

(b) Pursuant to the recommendations of the Executive, to adopt a revenue budget for 2021/22 as shown at Table 4, Section 9 of the 2021/22 Budget Report Appendix 1 and Appendix 3.

(c) Pursuant to the recommendations of the Executive, to adopt a capital budget as shown in the Capital Budget Report 2021/22 report.

(ch) To delegate to the Director of Function (Resources)/Section 151 Officer the power to make adjustments between headings in the Final Budget Proposal 2021/22 at Appendix 3 in order to give effect to the Council's decisions. In addition, to delegate to Director of Function (Resources)/Section 151 Officer the power to transfer up to £50k per item from the general contingency. Any item in excess of £50k will require the approval of the Executive before any transfer from the general contingency is made.

(d) To delegate to the Executive Committee, for the financial year 2021/22, the powers to transfer budgets between headings as follows:-

(i) unlimited powers to spend each budget heading in Appendix 3 Final Budget Proposal 2021/22 against the name of each service, on the service to which it relates;

(ii) powers to approve the use of service and earmarked reserves to fund one-off spending proposals that contribute to the delivery of the Council's objectives and improve services;

(iii) powers to vire from new or increased sources of income.

(dd) To delegate to the Executive Committee, in respect of the financial year 2021/22 and on the advice of the Head of Function (Resources), the power to release up to £250k from general balances to deal with priorities arising during the year.

(e) To delegate to the Executive Committee in respect of the period to 31 March 2022, the following powers:-

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

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

(iii) powers to transfer budgets between capital projects in the Capital Budget Report 2021/22 report and to commit resources in following years and consistent with the budget framework.

(f) To set and approve the prudential and treasury indicators which are estimates and limits for 2021/22 and onwards as shown in the report on the Treasury Management Strategy Statement 2021/22.

(ff) To approve the Treasury Management Strategy Statement for 2021/22 and the Capital Strategy 2021/22.

(g) To confirm that items 1(b) to (ff) become part of the budget framework.

2. RESOLVED to adopt and affirm for the purposes of the financial year 2021/22 the decision of the County Council on 10 March 1998 to set the discount level applicable to the prescribed Class A and prescribed Class B of dwellings under Section 12 of the Local Government Finance Act 1992 (as amended), as described by the Council Tax (Prescribed Classes of Dwellings) (Wales) Regulations 1998, as follows:-

Prescribed Class A	Nil Discount
Prescribed Class B	Nil Discount

3. **RESOLVED** to adopt and affirm for the purposes of the financial year 2021/22 the decision of the County Council on 6 March 2007 to set the discount level applicable to the prescribed Class C of dwellings under Section 12 of the Local Government Finance Act 1992 (as amended), as described by the Local Authorities (Calculation of Tax Base) and Council Tax (Prescribed Classes of Dwellings) (Wales) (Amendment) Regulations 2004 as follows:-

Prescribed Class C   Nil Discount

4. **RESOLVED** to disapply any discount(s) granted to long-term empty dwellings and dwelling occupied periodically (usually known as second homes) and to vary the full Council's decision made on 28 February 2018 and apply for the financial year 2021/22 a higher amount of Council Tax (called a Council Tax Premium) of 100% of the standard rate of Council Tax for long-term empty dwellings and for dwellings occupied periodically (usually known as second homes) to apply a higher amount of Council Tax (called a Council tax Premium) of 35% under Sections 12A and 12B of the Local Government Finance Act 1992 as inserted by Section 139 of the Housing (Wales) Act 2014.

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

6. That it is noted that a resolution of the Executive on 30 November 2020 approved the amount calculated by the Isle of Anglesey County Council for its council tax base for 2021/22 and to further note that the full Council in its meeting on the 11 December 2018 approved that the local Council Tax Reduction Scheme will continue unchanged for subsequent years unless substantially amended. It is also noted that the full Council on 28 February 2018 adopted and approved a local Council Tax Discretionary Policy under Section 13A of the Local Government Finance Act 1992, delegating to the Executive the power to revoke, re-enact and/or amend the Policy. The Executive having last amended the Policy on 26 November 2018.

7. At its meeting on 30 November 2020, the Executive, in accordance with the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base)(Wales) Regulations 1995 (SI19956/2561) as amended by SI1999/2935 and the Local Authorities (Calculation of Council Tax Base) and Council Tax (Prescribed Classes of Dwellings)(Wales) Amendment) Regulations 2004 and the Local Authority (Calculation of Taxbase) (Wales) (Amendment) Regulations 2016 resolved to approve the amounts calculated by the Isle of Anglesey County Council as its tax base and for the parts of the area, for the year 2021/22, as follows:-

a) **31,548.20** being the amount approved by the Executive as the Isle of Anglesey County Council's council tax base for the year.

b) The parts of the Council's area, being the amounts calculated by the Executive as the amounts of the Isle of Anglesey County Council's council tax base for the year for dwellings in those parts of its area to which one or more special items relate, are as follows:-

Community/Town Council Areas	Tax Base 2021/22
Amlwch	1,519.66
Beaumaris	1,081.50
Holyhead	3,990.91
Llangefni	1,976.50
Menai Bridge	1,478.06
Llanddaniel-fab	381.29
Llanddona	385.84
Cwm Cadnant	1,159.87
Llanfair Pwllgwyngyll	1,331.84
Llanfihangel Ysgeifiog	693.53
Bodorgan	464.26
Llangoed	653.68
Llangristiolus & Cerrig Ceinwen	629.11
Llanidan	415.21
Rhosyr	1,025.44
Penmynydd	246.78
Pentraeth	579.06

Community/Town Council Areas	Tax Base 2021/22
Moelfre	621.39
Llanbadrig	683.74
Llanddyfnan	503.92
Llaneilian	580.02
Llanerch-y-medd	529.34
Llaneugrad	184.19
Llanfair Mathafarn Eithaf	1,850.63
Cylch y Garn	400.30
Mechell	556.99
Rhos-y-bol	479.47
Aberffraw	306.84
Bodedern	427.24
Bodffordd	426.65
Trearddur	1,271.33
Tref Alaw	266.44
Llanfachraeth	226.29
Llanfaelog	1,270.30
Llanfaethlu	270.72
Llanfair-yn-Neubwll	589.19
Valley	1,009.83
Bryngwran	359.06
Rhoscolyn	358.31
Trewalchmai	363.47
Total Taxbase	**31,548.20**

8. That the following amounts be now calculated by the Council for the year 2021/22, in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

a) £207,033,447 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (d) of the Act.

b) £58,306,184 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) and (c) of the Act.

c) £148,727,263 being the amount by which the aggregate at 8(a) above exceeds the aggregate at 8(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.

ch) £104,825,173 being the aggregate of the sums which the Council estimates will be payable for the year into its council fund in respect of redistributed non-domestic rates, revenue support grant and specific grant, reduced by any amount calculated in accordance with Section 33(3) of the Act.

d) £ 1,391.59 being the amount at 8(c) above less the amount at 8(ch) above, all divided by the amount at 7(a) above, calculated by the Executive, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year.

dd) £ 1,607,298 being the aggregate amount of all special items referred to in Section 34(1) of the Act.

e) £ 1,340.64 being the amount at 8(d) above less the result given by dividing the amount at 8(dd) above by the amount at 7(a) above, calculated by the Executive, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates.

f)

		Band D equivalent per area including Isle of Anglesey Council and Community/Town Council elements
Amlwch	£	1,406.88
Beaumaris	£	1,368.72
Holyhead	£	1,494.54
Llangefni	£	1,432.35
Menai Bridge	£	1,404.90
Llanddaniel-fab	£	1,368.27
Llanddona	£	1,358.55
Cwm Cadnant	£	1,368.54
Llanfair Pwllgwyngyll	£	1,383.39
Llanfihangel Ysgeifiog	£	1,370.34
Bodorgan	£	1,365.84
Llangoed	£	1,363.59
Llangristiolus & Cerrig Ceinwen	£	1,353.33
Llanidan	£	1,373.22
Rhosyr	£	1,364.67
Penmynydd	£	1,373.04
Pentraeth	£	1,363.05
Moelfre	£	1,358.64
Llanbadrig	£	1,380.87
Llanddyfnan	£	1,360.44
Llaneilian	£	1,363.05
Llanerch-y-medd	£	1,374.93
Llaneugrad	£	1,362.33
Llanfair Mathafarn Eithaf	£	1,370.70
Cylch y Garn	£	1,358.10
Mechell	£	1,358.55
Rhos-y-bol	£	1,357.29
Aberffraw	£	1,368.00
Bodedern	£	1,373.40
Bodffordd	£	1,366.38
Trearddur	£	1,368.90
Tref Alaw	£	1,365.93
Llanfachraeth	£	1,376.28
Llanfaelog	£	1,373.67
Llanfaethlu	£	1,361.88
Llanfair-yn-Neubwll	£	1,369.44
Valley	£	1,366.38
Bryngwran	£	1,374.03
Rhoscolyn	£	1,351.80
Trewalchmai	£	1,364.04

