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RHYBUDD O GYFARFOD	NOTICE OF MEETING
PWYLLGOR LLYWODRAETHU AC ARCHWILIO	**GOVERNANCE AND AUDIT COMMITTEE**
DYDD IAU 8 CHWEFROR 2024 am 2:00 y. p.	**THURSDAY, 8 FEBRUARY 2024 at 2.00 pm**
YSTAFELL BWYLLGOR 1, SWYDDFEYDD Y CYNGOR AC YN RHITHIOL DRWY ZOOM	**COMMITTEE ROOM 1, COUNCIL OFFICES AND VIRTUALLY VIA ZOOM**
Swyddog Pwyllgor **Ann Holmes 01248 752518**	**Committee Officer**

AELODAU / MEMBERS
Cynghorwyr / Councillors:-

PLAID CYMRU / THE PARTY OF WALES

Geraint Bebb, Trefor Lloyd Hughes, MBE, Dyfed Wyn Jones, Euryn Morris ***(Deputy Chair)***, Margaret M. Roberts

Y GRWP ANNIBYNNOL / THE INDEPENDENT GROUP

Ieuan Williams

LLAFUR CYMRU/WELSH LABOUR

Keith Roberts

ANNIBYNNWYR MÔN / ANGLESEY INDEPENDENTS

Liz Wood

AELODAU LLEYG / LAY MEMBERS

Dilwyn Evans ***(Chair),*** William Parry, Sharon Warnes, Michael Wilson

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A G E N D A

1 DECLARATION OF INTEREST

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

2 MINUTES OF THE PREVIOUS MEETING (Pages 1 - 14)

To present the minutes of the previous meeting of the Governance and Audit Committee held on 7 December 2023.

3 INFORMATION GOVERNANCE: ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER (SIRO) REPORT 2022/23 (Pages 15 - 24)

To present the report of the Senior Information Risk Owner.

4 OUTCOME OF THE INFORMATION COMMISSIONER'S OFFICE INVESTIGATION INTO THE CYBER INCIDENT 2021 (Pages 25 - 32)

To present the report of the Director of Education, Skills and Young People.

5 CORPORATE HEALTH AND SAFETY ANNUAL REPORT 2022/23 (Pages 33 - 48)

To present the report of the Principal Corporate Health and Safety Advisor.

6 TREASURY MANAGEMENT MID-YEAR REVIEW 2023/24 (Pages 49 - 66)

To present the report of the Director of Function (Resources)/Section 151 Officer.

7 TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25

To present the report of the Director of Function (Resources)/Section 151 Officer.

8 INTERNAL AUDIT UPDATE (Pages 67 - 74)

To present the report of the Head of Audit and Risk.

9 RISK MANAGEMENT HEALTH CHECK BY ZURICH (Pages 75 - 102)

To present the report of the Head of Audit and Risk.

10 EXTERNAL AUDIT: DIGITAL STRATEGY REVIEW - ISLE OF ANGLESEY COUNTY COUNCIL (Pages 103 - 124)

- To present the report of Audit Wales.
- To present the organisational response.

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11 EXTERNAL AUDIT:USE OF PERFORMANCE INFORMATION - ISLE OF ANGLESEY COUNTY COUNCIL (Pages 125 - 140)

- To present the report of Audit Wales.
- To present the organisational response.

12 REVIEW OF FORWARD WORK PROGRAMME 2023/24 (Pages 141 - 148)

To present the report of the Head of Audit and Risk.

13 EXCLUSION OF THE PRESS AND PUBLIC (Pages 149 - 150)

To consider adopting the following: -

"Under Section 100(A)(4) of the Local Government Act 1972, to exclude the press and public from the meeting during the discussion on the following item on the grounds that it may involve the disclosure of exempt information as defined in Schedule 12A of the said Act and in the attached Public Interest Test".

14 ANNUAL CYBER SECURITY REPORT 2023/24 (Pages 151 - 160)

To present the report of the Head of Profession (HR) and Transformation.