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

Valuation Bands

		Council Tax per Band, per Area, which includes the Isle of Anglesey County Council and Community/Town Council elements/precepts								
		A	B	C	D	E	F	G	H	I
Amlwch	£	937.92	1,094.24	1,250.56	1,406.88	1,719.52	2,032.15	2,344.79	2,813.75	3,282.71
Beaumaris	£	912.48	1,064.56	1,216.64	1,368.72	1,672.88	1,977.03	2,281.19	2,737.43	3,193.67
Holyhead	£	996.36	1,162.42	1,328.48	1,494.54	1,826.66	2,158.77	2,490.89	2,989.07	3,487.25
Llangefni	£	954.90	1,114.05	1,273.20	1,432.35	1,750.65	2,068.94	2,387.24	2,864.69	3,342.14
Menai Bridge	£	936.60	1,092.70	1,248.80	1,404.90	1,717.10	2,029.29	2,341.49	2,809.79	3,278.09
Llanddaniel-fab	£	912.18	1,064.21	1,216.24	1,368.27	1,672.33	1,976.38	2,280.44	2,736.53	3,192.62
Llanddona	£	905.70	1,056.65	1,207.60	1,358.55	1,660.45	1,962.34	2,264.24	2,717.09	3,169.94
Cwm Cadnant	£	912.36	1,064.42	1,216.48	1,368.54	1,672.66	1,976.77	2,280.89	2,737.07	3,193.25
Llanfair Pwllgwyngyll	£	922.26	1,075.97	1,229.68	1,383.39	1,690.81	1,998.22	2,305.64	2,766.77	3,227.90
Llanfihangel Ysgeifiog	£	913.56	1,065.82	1,218.08	1,370.34	1,674.86	1,979.37	2,283.89	2,740.67	3,197.45
Bodorgan	£	910.56	1,062.32	1,214.08	1,365.84	1,669.36	1,972.87	2,276.39	2,731.67	3,186.95
Llangoed	£	909.06	1,060.57	1,212.08	1,363.59	1,666.61	1,969.62	2,272.64	2,727.17	3,181.70
Llangristiolus & Cerrig Ceinwen	£	902.22	1,052.59	1,202.96	1,353.33	1,654.07	1,954.80	2,255.54	2,706.65	3,157.76
Llanidan	£	915.48	1,068.06	1,220.64	1,373.22	1,678.38	1,983.53	2,288.69	2,746.43	3,204.17
Rhosyr	£	909.78	1,061.41	1,213.04	1,364.67	1,667.93	1,971.18	2,274.44	2,729.33	3,184.22
Penmynydd	£	915.36	1,067.92	1,220.48	1,373.04	1,678.16	1,983.27	2,288.39	2,746.07	3,203.75
Pentraeth	£	908.70	1,060.15	1,211.60	1,363.05	1,665.95	1,968.84	2,271.74	2,726.09	3,180.44
Moelfre	£	905.76	1,056.72	1,207.68	1,358.64	1,660.56	1,962.47	2,264.39	2,717.27	3,170.15
Llanbadrig	£	920.58	1,074.01	1,227.44	1,380.87	1,687.73	1,994.58	2,301.44	2761.73	3,222.02
Llanddyfnan	£	906.96	1,058.12	1,209.28	1,360.44	1,662.76	1,965.07	2,267.39	2,720.87	3,174.35
Llaneilian	£	908.70	1,060.15	1,211.60	1,363.05	1,665.95	1,968.84	2,271.74	2,726.09	3,180.44
Llanerch-y-medd	£	916.62	1,069.39	1,222.16	1,374.93	1,680.47	1,986.00	2,291.54	2,749.85	3,208.16
Llaneugrad	£	908.22	1,059.59	1,210.96	1,362.33	1,665.07	1,967.80	2,270.54	2,724.65	3,178.76
Llanfair Mathafarn Eithaf	£	913.80	1,066.10	1,218.40	1,370.70	1,675.30	1,979.89	2,284.49	2,741.39	3,198.29
Cylch y Garn	£	905.40	1,056.30	1,207.20	1,358.10	1,659.90	1,961.69	2,263.49	2,716.19	3,168.89
Mechell	£	905.70	1,056.65	1,207.60	1,358.55	1,660.45	1,962.34	2,264.24	2717.09	3,169.94
Rhos-y-bol	£	904.86	1,055.67	1,206.48	1,357.29	1,658.91	1,960.52	2,262.14	2,714.57	3,167.00
Aberffraw	£	912.00	1,064.00	1,216.00	1,368.00	1,672.00	1,975.99	2,279.99	2,735.99	3,191.99
Bodedern	£	915.60	1,068.20	1,220.80	1,373.40	1,678.60	1,983.79	2,288.99	2,746.79	3,204.59
Bodffordd	£	910.92	1,062.74	1,214.56	1,366.38	1,670.02	1,973.65	2,277.29	2,732.75	3,188.21
Trearddur	£	912.60	1,064.70	1,216.80	1,368.90	1,673.10	1,977.29	2,281.49	2,737.79	3,194.09
Tref Alaw	£	910.62	1,062.39	1,214.16	1,365.93	1,669.47	1,973.00	2,276.54	2,731.85	3,187.16
Llanfachraeth	£	917.52	1,070.44	1,223.36	1,376.28	1,682.12	1,987.95	2,293.79	2,752.55	3,211.31
Llanfaelog	£	915.78	1,068.41	1,221.04	1,373.67	1,678.93	1,984.18	2,289.44	2,747.33	3,205.22
Llanfaethlu	£	907.92	1,059.24	1,210.56	1,361.88	1,664.52	1,967.15	2,269.79	2,723.75	3,177.71

		Council Tax per Band, per Area, which includes the Isle of Anglesey County Council and Community/Town Council elements/precepts								
		A	B	C	D	E	F	G	H	I
Llanfair-yn-Neubwll	£	912.96	1,065.12	1,217.28	1,369.44	1,673.76	1,978.07	2,282.39	2738.87	3,195.35
Valley	£	910.92	1,062.74	1,214.56	1,366.38	1,670.02	1,973.65	2,277.29	2,732.75	3,188.21
Bryngwran	£	916.02	1,068.69	1,221.36	1,374.03	1,679.37	1,984.70	2,290.04	2,748.05	3,206.06
Rhoscolyn	£	901.20	1,051.40	1,201.60	1,351.80	1,652.20	1,952.59	2,252.99	2703.59	3,154.19
Trewalchmai	£	909.36	1,060.92	1212.48	1,364.04	1,667.16	1,970.27	2,273.39	2728.07	3,182.75

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

9. That it be noted that for the year 2021/22, the Police and Crime Commissioner North Wales has stated the following amounts in a precept issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Precepting Authority **Valuation Bands**

		A	B	C	D	E	F	G	H	I
Police and Crime Commissioner North Wales	£	203.70	237.65	271.60	305.55	373.45	441.35	509.25	611.10	712.95

10. That, having calculated the aggregate in each case of the amounts at 8(ff) and 9 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2021/22 for each of the categories of dwellings shown below:-

		Council Tax per Band, per Area, which includes the Isle of Anglesey County Council element, Community/Town Council Precepts and North Wales Police Precept								
		A	B	C	D	E	F	G	H	I
Amlwch	£	1,141.62	1,331.89	1,522.16	1,712.43	2,092.97	2,473.51	2,854.05	3,424.86	3,995.67
Beaumaris	£	1,116.18	1,302.21	1,488.24	1,674.27	2,046.33	2,418.39	2,790.45	3,348.54	3,906.63
Holyhead	£	1,200.06	1,400.07	1,600.08	1,800.09	2,200.11	2,600.13	3,000.15	3,600.18	4,200.21
Llangefni	£	1,158.60	1,351.70	1,544.80	1,737.90	2,124.10	2,510.30	2,896.50	3,475.80	4,055.10
Menai Bridge	£	1,140.30	1,330.35	1,520.40	1,710.45	2,090.55	2,470.65	2,850.75	3,420.90	3,991.05
Llanddaniel-fab	£	1,115.88	1,301.86	1,487.84	1,673.82	2,045.78	2,417.74	2,789.70	3,347.64	3,905.58
Llanddona	£	1,109.40	1,294.30	1,479.20	1,664.10	2,033.90	2,403.70	2,773.50	3,328.20	3,882.90
Cwm Cadnant	£	1,116.06	1,302.07	1,488.08	1,674.09	2,046.11	2,418.13	2,790.15	3,348.18	3,906.21
Llanfair Pwllgwyngyll	£	1,125.96	1,313.62	1,501.28	1,688.94	2,064.26	2,439.58	2,814.90	3,377.88	3,940.86
Llanfihangel Ysgeifiog	£	1,117.26	1,303.47	1,489.68	1,675.89	2,048.31	2,420.73	2,793.15	3,351.78	3,910.41
Bodorgan	£	1,114.26	1,299.97	1,485.68	1,671.39	2,042.81	2,414.23	2,785.65	3,342.78	3,899.91
Llangoes	£	1,112.76	1,298.22	1,483.68	1,669.14	2,040.06	2,410.98	2,781.90	3,338.28	3,894.66
Llangristiolus & Cerrig Ceinwen	£	1,105.92	1,290.24	1,474.56	1,658.88	2,027.52	2,396.16	2,764.80	3,317.76	3,870.72
Llanidan	£	1,119.18	1,305.71	1,492.24	1,678.77	2,051.83	2,424.89	2,797.95	3,357.54	3,917.13
Rhosyr	£	1,113.48	1,299.06	1,484.64	1,670.22	2,041.38	2,412.54	2,783.70	3,340.44	3,897.18
Penmynydd	£	1,119.06	1,305.57	1,492.08	1,678.59	2,051.61	2,424.63	2,797.65	3,357.18	3,916.71
Pentraeth	£	1,112.40	1,297.80	1,483.20	1,668.60	2,039.40	2,410.20	2,781.00	3,337.20	3,893.40
Moelfre	£	1,109.46	1,294.37	1,479.28	1,664.19	2,034.01	2,403.83	2,773.65	3,328.38	3,883.11
Llanbadrig	£	1,124.28	1,311.66	1,499.04	1,686.42	2,061.18	2,435.94	2,810.70	3,372.84	3,934.98
Llanddyfnan	£	1,110.66	1,295.77	1,480.88	1,665.99	2,036.21	2,406.43	2,776.65	3,331.98	3,887.31
Llaneilian	£	1,112.40	1,297.80	1,483.20	1,668.60	2,039.40	2,410.20	2,781.00	3,337.20	3,893.40
Llanerch-y-medd	£	1,120.32	1,307.04	1,493.76	1,680.48	2,053.92	2,427.36	2,800.80	3,360.96	3,921.12
Llaneugrad	£	1,111.92	1,297.24	1,482.56	1,667.88	2,038.52	2,409.16	2,779.80	3,335.76	3,891.72
Llanfair Mathafarn Eithaf	£	1,117.50	1,303.75	1,490.00	1,676.25	2,048.75	2,421.25	2,793.75	3,352.50	3,911.25
Cylch y Garn	£	1,109.10	1,293.95	1,478.80	1,663.65	2,033.35	2,403.05	2,772.75	3,327.30	3,881.85
Mechell	£	1,109.40	1,294.30	1,479.20	1,664.10	2,033.90	2,403.70	2,773.50	3,328.20	3,882.90
Rhos-y-bol	£	1,108.56	1,293.32	1,478.08	1,662.84	2,032.36	2,401.88	2,771.40	3,325.68	3,879.96
Aberffraw	£	1,115.70	1,301.65	1,487.60	1,673.55	2,045.45	2,417.35	2,789.25	3,347.10	3,904.95
Bodedern	£	1,119.30	1,305.85	1,492.40	1,678.95	2,052.05	2,425.15	2,798.25	3,357.90	3,917.55
Bodffordd	£	1,114.62	1,300.39	1,486.16	1,671.93	2,043.47	2,415.01	2,786.55	3,343.86	3,901.17
Trearddur	£	1,116.30	1,302.35	1,488.40	1,674.45	2,046.55	2,418.65	2,790.75	3,348.90	3,907.05
Tref Alaw	£	1,114.32	1,300.04	1,485.76	1,671.48	2,042.92	2,414.36	2,785.80	3,342.96	3,900.12
Llanfachraeth	£	1,121.22	1,308.09	1,494.96	1,681.83	2,055.57	2,429.31	2,803.05	3,363.66	3,924.27
Llanfaelog	£	1,119.48	1,306.06	1,492.64	1,679.22	2,052.38	2,425.54	2,798.70	3,358.44	3,918.18
Llanfaethlu	£	1,111.62	1,296.89	1,482.16	1,667.43	2,037.97	2,408.51	2,779.05	3,334.86	3,890.67
Llanfair-yn-Neubwll	£	1,116.66	1,302.77	1,488.88	1,674.99	2,047.21	2,419.43	2,791.65	3,349.98	3,908.31
Valley	£	1,114.62	1,300.39	1,486.16	1,671.93	2,043.47	2,415.01	2,786.55	3,343.86	3,901.17
Bryngwran	£	1,119.72	1,306.34	1,492.96	1,679.58	2,052.82	2,426.06	2,799.30	3,359.16	3,919.02
Rhoscolyn	£	1,104.90	1,289.05	1,473.20	1,657.35	2,025.65	2,393.95	2,762.25	3,314.70	3,867.15
Trewalchmai	£	1,113.06	1,298.57	1,484.08	1,669.59	2,040.61	2,411.63	2,782.65	3,339.18	3,895.71

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ISLE OF ANGLESEY COUNTY COUNCIL	
Adroddiad i: **Report to:**	Audit and Governance Committee / County Council
Dyddiad: **Date:**	9 February / 9 March 2021
Pwnc: **Subject:**	Replacement of Lay Member for the Audit and Governance Committee
Pennaeth Gwasanaeth: **Head of Service:**	Marc Jones Director of Function (Resources) and Section 151 Officer 01248 752601 MarcJones@ynysmon.gov.uk
Awdur yr Adroddiad: **Report Author:**	Marion Pryor Head of Audit and Risk 01248 752611 MarionPryor@ynysmon.gov.uk
Natur a Rheswm dros Adrodd / Nature and Reason for Reporting: Following the resignation of Mr Johnathon Mendoza, Lay Member, the Committee is asked to consider whether it wishes to recruit a replacement for the remainder of the term to be served, i.e. until May 2022 or to change the Constitution to reduce the lay members required to one until the new legislation commences.	

Introduction

1. Mr Jonathan Mendoza, Lay Member and Vice-Chair, has resigned from the Audit and Governance Committee, with his last meeting being 1 December 2020.

2. The Local Government (Wales) Measure 2011[1] requires the local authority to ensure at least one member of its audit committee is a lay member.

3. The Isle of Anglesey County Council has extended this requirement; its Constitution provides for the Audit and Governance Committee to consist of two lay members, to serve for a fixed term to coincide with the length of the Council, i.e. five years, currently until May 2022.

4. The Chair and Vice-Chair are responsible for recommending the lay members' appointment.

5. The Local Government and Elections (Wales) Act 2021 (passed on 20 January 2021), introduces a new name, additional functions and responsibilities and amends the membership for the Audit and Governance

[1] https://www.legislation.gov.uk/mwa/2011/4/part/6/chapter/2 82, 2(b)

Committee, including a requirement for one third of the members to be lay members. The Chair will also be required to be a lay member.

6. If the committee continues with eight elected members, there would therefore be a requirement for four lay members.

7. The Council is still awaiting clarification on the date of commencement of the provisions relating to changes to audit committees and the nature of those changes and is a ‘date to be appointed by the Minister’.

8. The Welsh Local Government Association has sought clarification from Welsh Government and we understand that the intention is for commencement to be as follows:

   - April 2021 – new name and new functions / responsibilities

   - From May 2022 – changes to membership (i.e. lay chair and a third of members being lay members).

9. The Council will therefore have to undertake a recruitment exercise in 2022 to recruit the lay members in preparation for this change.

Recommendation

10. That the Audit and Governance Committee considers whether it wishes to either:

    - recruit a replacement lay member to serve the remaining term of office, until May 2022[2] or

    - ask Council to amend the Council’s Constitution to reduce the number of lay members required on the Audit and Governance Committee from two lay members to one, until such time as the provisions of the new legislation come into effect.

[2] The successful replacement would be eligible to apply for a second five-year term, but a maximum of two terms can be served.

CYNGOR SIR YNYS MON / ISLE OF ANGLESEY COUNTY COUNCIL	
MEETING:	**Isle of Anglesey County Council**
DATE:	**9 March 2021**
REPORT TITLE:	**Local Government and Elections (Wales) Act 2021 - an update**
PURPOSE OF THE REPORT:	**To provide Council with an update on the Local Government and Elections (Wales) Act 2021 and agree action plan**
REPORT BY:	**Lynn Ball, Director of Function (Council Business) / Monitoring Officer**

1. Background

1.1 The Local Government and Elections (Wales) Bill [the Bill] was passed by the Senedd on 18th November 2020, exactly a year after it was introduced in 2019. The Bill received Royal Assent on 20 January 2021.