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the hybrid meeting held on 7 December, 2023

PRESENT:	Mr Dilwyn Evans (Lay Member) (Chair) Mrs Sharon Warnes (Lay Member) (Deputy Chair for this meeting only) Councillors Geraint Bebb, Dyfed Wyn Jones, Keith Roberts, Margaret M. Roberts, Ieuan Williams. Lay Members: Michael Wilson, William Parry
IN ATTENDANCE:	Director of Function (Resources) and Section 151 Officer Director of Education, Skills, and Young People (for item 3) Head of Audit and Risk Head of Profession (HR) and Transformation (for item 4) Principal Auditor (NW) Insurance and Risk Manager (for item 8) Schools Data Protection Officer (EW) (for item 3) Committee Officer (ATH)
APOLOGIES:	Councillors Euryn Morris (Deputy Chair), Trefor Lloyd Hughes, MBE, Liz Wood.
ALSO PRESENT:	Councillor Robin Williams (Deputy Leader and Portfolio Member for Finance), Councillor Dafydd Roberts (Portfolio Member for Education and the Welsh Language), Yvonne Thomas (Financial Audit Manager – Audit Wales), Alan Hughes (Performance Audit Lead – Audit Wales), Sabel Williams (Audit Wales), Bethan H. Owen (Accountancy Services Manager) Claire Klimaszewski (Finance Manager)

In the absence of the Deputy Chair, Councillor Euryn Morris, Mrs Sharon Warnes was elected to serve as Deputy Chair for this meeting of the Committee.

On behalf of the Committee's members, the Chair extended his best wishes to Councillor Trefor Lloyd Hughes, MBE who was unable to attend due to illness.

The Chair announced that with the agreement of the Committee, he would be varying the order of business on the agenda to bring forward items 3 and 9 to allow Audit Wales's Officers to attend to other commitments. The Committee agreed to the change in the order of business.

1. DECLARATION OF INTEREST

No declaration of interest was received.

2. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting of the Governance and Audit Committee held on 21 September 2023 were presented and were confirmed as correct.

Arising thereon –

In response to queries raised by the Committee regarding the progress of actions specified in the minutes in relation to a review of the Customer Services training for public facing staff to be conducted by the Leadership Team as per item (3) and the development of a training needs assessment and rollout of suitable training in response to issues raised by the Public Service Ombudsman for Wales as per item (4), the Director of Function (Resources)/ Section 151 Officer advised that he would follow up on the Committee's queries and report back on the position with regard to progressing those two items.

Additional Action - Director of Function (Resources)/ Section 151 Officer to follow up on the progress of the actions as specified.

3. ANGLESEY SCHOOLS ANNUAL INFORMATION GOVERNANCE ASSURANCE REPORT 2022/23

The report of the Schools Data Protection Officer incorporating an analysis of the key information governance issues and priorities in relation to Anglesey's schools for the period February 2023 to November 2023 was presented for the Committee's consideration.

The report was introduced by the Director of Education, Skills and Young People as providing the Schools Data Protection Officer's statement along with an overview of Anglesey primary, secondary and special schools' compliance with legal requirements in handling information including with the UK's General Data Protection Regulations (UK GDPR), Data Protection Act 2018 and relevant codes of practice. Also included within the report were details of actions taken since the last report in January 2023 and achievements under the Schools Data Protection Development Strategy 2022/23 as well as actions identified for the Schools Data Protection Strategy 2023/24 and progress to date.

The Schools Data Protection Officer confirmed the progress made by schools since the previous report to the Committee with schools having formally adopted the majority of policies and begun the process of monitoring and evidencing their compliance with all data protection policies. More schools have received data protection training during the period both individually and by catchment area which has helped schools improve their practices. More school governors have also received training or have received a data protection presentation by the Schools Data Protection Officer with 25 governing bodies having received such a presentation which highlights the main requirements and expectations on schools as regards data protection obligations. Significant progress has been made in ensuring that appropriate Data Protection Agreements are in place with regard to the systems, programmes and apps used by schools. Most schools now have suitable and up to date Privacy Notices which have been shared with parents or in the case of general and children and young people's versions, have been posted on the school's website. The Schools Data Protection Officer continues to undertake audit visits to individual schools to review data protection compliance and arrangements with 44 of the 45 schools having been visited in the period between March and October 2023. The 45th school has scheduled a visit for next month.