1.2 The Bill was one of only two Bills in the Welsh Government's legislative programme to continue during COVID 19. The Bill was prioritised given the timescales required to introduce planned electoral reforms in time for the 2022 local elections.

1.3 Links to the relevant documents are available here:
- Local Government and Elections (Wales) Bill as passed at Stage 4 (November 2020)
- Revised Explanatory Memorandum (November 2020)
- Statement of Policy Intent (November 2019)

1.4 The Local Government and Elections (Wales) Act 2021 [the Act] has been the culmination of several years of policy consultation, including:
- Draft Local Government (Wales) Bill – November 2015
- Consultation on Electoral Reform – October 2017
- Reforming Local Government: Resilient and Renewed White Paper - January 2017
- Consultation on Powers and Flexibilities – January 2018
- Strengthening Local Government: Delivering for People Welsh Government Green Paper - June 2018

1.5 The Act is substantial and covers a range of topics from electoral reform, public participation, governance and performance through to regional working. In summary the Act introduces:

1.5.1 Reforming electoral arrangements for local government, including;
- extending the voting franchise to 16 and 17 year olds and foreign citizens legally resident in Wales,
- enabling councils to choose between 'first past the post' or the 'single transferable vote' voting systems,
- Change of electoral cycle for principal councils from four years to five years,

- Allowing non-politically restricted council staff to stand for election in their own authority (but who should resign if elected),
- Removal of Returning Officers' Fees for local elections, where relevant.

1.5.2 Introduction of a general power of competence (Councils may do anything in furtherance of their agenda provided the actions are not legally prohibited);

1.5.3 Reforming public participation in local government;
- Duty to encourage local people to participate in local government (and to produce a strategy to that effect);
- Duty to make petition scheme (and repeal of community polls);
- Duty to broadcast certain meetings;
- Greater flexibility around remote attendance of members.

1.5.4 Reforms around democratic governance and leadership, including;
- Appointment of Chief Executives (rather than a head of paid service) with specific duties;
- Appointment of assistants to executives (other members) and allowing job-sharing leaders or executive members;
- Updating family absence provisions in line with those available to employees (via regulations);
- Requiring leaders of political groups to promote and maintain high standards of conduct by members of their groups.

1.5.5 Collaborative Working;
- Powers for councils to initiate the establishment of Corporate Joint Committees (CJCs) covering any functions;
- Powers for Ministers to establish CJCs covering the four functions of economic wellbeing, transport, strategic planning and school improvement. This is a matter which has been subject to a previous briefing session for Members on 4th February 2021.

1.5.6 Reform of the performance and governance regime;
- Repeal of the 2009 Measure duties, replacing audit and reporting duties with self-assessment and panel assessment (independent peer review);
- Reforms to Audit Committees, renaming as Governance and Audit Committees and prescribing membership and chair. One third of members must be independent cooptees and one of whom must chair.

1.5.7 Powers to facilitate voluntary mergers of principal councils.

1.6 Members have previously received an "Action Point Summary" by way of emailed correspondence (on 8th January 2021). This was a working document that summarised the main changes affecting this Council arising from the legislation; it also included information on what would be required to ensure the effective implementation of these matters.

2. Key Issues for Consideration

2.1 The Bill received Royal Assent on 20 January 2021. It is known as the Local Government and Elections (Wales) Act 2021.

2.2 The ‘Coming into Force’ provisions of the Act are complex, with some provisions coming into force within days of Royal Assent, others within two months and the majority via Ministerial statutory instruments; the dates of which are not all yet known.

2.3 An updated and more detailed timeline will be shared when available, but in general it is anticipated that:

2.3.1 CJC regulations will be introduced in the Senedd during February-April 2021, for commencement in the summer (and first meeting of CJCs planned by end of September 2021), subject to further consideration by the Minister given the ongoing consultation on this issue. The Council’s Modernisation Panel approved our consultation response and it was circulated to all members on 24th December 2020.

2.3.2 Remote attendance and related matters will be commenced in March 2021;

2.3.3 Performance and governance arrangements will be commenced from April 2021 (with the final performance report from the 2009 Measure published by 31st October 2021).Subject to a decision by the Council the first peer review may take place soon after the local government election in May 2022.

2.3.4 Most of the electoral reforms will be introduced in time for implementation at the 2022 local elections;

2.3.5 The power of general competence will commence in November 2021; and

2.3.6 The public participation duties, broadcasting of meetings and new councillor duties will apply from the 2022 local elections.

2.4 As stated above, the Welsh Government is already consulting on the draft Regulations to Establish CJCs and will soon consult on Regulations of General Application and statutory CJC guidance. The Welsh Government is currently also consulting on draft statutory guidance on the ‘performance and governance of principal councils’. This is a matter which has been subject to a previous briefing session for Members on 4th March 2021.

2.5 In addition to the statutory guidance on CJCs and performance and governance, it is anticipated that several sets of statutory instruments will be laid and a further 5 statutory guidance notes will be produced during the next 12 months (covering public participation, executive members’ duties on equality and diversity, collaboration, mergers as well as updated scrutiny guidance (based on the 2011 Measure).

3. Effect on this Council

3.1 In terms of our Council, **Appendix A** sets out an Action Plan. This is a document which has been developed on the basis of the Action Point Summary (referred to in 1.6 above). The Action Plan outlines the various provisions of the Act and the work undertaken to date / what needs to be done to ensure this Council is prepared for the introduction of various elements of the Act in due course. Council is requested to consider and agree the contents of **Appendix A**.

4. Recommendations

4.1 That Council considers the contents of this report and approves the appended Action Plan (**Appendix A**)

4.2 That further reports detailing progress against the Action Plan be monitored by the Senior Leadership Team

Local Government and Elections (Wales) Bill 2020: Action Plan – v1

This is a live document and it is anticipated that it will be updated as required.

WG confirmation as to the commencement of each section of the Bill is awaited. This Action Plan will be updated to include any further details received.

Provisions	Actions	Responsible Officer	Progress Update	Coming into force as per section 175 of the Bill
Part 1 Elections				
Extending the right to vote to 16-17 year olds and qualifying foreign citizens (section 2)	• Addressed via canvass: raising awareness campaigns and change to Electoral Services software. • Electoral Services to work with the Equality Team to support this piece of work	JHJ	Ongoing – registration changes in place as part of Annual Canvass 2020 and updated register published on 1/12/20 Website updated Action plan prepared to raise awareness. Task supported by temporary post (grant funded-	Entitlement to be registered as a Local Government Elector – 2 months after Royal Assent. [March 2021] Other provisions come into force 2 months after Royal Assent but do not take effect until 5 May 2022 and thereafter in respect of Local Government Elections and Local Referendum.

			since January 2021	
Promote awareness of registration of relevant young people and provide assistance (section 4)	• Draw up a strategy for promoting awareness. • Ensuring that awareness raising work programme aligns with Electoral Commission's campaign.	JHJ	Ongoing see above	2 months after Royal Assent [March 2021]
Two voting systems. Simple majority system and Single Transferable Voting system. (Sections 5–12)	• Simple majority system to apply unless and until the Council changes the voting system for the first time. • Constitution to be updated to address procedure to be followed regarding a proposal to change the Council's voting system, in part reflecting that a resolution would be required before 15 November of the year that is 3 years before the year in which the next ordinary election of the Council is due to be held, and consultation requirements. Council decision (not part of Executive's remit) with minimum numbers present etc. (section 9 in particular) • Multi-members wards are set up by WG/Boundary Commission, though decision for IOACC on whether it wishes to adopt the Single Transferrable Voting system within the boundaries set. Without a decision, the default position is the current Simple majority system (i.e. single vote). • Clarification required on the restrictions at Section 12 on number of Councillors if Single Transferrable Voting system applies to the election of Councillors for a Principal Council, the number of Councillors for each Electoral Ward is to be no less than 3 but no more than 6.	LB/JHJ	Review following 2022 Local Government Elections	6 May 2022
Change of electoral cycle for Principal and Community Councils, together with Elected Mayors from four years to five years and extension of power to Welsh Ministers to change election day in Wales (Sections	• Amendments to Council website • Amend reference in Constitution • Advise Members	LB/JHJ		2 months after Royal Assent [March 2021]