It is the Schools Data Protection Officer's view that schools continue to show that they understand their responsibilities and implications as the data controller and the legal expectations that come as a result. Schools also continue to demonstrate that they have a better understanding of the data protection obligations and have been giving more priority to

ensuring that actions are taken to comply with requirements under data protection legislation. Further specific pieces of work need to be completed to ensure that all schools are on the same level of compliance and are closer to be fully compliant and can evidence this. As such, the Schools Data Protection Officer is able to provide reasonable assurance with regard to schools' compliance with data protection requirements.
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In considering the report the Committee noted the following –

- That most but not all schools have adopted the key data protection policies and are monitoring their compliance with individual policies. The Committee wanted to know what the arrangements were for ensuring that all schools adopt the policies**.**

  The Committee was advised that a data compliance management system is in place whereby the policies adopted by schools are formally recorded. The Schools Data Protection Officer also meets regularly with schools to oversee compliance. Based on the audit visits to schools it can be confirmed informally that most schools have adopted the policies as required and that of those schools that have not as yet reached that point, most are in the process of doing so with some about to submit the final policy documents for adoption by their governing bodies.

- Accepting that there are many demands on schools, the Committee sought assurance about the arrangements for monitoring and evidencing compliance with data protection requirements in practice on a day-to-day basis as well as the questions elected members in their role as school governors should be asking of schools to ensure that they are complying with data protection legislation and that compliance is evidenced.

  The Committee was advised that schools have been provided with a Data Protection Policies Checklist document to support them with monitoring compliance with key actions within individual data protection policies and are expected to use the document as a monitoring tool. The Schools Data Protection Officer will be reviewing the use schools have been making of the Data Protection Policies Checklist during the 2024 audit visits. Likewise a guidance document for school governors has been prepared to help them to understand how to monitor and review compliance. Whilst data protection is one aspect of school life, it is an important one and the Schools Data Protection Officer endeavours to ensure that data protection and the obligations attached to it remain at the forefront of schools' business. Schools continue to seek advice and guidance on data protection issues from the Schools Data Protection Officer.

- Whether the key dates for schools to action the tasks in the Schools Data Protection Strategy for 2023-24 are attainable

  The Committee was advised that although some actions may not be fully completed by the due date, many are of an ongoing nature and are evolving as more information and programmes are issued meaning that some target dates will need to be reviewed. Most key actions are in progress with the next significant step being to ensure that each individual school has a Record of Processing Activities (ROPA) and to this end a pre-populated ROPA template for primary and secondary schools has been created which schools can adapt to their individual needs.

- Whether in terms of assurance status, there are individual schools in different categories and at different stages of progress and whether all schools are on track to complete the requirements and become fully compliant.

The Committee was advised that the schools are generally at the same level of achievement and are working to an agreed development plan. Although a few schools may be more advanced in the work than others, the reasonable assurance opinion applies to most and none are a cause of any significant concerns. The annual audit visits are conducted to review progress and compliance. Whilst all schools are currently working towards becoming fully compliant, the day-to-day information management practices within schools have progressed over the last year.

It was resolved –

- **To accept the Schools Data Protection Officer's report and statement and**
- **To endorse the Schools Data Protection Officer's proposed next steps – the Schools Data Protection Plan – in order to enable schools to fully operate in accordance with data protection requirements.**

Additional Action: Schools Data Protection Officer to circulate a copy of the Data Protection Guidance document for school governors to all the Council's Elected Members.

4. STATEMENT OF THE ACCOUNTS 2022/23 AND ISA 260 REPORT

- The report of the Director of Function (Resources)/Section 151 Officer incorporating the Final Statement of the Accounts for 2022/23 following audit was presented for the Committee's consideration.

The Director of Function (Resources)/Section 151 Officer reported that the statutory deadline for the completion of the audited accounts for the 2022/23 financial year was extended to 31 December, 2023 for all Welsh councils. The Isle of Anglesey County Council's draft Statement of Accounts 2022/23 was presented to the Council's external auditors, Audit Wales for audit on 30 June. The detailed audit work has now been substantially completed subject to a final review of the post audit amendments made to the accounts. The financial position of the Council is not expected to change further but should any significant issues arise from the review, then Audit Wales will provide a verbal update to the Full Council and retrospectively to this Committee at a future date.

Audit Wales conducted a thorough review, testing and audit of the financial transactions in relation to 2022/23 and the draft Statement of Accounts. The audit testing identified some changes needed and some errors which the Audit team recommended were amended to ensure that the accounts are materially correct. These are documented in Appendix 3 of Audit Wales's ISA 260 report as a separate item on the agenda. Aside from those, it is the Auditors' conclusion that the accounts have been prepared in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting 2022/23; that they give a true and fair view of the financial position of the Isle of Anglesey County Council as at 31 March 2023 and of its income and expenditure for the year then ended and that it is the Auditors' intention to issue an unqualified opinion on the 2022/23 accounts. Some of the changes to the accounts include the following -

- A reduction of £72k in the amount of the value held in creditors for the value of cash the Council holds on behalf of the Isle of Anglesey Welsh Church Act Fund which has impacted on the Council's revenue outturn for 2022/23 in increasing the underspend for the year from £1.212m to £1.284m.

- An amendment to Note 5 in the accounts in relation to events after the reporting period to include information about the two schools affected by RAAC which emerged at the start of the 2023/24 academic year.

- The treatment in the accounts of the net asset position of the Local Government Pension Scheme. The local government pension scheme remeasurement resulted in a net pension asset rather than a significant net liability as has been the case in previous years as a result of the impact of increased interest rates on the discount factor used by the actuary. This was correctly reported on the balance sheet as nil in line with accounting rules and resulted in a write off of the net pension asset of £19.814m which was included in the other comprehensive income and expenditure line on the Comprehensive Income and Expenditure Statement (CIES). The Auditors highlighted that this value should be shown separately as an exceptional material event which was therefore amended on the CIES.

The Director of Function (Resources)/Section 151 Officer thanked the Accountancy Services Manager and her team for their work in preparing and completing the accounts within timescale and he also thanked Audit Wales for their approach and support in facilitating the audit process.

- The report of the Head of Profession (HR) and Transformation incorporating the Annual Governance Statement for 2022/23 was presented for the Committee's consideration and endorsement. The Annual Governance Statement (the draft version of which was presented to the Committee for comment at its 27 July, 2023 meeting) seeks to provide assurance that the Council had in place during 2022/23 appropriate arrangements for conducting its business according to the law and proper standards and for ensuring that public money was safeguarded and properly accounted for and was used economically, efficiently, and effectively. The Annual Governance Statement will form part of the final 2022/23 Statement of the Accounts.

  The Head of Profession (HR) and Transformation confirmed that the comments and suggestions made by the Committee when reviewing the draft Annual Governance Statement in July were supported and have been incorporated within the final version.

  There were no further comments by the Committee with regard to the Annual Governance Statement for 2022/23.

- The report of External Audit on the audit of the Financial Statements for 2022/23 (ISA 260 report) was presented for the Committee's consideration.

  Yvonne Thomas, Audit Wales Financial Audit Manager reported on the main findings from the audit of the Council's accounts for the 2022/23 financial year as follows -–

  - That auditors can never provide complete assurance that accounts are correctly stated and work instead to a level of materiality. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled. For the 2022/23 audit the level of materiality was set at £2.979m. A lower materiality level was set for related party transactions (for individuals) (£10,000) and for Senior Officer Remuneration (£1,000).
  - That the audit is now substantially complete subject to completion of the final audit procedure steps after which the final ISA 260 report will be issued for submission to Full Council.
  - That it is the Auditor General's intention to issue an unqualified audit opinion on this year's accounts once the Council has provided a Letter of Representation based on that set out in Appendix 1 to the report. An unqualified opinion means there are no material concerns about any aspects of the accounts.
  - The proposed audit report is set out in Appendix 2 to the report and confirms the independent auditor's view that the financial statements give a fair view of the financial positon of the Council as at 31 March, 2023 and of its income and

expenditure for the year then ended and that they have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the UK 2022/23.
- There are no misstatements identified in the accounts which remain uncorrected.
- There were initially misstatements in the accounts that have now been corrected by management. These are set out with explanations in Appendix 3 to the report and relate principally to matters of disclosure and classification.
- That in the course of the audit, the auditors consider a number of matters relating to the accounts and report on any significant issues arising thereon; there were no such matters to report for this year's audit.

Yvonne Thomas thanked the Council's Accountancy Services team for their co-operation and assistance with this year's audit process.