14–17)				
Registration of Local Government Electors without application (Section 18)	• Systems to be established to ensure appropriate notification and record keeping are in place	JHJ	Ongoing	Dates to be appointed by Welsh Ministers
Qualification and Disqualification for Election and being a member of a Local Authority (Sections 19-21)	• Update any forms/guidance for candidates. Include in Elections Candidate Pack. • To be addressed through Electoral Commission Guidance and the Returning Officer briefing sessions for potential candidates	JHJ	Awaiting guidance from Electoral Comm (EC)	Dates to be appointed by Welsh Ministers
Translations etc of documents at Elections in Wales (Section 22)	• Need to ensure documents are produced to comply with the requirements in the Bill e.g. Braille / translations etc. • Appropriate arrangements to be programmed for and beyond the May 2022 elections.	JHJ/AWO	Ongoing awaiting further information from WG/EC	2 months after Royal Assent [March 2021] subject to Section 3 which in part refers to this Section taking effect in Local Government Elections on 5 May 2022 and all elections/referendums thereafter.
Part 2 Chapter 1 General power of competence for Local Authorities				
Defines the power, defines qualifying local authority as a Principal Council and an 'eligible community council, including limits on charging in exercise of general power, limits on doing things for commercial purposes in exercise of general power, powers to make supplementary provisions by Welsh Ministers (Sections 24-29)	• SLT to embed in business as usual • Training/guidance for officers so they are aware and know how to make use of it	SLT/MJ/LB		1 November 2021

Chapter 2 eligible Community Councils to qualify for the general power of competence (Sections 30-37)	**Matter for Town and Community Councils:** • Raise awareness at Forum meetings	JHJ/Town and Community Councils	Need to schedule for future meeting of Forum	5 May 2022
Part 3 Promoting Access to Local Government				
Duty to encourage local people to participate in local government decision making to include the making of decisions in partnership or in conjunction with any other person (Section 39)	• Further develop existing guidance • Opportunity to look at extending current process e.g. public speaking and public questions at all Committees? • Consider ICT matters/accessibility with such duty	JHJ/MH	Bid submitted to WG (Wales Digital Fund) to fund digital engagement officer post to support preparation of engagement plan / business processes and key digital elements of Part 3	5 May 2022
Prepare and Publish a Strategy on encouraging people to participate (as above) and review the strategy following every local government election (Sections 40–41)	• Develop a Public Participation Strategy on how the Council proposes to comply with this duty – (6 headings) promoting awareness of its functions, how to become a member and what membership entails; ways of promoting and facilitating processes by which local people may made representation about a decision before and after it is made, bringing the public's views to the attention of Scrutiny Committee and promoting awareness of the benefits of social media as a means to communicate. • Need to ensure consultation with others when developing the Strategy. • Public participation and strategy to be reviewed as soon	SLT/JHJ/GM/AD/LB	As soon as reasonably practicable after Section 40 comes into force	5 May 2022

	as practicable following each ordinary election, again include consultation with third parties. • Need to add to Constitution as a Council decision?			
Duty to make and publish a petition scheme and review the scheme from time to time (Section 42)	• Develop Petition Scheme (to include specific headings in 42(2)(a)-(e)) including electronic petitions and guidance • Look at best practice within local government regarding existing schemes • Ensure there is a process for reviewing this Scheme occasionally when deemed necessary	JHJ/MH		5 May 2022
Duty on Principal Councils to publish official addresses for each member – electronic and postal (Section 43)	• Ensure electronic and postal address published for every member. • This information is already available on the Council's website. • Members not wishing to make their home address public (provided they satisfy the requirements of the Members' Code of Conduct) may utilise IOACC address.	JHJ/MH	Currently compliant	5 May 2022.
Publish Constitution and a guide to accompany the Constitution and make copies of the guide available on request (Section 45)	• Guide to be developed and published electronically • Constitution to be amended to provide delegated authority to officer set charge for hard copies of the Constitution and Guide to the Constitution.	LB/JHJ/MH	Constitution currently available on the Council's website	5 May 2022

Electronic broadcasts of meetings open to the public (Section 46)	• Make and publish arrangements to ensure:
	  ◦ The broadcasting of meetings open to the public as they take place (subject to exceptions) and make available for a specified time following the meeting.
	  ◦ Bill states Council meetings only – other meetings may be covered in further Regulations.
	• Develop programme / action plan
	• Webcasting contract may need to be reviewed to extend additional broadcasting requirements. Current contract in place until March 2022
	• Consider any ICT support required here. **[WG funding available before end January 2021**].
		JHJ/MH/LB		5 May 2022

Attendance at local authority meetings (remote attendance) (Section 47)	• Make and publish arrangements ensuring relevant meetings are able to be held remotely and meet the conditions of Section 47. • Where meetings are of a Joint Committee, the relevant Local Authorities to publish arrangements jointly • As a result of COVID remote meetings procedures in place for all Committees. Procedures to be revisited in light of Section 47 and Welsh Ministers guidance which may be issued pursuant to this section. • Potential amendments required to the Constitution to reflect the conditions for a member to attend remotely. • As a result of COVID - measures in place to allow meetings to be held remotely via a virtual meeting solution. • WG to publish guidance	JHJ/LB/MH		18 March 2021
Participation at meetings of Community Councils (Section 48)	• Awareness raising report to be taken to Town and Community Councils Forum. • Liaise with Un Llais Cymru to see what support they are offering to Town and Community Councils • **<u>Matter for Town and Community Councils</u>** – providing members of the public in attendance with a reasonable opportunity to make representations about any business to be transacted at meetings unless the person presiding over the meeting considers that it would prejudice the conduct of the meeting.	JHJ/LB		5 May 2022
Giving of notices and access to documents to meetings (Section 49)	• Existing practices to be reviewed in light of Section 49 and Schedule 3, it being noted that IOACC already publish notices of meetings, agendas, minutes and reports electronically on the Council's website, and make arrangements for the public to have sight of agendas and the opportunity to obtain the same for a copying charge. Limited copies of Agendas are also available at Council meetings that are open to the public.	LB/JHJ/MH		18 March 2021

Regulations about conduct of local authority meetings, documents relating to meetings and publication of information (Section 50)	• This section enables Welsh Ministers to make associated regulations. • Review regulations when available.	LB/JHJ/MH		Day after Royal Assent [21 January 2021] These are to be made in March 2021. Effective dates noted for each section separately.
Regulations about community meetings (Section 51).	This section enables Ministers to make regulations **This is a matter relevant for Town and Community Councils.**			Day after Royal Assent [21 January 2021]
Annual Reports by Town and Community Councils; to give opportunity for the public to speak at meetings Publish an annual report about their priorities etc Publish a training plan. (Section 52)	**This is a matter for Town and Community Councils:** • Annual Report to be prepared and published as soon as reasonably practicable after the end of each financial year • Raise awareness of the need to report on priorities, activities and achievements during the previous financial year. • Awareness raising report to be taken to Town and Community Councils Forum. • Liaise with Un Llais Cymru to see what support they are offering to Town and Community Councils	JHJ/LB		1 April 2022
Part 4 Local Authority Executives, Members, Officers and Committees				
• Appointment of Chief Executive rather than a Head of Paid service • Matters to be kept under review by Chief Executive • Reconsideration of remuneration if direction given by Welsh Ministers (Sections 54 –56)	• Change job designation to Chief Executive (already named as such in IOACC) • Pay Policy potential implications subject to direction from Welsh Ministers (IRPW) • Amend Constitution, if required, to ensure inclusion of defined roles and duties under Part 4 • Amend Reserved Matters under the Constitution to include the Chief Executive report to Council in relation to the matters noted in section 54* and that Council must meet within 3 months of report being prepared. • *Section 54 report contents (all or some): - the exercise by the council of it's different functions is co-ordinated; - council's arrangements in relation to financial	LB/AM/DW		2 months after Royal Assent (Section 55, which amends reference from salary to remuneration) [March 2021] s54 and s56 – 5 May 2022

	planning, asset management and risk management; - number and grades of staff required by the council for the exercise of its functions; - organisation of council staff - appointment of council staff - arrangements for the management of the council's staff (including arrangements for training and development).			
Appointments of assistants to Executive Members (unremunerated) to be appointed by the Leader to include details of their terms of office, responsibilities and the number of assistants (assistants are other members but cannot be Chairman or Vice Chairman of Council nor an Executive Member) (Section 57)	• Councils' Constitution (Executive Arrangements) to be amended to permit the appointment of assistants to the Executive and can include details on (A) the number of appointments; (b) term of office and (c) their responsibilities.. • Constitution to include the right for appointments to be determined by the Leader	Leader/LB/JHJ		5 May 2022
Enabling job sharing for Leader and Executive Member positions (Sections 58-59) .	• Conditions to be drawn up and included in the Constitution. • Amend internal processes – e.g. Executive PH clearance of report etc. • Implications as a consequence of senior salary cap / senior salary split? • Have regard to implications • Appointments to be determined by the Leader • Council's Constitution to be amended to incorporate in the Executive Arrangements provision to enable 2 or more councillors to share office on an executive, including the office of Executive Leader; changing the maximum number of Members of an executive when sharing office; and addressing voting and quorum where Members of an executive share office.	Leader /Executive Members /JHJ/LB		s59 – 6 March 2021 s58 - 5 May 2022
Job-sharing: non-executive offices in Principal Councils.	• The introduction of regulations to be monitored and reported to Council when in force.	JHJ		2 months after Royal Assent [March 2021]

Welsh Ministers enabled to make regulations. (Section 60)	• Principal council offices for the purpose of this section relate to: - Chair of a Principal Council - Vice Chair of a Principal Council - Chair of a Committee or sub Committee of a Principal Council - Vice Chair or Deputy Chair of a Committee or sub Committee of a Principal Council -			
Changes in family absence provisions (Section 61)	• Develop procedure for Elected Members and thereafter apprise all Members and potential candidates for future Local Government elections. • Any consequential changes required to Constitution	JHJ/LB		1 April 2021
Members Conduct – Political Group Leaders to promote and maintain high standards of conduct Standards Committee – to monitor compliance with the above and provide training (Sections 62)	• Amend Constitution • Monitoring Officer briefing for Group Leaders • Standards Committee – Terms of Reference to be amended • Consider Local Resolution Protocol • Implications on the Code of Conduct / Guidance by PSOW? – Consider when receive update.	Group Leaders / LB/Standards Committee		5 May 2022
Standards Committee at end of Financial year to prepare an annual report to the Council (Section 63)	• Already done in IOACC. • Review constitution (Council and Standards Committee itself) to ensure compliant re. the matters listed in 63(1) and that the report must be considered within 3 months of receipt. • First report under this requirement will be for period 2022-2023	LB	As soon as reasonably practicable after the end of each financial year	May 2022
Certain investigations by PSOW amendments to schedule 8 (Section 64)	• Standards Committee to be apprised • Ascertain any Guidance from PSOW office	LB		Date to be appointed by the Welsh Ministers
Making information available to Overview and Scrutiny Committees (Section 65)	• To review current arrangements in line with power to require information to be made available about decisions. • Review constitution (Scrutiny Committee Terms of Reference) to ensure compliant.	JHJ/AD		5 May 2022
Power for WM to require LAs to appoint	• May require constitutional changes etc. subject to further information from WG	JHJ/AD		5 May 2022

Joint Overview and Scrutiny Committees (Section 66)				
Community Council Training Plans (Section 67)	**This is a matter for Town and Community Councils:** • Raise awareness of the need to report on priorities, activities and achievements during the previous financial year. • Awareness raising report to be taken to Town and Community Council Forum. • Awareness raising by Standards Committee when conducting bi-annual reviews of the TCC Register if Interests (during 2021) • Liaise with Un Llais Cymru to see what support they are offering to Town and Community Councils • Share information with Town and Community Councils • First training plan to be made no later than 6 months after Section 67 comes into force. • With new training plans no later than 3 months after each ordinary election and review from time to time.	LB/JHJ/ Standards Committees/ Town and Community Councils		5 May 2022
Part 5 Collaborative Working by Principal Councils				
Guidance about Collaborative working (Section 69)	• To consider guidance issued by Welsh Ministers	AM		Day after Royal Assent [21 January 2021]
Power for Local Authorities to apply to Welsh Ministers to establish Corporate Joint Committees ("CJCs") Consultation to be undertaken prior to application (Section 70 and 71) Welsh Ministers may by regulations establish CJCs (Section 72) Conditions prior to a	• Sections 70 – 73 deals with establishing CJCs where request has been made by Principal Councils • Sections 74 – 88 deal with CJCs being established where no request has been made by the Principal Council, these CJCs are subject to Regulations with a consultation closing date set by Welsh Government on 4 January 2021; to which IOACC has responded. This was subject to a separate briefing to Council on the 4th February 2021. .	AM		Day after Royal Assent [21 January 2021]

Section 72 request (Section 73) Establishing CJC when no request has been made (Section 74) Provisions relating to CJCs and Joint Committee Regulations (Section 76-88).				
Part 6 Performance and Governance of Principal Councils and Duty of Principal Council to keep its performance under review				
Local Authorities to develop a new streamlined performance framework and report on its performance and consult at least once a year. Local Authorities to review their performance in respect of a) exercising its functions effectively b) using its resources economically, efficiently and effectively, c) governance is effective for securing the matters set out in paragraphs a) and b)	Annual Report format provides the foundation for this, focusing on Corporate Plan outcomes and well-being objectives but will require consideration of: • more information on use of resources (propose inclusion of information pertaining to the seven core areas of activity • Corporate planning • Financial planning • Workforce planning (people) • Procurement • Assets • Risk management • Performance management will be required • Consideration of interface with Annual Governance Statement – to identify crossovers and points of a complementary nature.	AM		1 April 2021

(Section 89)				
Duty on local authority to consult local people on performance (section 90)	IOACC must consult parties listed in s90 (local people, other persons carrying out a business in the Council's area, staff and recognised trade unions) at least once in each financial year about the extent it is meeting the performance requirements.	GM		1 April 2021
Undertake an Annual self – assessment. Publish a draft report of the assessment report it to the Governance and Audit Committee and publish the final report. (Section 91)	• Self-assessment report to be published as soon as practicable after the end of a financial year. • Draft report to be presented to the Governance & Audit Committee prior to approval/publication. • Within 4 weeks of the Council approving this self-assessment report it is to be published, reported to the Governance and Audit Committee and sent to Auditor General for Wales, Chief Inspector of Education and Training in Wales and Welsh Ministers. • The Bill accepts that a self-assessment report for this purpose may be the same document as the IOACC's report on meeting its well-being objectives under the Future Generations Act. Ensure compliant with both requirements. • Continue to report under the 2009 Measure for 2020-2021 financial year. New performance regime applies in relation to 2021-2022, First self-assessment and report under the new regime required early in 2022-23. • WG will publish guidance on performance and governance requirements in March 2021	AM		1 April 2021
Council to make arrangements to appoint a panel to assess the extent to which performance requirements are being met.(Section 92)	• Panel performance assessment to be carried out once during the period between two consecutive ordinary elections (consideration to be given to the timing of the same, with consideration given to the panel assessment being in the year prior to a new corporate plan [CSYM current plan runs 2017-2022] as part of the direction setting). • Consultation to be undertaken in line with Section 92 following assessment, panel report to be compiled. • To be reported to Governance and Audit Committee and published and sent to the parties as noted under s92 requirements.	AM		5 May 2022

	• Develop a proposed skeleton Terms of Reference and panel composition in readiness.			
Local Authority to respond to the panel's performance assessment (Section 93)	• To be reported to Executive and Council. Section 93 addresses contents of report/response. • Draft response to be reported to Governance and Audit Committee, with the Committee having the opportunity to make recommendations for changes to the draft response. • Council to provide reason if Governance and Audit's Committees comments are not accepted. • Council to publish response as soon as reasonably practicable after finalising response. • Update terms of reference of the G&A Committee to include above	AM		5 May 2022
Welsh Ministers may introduce regulations regarding panel performance assessments (Section 94)	• Regulations to be kept under review.	LB/JHJ		5 May 2022
Power of Auditor General to carry out a special inspection and publish a report and duty for Principal Council to respond to Auditor General's recommendations if considered Principal Council has failed to meet its performance requirements. Duty of Principal Council to respond to Auditor General's recommendations and Welsh Ministers (Section 95)	For noting	Auditor General		April 2021

Powers of inspection by Auditor General and fees. (Section 98 - 101)	For noting	Auditor General		April 2021
Support and assistance by the Welsh Ministers with improving performance and powers to intervene (Section 102 - 112)	For noting			April 2021
Disapplication of the 2009 measure in relation to Principal Councils and repeal of provisions about coordination of audit. (Section 113)	For noting			April 2021
Amendment of the Well-being of Future Generations (Wales) Act 2015. (Section 114)	• Consideration to be given to amalgamating the self-assessment performance report with the report in line with the 2015 Act.	GM		April 2021

Governance and Audit Committee ('G&A') (Sections 115–118)	• Advertise and undertake a recruitment and selection exercise for lay members. Training thereafter.
	• Amend the Council's Constitution:
	  ◦ Rename the Audit and Governance Committee to Governance and Audit Committee
	  ◦ Broaden the Committee's terms of reference
	• Chair of G&A must be a lay member
	• One third of Members to be lay persons
	• Deputy Chair (rather than Vice Chair) must not be a member of the Local Authority's executive or an assistant to its executive.
	• Requirement for the Committee to review and assess the authority's ability to handle complaints effectively, and make reports and recommendations in relation to the same.
		MJ/MP/LB/AM		Section 115 [name, functions regarding complaints and governance regime] = 1 April 2021
				
				Sections 116-118 [membership and chair/deputy status] = May 2022

Coordination between Regulators (Sections 119-120)	For noting	Auditor General for Wales and relevant		Date to be appointed by Welsh Ministers

		Regulators		
Part 7- Mergers and Restructuring of Principal Areas				
Voluntary mergers, local discretion and conditions associated with Welsh Minister making restructuring regulations and remuneration arrangements for new Principal Councils (Sections 121-150)	• For noting • Change Constitution to include as a matter reserved to full Council	AM/LB		Mainly day after Royal Assent [21 January 2021] with a number of provisions on dates appointed by Welsh Ministers – 1 April 2021
Part 8 - Local Government Finance				
• Powers to require information relating to hereditaments, information relevant to determining liability for non-domestic rates, powers to inspect property, amendment to multipliers, amendments to the Local Government Finance Act 1988, granting Welsh Ministers powers to make regulations on joint and several liability to pay Council tax. • Removal of Power to provide for	• Review of internal working procedures of the Finance Service. • Review of Constitution including officers' delegated powers. • Review Financial Regulations in the Constitution	MJ/LB		2 months after Royal Assent (Sections 152, 154-156 and 158) [March 2021] 1 April 2021 (Sections 151, 153 and 157)

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Imprisonment of Council Tax Debtors (Sections 151 - 158)				
Part 9 - miscellaneous				
Information Sharing between Regulators (Section 159)	For noting	HPP		Mainly on the day after Royal Assent, and to the extent not done so, on 1April 2021
Head of Democratic Services (Section 161)	• Amend Pay Policy, Chief Officer to include Head of Democratic Services	CE		5 May 2022 (s161(1) – 6 March 2021)
Abolition of polls consequent on a community meeting (Section 162)	**This is a matter in the Town and Community Councils:** • Awareness raising report to be taken to Town and Community Council Forum meetings. • Share information with Town and Community Councils • Liaise with Un Llais Cymru to see what support they are offering to Town and Community Councils	JHJ		5 May 2022
Implications of merging and de-merging Public Services Boards under the Well-being and Future Generations (Wales) Act 2015 (Section 165)	For noting	AM		2 months after Royal Assent [March 2021]

Part 10 Schedules

Schedule 1	Initial reviews of electoral arrangements etc
Schedule 2	Minor and consequential amendments relating to elections
Schedule 3	Amendments relating to general power of competence relating to Principal Councils and Town and Community Councils.
Schedule 4	Notice of Local Authority meetings, access to documents and attendance at meetings.
Schedule 5	Consequential amendments relating to Chief Executives
Schedule 6	Consequential amendments etc relating to assistance to Local Authority Executives
Schedule 7	Job-sharing by Executive Leaders and Executive Members
Schedule 8	Conduct of Local Government Members: investigations by the Public Services Ombudsman for Wales
Schedule 9	Amendments related to CJCs including creation of strategic planning functions for certain corporate joint committees and repeal of powers to establish strategic planning panels and repeal of power to establish joint transport authorities
Schedule 10	Consequential amendments relating to renaming of Principal Council for the Committees.
Schedule 11	Transition Committees of merging Councils and restructuring Councils.
Schedule 12	Restraints on transactions and recruitment etc by merging Councils and restructuring Councils
Schedule 13	Abolition of polls consequent of community meetings under the Local Government Act 1972
Schedule 14	Consequential amendments relating to merger and de-merger of Public Services Board

Key

LB	Lynn Ball
AD	Anwen Davies
CE	Carys Edwards
MH	Mathew Henshaw
JHJ	Huw Jones
MJ	Marc Jones
AM	Annwen Morgan
GM	Gethin Morgan
AWO	Arwel Wyn Owen
HPP	Huw Pierce Pritchard
MP	Marion Pryor
DW	Dylan Williams
SLT	Strategic Leadership Team

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ISLE OF ANGLESEY COUNTY COUNCIL	
MEETING:	County Council
DATE:	09/03/2021
TITLE OF REPORT:	Pay Policy Statement 2021
REPORT BY:	Councillor Dafydd Rhys Thomas
PURPOSE OF REPORT:	To ensure that the Authority satisfies its statutory obligations under the Localism Act 2011 to have a published Pay Policy by 31.3.21

INTRODUCTION

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

SCOPE OF THE POLICY

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

RECOMMENDATION

It is recommended that the Council endorse the Pay Policy Statement attached to this report as its Pay Policy Statement for 2021/22.

Appendix 1 Pay Policy Statement

ISLE OF ANGLESEY COUNTY COUNCIL

PAY POLICY STATEMENT

FEBRUARY 2020

1. Introduction and Purpose

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

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

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

2. Legislative Framework

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

3. Scope of the Pay Policy Statement

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

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

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

4. Development of Pay and Reward Strategy

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

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

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

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

5. Pay Structure

The Council uses the nationally negotiated NJC pay spine as the basis for its local grading structure. This determines the salaries of the large majority of the non-teaching workforce, together with the use of other nationally defined rates where relevant. In August 2020 a pay award for NJC employees covering the period from 1 April 2020 to 31 March 2021 was agreed. No further information on a pay award from 1 April 2021 has been received as at the date of publication of this report. The Council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine. The Council is committed to fairly determining pay in accordance with equal pay legislation and the local government 'single status' agreement 1997 and has, from 1 December 2015, implemented a Single Status pay and grading structure. The Council's NJC grading structure runs from Grade 1 (scp 3) to Grade 10 (max scp 50) with current minimum and maximum hourly rates of pay being £9.62 and

£28.95 respectively. This Pay Policy Statement will be subsequently revised if a further pay award from 1 April 2021 is agreed.

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

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

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

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

6. Other Benefits

Subject to qualifying conditions, all employees have a right to join the Local Government Pension Scheme. The employee contribution rates, which are defined by statute, currently vary between 5.8% - 11.4% of salary, dependent upon defined pay bands relating to whole-time equivalent salary. The Employer contribution rates are set by Actuaries advising the Gwynedd Pension Fund and reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The rate from 1.4.2020 will be 21.4% and is applicable until 31.3.2023.

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

7. Senior Management Remuneration

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

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

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

LGA Salary structure Senior Management Team –

LGA Grade	Post	Salary 01/04/2021
LGA 1		
LGA 2	Heads of Service	79,107
LGA 2A	Director of Function Monitoring Officer	80,535
LGA 3	Directors / Director of Function S151 Officer	89,084
LGA 4	Deputy Chief Executive	99,565
LGA 5	Chief Executive	120,526

Senior management basic remuneration as at **1st April 2021,** (and subject to the agreement of any further pay awards for 2021/22) is therefore as follows:

Senior Officer	Remuneration
Chief Executive – LGA5	£120,526 per annum (non-incremental) This officer is required to act as Head of Paid Service and will also receive additional fees for Returning Officer duties
Senior Leadership – LGA2A-LGA4 -	£80,535 - £99,565 per annum
Heads of Service – LGA2 -	£79,107 per annum

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

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

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

Section 143A of the Local Government (Wales) Measure 2011 gives the Independent Remuneration Panel for Wales ("the IRP") powers to make recommendations in relation to the salary of the Head of Paid Service, or any proposed changes to the salary of the Head of Paid Service. The Council will consider any recommendations received from the IRP in relation to remuneration for its Head of Paid Service.

8. Recruitment of Chief Officers

The Council's policy and procedures with regard to recruitment of Chief Officers is set out within the Officer Employment Procedure Rules as set out in Part 4.10 of the Constitution. When recruiting to all posts the Council will take full and proper account of its own Equal Opportunities, Recruitment and Selection, and Redeployment Policies. The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the agreed pay structure and relevant policies in place at the time of recruitment.

Where the Council is unable to recruit Chief Officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive Chief Officer post, the Council will, where necessary, consider engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process, ensuring the council is able to demonstrate the maximum value for money benefits from competition, in securing the relevant service.

In line with Welsh Government regulations, it is the Council's policy that the full Council is offered the opportunity to vote on remuneration and any restructures at senior management level, regardless of salary levels. Welsh Government regulations also specify that all posts attracting a salary of £100,000 or higher must be advertised externally if the duration of the post is expected to be for 12 months or more.

9. Pay Awards

The Council employs its Chief Executive and Chief Officers under JNC terms and conditions which are incorporated in their contracts. The JNC for Chief Officers negotiates on national (UK) annual cost of living pay increases for this group, and any award of same is determined on this basis. Chief Officers employed under JNC terms and conditions are contractually entitled to any national JNC determined pay rises and this council will therefore pay these as and when determined in accordance with current contractual requirements.

10. Additions to Salary of Chief Officers

Chief Officers are subject to the same qualifying criteria and arrangements as other employees with regard to receipt of additional monetary-based terms and conditions, including mileage payments and reimbursement of professional fees.

11. Payments on Termination

The Council's approach to statutory and discretionary payments on termination of employment of Chief Officers and all employees falling within the scope of this statement, prior to reaching normal retirement age, is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007. Any enhancements provided within the Council's policy are applied to all staff, irrespective of grade or status.

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

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

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

12. Lowest Paid Employees

The lowest paid persons employed under a contract of employment with the Council are employed on full time 37 hours equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1 April 2021, and subject to any future pay award for 2020/21, this point is the current nationally agreed scale point 3 of £18,562 per annum, or £9.62 per hour compared with the National Living Wage of £8.91 per hour at 1 April 2021 and the current Real Living Wage (set in October 2020) of £9.50 per hour.

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

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

As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate. When expressed as a multiplier of pay, the Chief Executive's salary is 6.5:1 greater than that of the Council's lowest earner.

13. External Contractors

The Council will utilise its procurement processes to ensure that fair and ethical pay practices are adopted by external contractors commissioned to deliver services.

14. Publication

Upon approval by the full Council, this statement will published on the Council's Website. In addition, for posts where the full time equivalent salary is at least £60,000, the Council's Annual Statement of Accounts will include a note setting out the total amount of

- salary, fees or allowances paid to or receivable by the person in the current and previous year;

- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above.

15. Accountability and Decision Making

Paragraph 10 of the statutory guidance states "The provisions in the Act ……require Councillors to take a greater role in determining pay, ensuring that these decisions (no definition) are taken by those who are directly accountable to local people".

In accordance with the Constitution of the Council, the Pay and Grading Panel is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.

This Pay Policy Statement will be reviewed annually and presented annually to a meeting of the full Council either in February or March, following which it will be published on the Council's website.

The Council has considered all current guidance in the development of this pay policy but should further amended guidance be received, or subsequent pay awards agreed, the Council may decide to amend its policy with full Council approval. The revised version will be published on the website.

February 2021

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ISLE OF ANGLESEY COUNTY COUNCIL	
MEETING:	**COUNTY COUNCIL**
DATE:	**9 March 2021**
TITLE OF REPORT:	**POLITICAL BALANCE ARRANGEMENTS WITHIN THE COUNCIL**
REPORT BY:	**HEAD OF DEMOCRATIC SERVICES**
PURPOSE OF REPORT:	**TO REVIEW POLITICAL BALANCE ON COMMITTEES**

1.0 The Council needs to review political balance arrangements on its Committees following the recent retirement of Cllr. Lewis Davies. There are now 2 vacancies on the Council and by elections are scheduled for the 6th May 2021. A further review of political balance will be necessary after the by elections

2.0 The Local Government and Housing Act 1989 sets out the main principles governing political balance, which are:

"(a) that not all the seats on the body are allocated to the same political group;

(b) that the majority of the seats on the body is allocated to a particular political group if the number of persons belonging to that group is a majority of the Authority's membership;

(c) subject to (a) and (b) above, the number of seats on the ordinary committees of a relevant Authority which are allocated to each political group bears the same proportion to the total of all the seats on the ordinary committees of that Authority as is borne by the number of members of that group to the membership of the Authority; and

(d) subject to paragraphs (a) to (c) above, that the number of the seats on the body which are allocated to each political group bears the same proportion to the number of all the seats on that body as is borne by the number of members of that group to the membership of the Authority."

3.0 The position in terms of Group Membership is as follows:

Plaid Cymru Party of Wales	- 13
Welsh Labour	- 2
Y Grwp Annibynnol	- 7
Anglesey Independents	- 6 (This includes 1 Liberal Democrat Member)
Vacant seat	- 2

4.0 The attached Matrix sets out the entitlement of seats on each Committee based on 28 Councillors.The total number of seats to be allocated is 113.

5.0 Clearly, unless the calculation arrives at whole numbers of total seats overall and the whole number of seats on each committee, then fractions will inevitably result, so that exact compliance will be impossible. It is, however, necessary to achieve the best possible compliance on the figures with the principles set out in paragraph 2 above.

6.0 Each political group on the Council can only allocate the seats it receives under the political balance arrangements to its own members, and cannot allocate to a Councillor who is not a member of that same political group.

7.0 In accordance with political management protocols,Group Leaders have been consulted on political management arrangements.

8.0 Recommendations:-

(i) The Council is requested to confirm political balance arrangements and the number of seats allocated to each of the Groups, as detailed in the matrix, under the Local Government and Housing Act 1989.

(ii) That Group Leaders advise the Head of Democratic Services as soon as possible of changes to Group Membership on Committees.

Huw Jones
Head of Democratic Services
23/2/21

Mawrth/March 2021

Balans ar y Cyngor Sir **Balance on County Council**	
Plaid Cymru Party of Wales	13
Llafur Cymru Welsh Labour	2
Y Grwp Annibynnol	7
Annibynwyr Mon Anglesey Independents	6
	28

PWYLLGORAU CRAFFU A THROSOLWG **SCRUTINY AND OVERVIEW COMMITTEES**			
Pwyllgorau **Committees**	Partneriaeth Partnership	Corfforaethol Corporate	Cyfanswm Craffu Total Scrutiny
Aelodaeth Membership	10	10	20
	4.6429 5	*4.64286* 5	*9.285714286* 10
	0.7143 1	*0.71429* 1	*1.428571429* 2
	2.5 2	*2.5* 2	*5* 4
	2.1429 2	*2.14286* 2	*4.285714286* 4
	10 10	*10* 10	*20* 20

ALLWEDD	KEY
Chwith uchaf, italic = hawl ffracsiynol damcaniaethol *Top left, italic, theoretical fractional entitlement*	
	Dde isaf, arferol = awgrym rhif llawn Bottom right, normal = whole number suggestion

	LLED-FARNWROL **QUASI-JUDICIAL**								**PWYLLGORAU ERAILL Y CYNGOR** **OTHER COMMITTEES OF THE COUNCIL**						
Pwyllgorau **Committees**	Cynllunio a Gorchmynion Planning and Orders	Archwilio Audit	Gwasanaethau Democrataidd Democratic Services	Penodiadau Appointments	Ymchwilio Investigation	Disgyblu Disciplinary	Apeliadau Appeals	Trwyddedu Licensing	CYSAG SACRE	Cynllunio ar y cyd Joint Planning	Tal a Graddio Pay and Grading	Penodi Safonau Standards Appointing	Is-Bwyllgor Indemniadau Indemnities sub-Committee	Cyfanswm Eraill Total Others	**CYFANSWM LLAWN** **GRAND TOTAL**
Aelodaeth Membership	11	8	10	10	3	3	10	11	6	7	6	3	5	93	113
Plaid Cymru Party of Wales	*5.10714* 5	*3.71429* 4	*4.64286* 5	*4.64286* 5	*1.392857* 1	*1.392857* 1	*4.642857* 5	*5.10714286* 5	*2.7857* 3	*3.25* 3	*2.785714* 3	*1.392857* 1	*2.321429* 2	*43.17857* 43	*52.46428571* 53
Llafur Labour	*0.78571* 1	*0.57143* 0	*0.71429* 1	*0.71429* 1	*0.214286* 0	*0.214286* 0	*0.714286* 1	*0.78571429* 1	*0.4286* 0	*0.5* 1	*0.428571* 0	*0.214286* 0	*0.357143* 0	*6.642857* 6	*8.071428571* 8
Grwp Annibynnol Independent Group	*2.75* 3	*2* 2	*2.5* 2	*2.5* 2	*0.75* 1	*0.75* 1	*2.5* 2	*2.75* 3	*1.5* 2	*1.75* 2	*1.5* 2	*0.75* 1	*1.25* 1	*23.25* 24	*28.25* 28
Annibynwyr Mon Anglesey Independents	*2.35714* 2	*1.71429* 2	*2.14286* 2	*2.14286* 2	*0.642857* 1	*0.642857* 1	*2.142857* 2	*2.35714286* 2	*1.2857* 1	*1.5* 1	*1.285714* 1	*0.642857* 1	*1.071429* 2	*19.92857* 20	*24.21428571* 24
	11 11	*8* 8	*10* 10	*10* 10	*3* 3	*3* 3	*10* 10	*11* 11	*6* 6	*7* 7	*6* 6	*3* 3	*5* 5	*93* 93	*113* 113

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