The Director of Function (Resources)/Section 151 Officer and Audit Wales's Financial Audit Manager responded to points raised by the Committee in relation to the Statement of the Accounts and Audit of Accounts report as follows –

- Confirmed that the financial landscape for the Council in 2024/25 and beyond is challenging due to increased costs and because the demand for Council services continues to rise at a greater rate than the rise in funding. Those risks also remain in 2023/24 and must be managed to reduce any overspend for the year to a minimum. Initial work to develop the budget for 2024/25 indicates that the Council's budget will have to increase by £15m to meet all inflationary and demand pressures and that any shortfall will have to be met by raising Council Tax, reducing services and/or drawing on the Council's reserves mindful that £3.78m of reserves have already been used to balance the budget in 2023/24. The Director of Function (Resources)/Section 15 Officer referred to councils in England which had run into financial difficulties some of which had effectively declared bankruptcy and he explained the practical implications of having to issue a Section 114 notice and what that meant as regards the day to day running and decision-making for councils in that position.

- Clarified that the disclosure of information about the RAAC issues in two of the Council's schools in Note 5 of the accounts as a post balance sheet event although those issues arose in the current financial year, is to provide readers of the accounts with information about an event that has arisen subsequently which might potentially affect the future financial standing of the Council. The remedial work undertaken to date to make safe the roofs of the RAAC affected buildings so that they can continue to operate has entailed significant capital expenditure. In addition the temporary closure of the two schools, the implementation of distance learning arrangements and identifying suitable alternative accommodation have had implications for revenue expenditure. Whilst the RAAC issue does not require any adjustments to be made to the 2022/23 accounts it is highlighted as an event that may impact the Council financially at a future date.

- Explained the Council's redundancy and redeployment policies in the context of queries about Note 28 in relation to staff exit costs and vacancies confirming that individuals whose posts are at risk of being made redundant are offered suitable alternative employment where they meet the criteria or they may be redeployed in another post in accordance with HR processes. However if no redeployment opportunity is available the individual will be made redundant. A post that is redundant will not be re-advertised as the funding for the post ceases at that point.

- Clarified that the statement at page 11 of the ISA 260 which reads "As part of that discussion [i.e. in relation to where fraud might occur in the financial statements] I identified potential for fraud in the posting of unusual journals" links back to one of the financial statement risks identified in the External Audit Plan presented to the Committee in July in relation to management override of controls and the checks that the auditors would undertake as part of their planned response to the risk which include testing the appropriateness of journal entries. No evidence of fraud was identified during the audit.

- Confirmed that the adjustment made in relation to the Isle of Anglesey Welsh Church Act fund referred to in the Section 151 Officer's report is not reported by the auditors in the ISA 260 report as it is not of a significant value and is one of several insignificant adjustments made.
- Confirmed that the accounts are still being reviewed and that any changes including minor errors and/or inconsistencies will be corrected for the Full Council meeting.

It was resolved –

- **To recommend to the County Council that it confirms acceptance of the 2022/23 Final Statement of the Accounts as presented in Appendix 1 to the report of the Director of Function (Resources)/Section 151 Officer.**
- **To note that any subsequent changes to the Statement of Accounts will be agreed by the Director of Function (Resources)/Section 151 Officer and reported to the Full Council prior to the formal acceptance of the 2022/23 Statement of Accounts.**
- **To approve the Annual Governance Statement that will form part of the 2022/23 Statement of the Accounts.**
- **To note External Audit's ISA 260 Report on the Financial Statements for 2022/23.**

5. ANNUAL COUNTER FRAUD, BRIBERY AND CORRUPTION REPORT 2022/23

The report of the Head of Audit and Risk incorporating the Counter Fraud, Bribery and Corruption Annual Report for 2022/23 was presented for the Committee's consideration. The report set out the activity carried out by Internal Audit during 2022/23 to minimise the risk of fraud, bribery, and corruption within and against the Council, highlighting some of the current and emerging areas of fraud risk and providing a conclusion on the effectiveness of the Council's arrangements to minimise the risk of fraud.

The Head of Audit and Risk provided an overview of the report highlighting that at a time of increasing financial pressures, it is more important than ever for all public bodies in Wales to seek to minimise the risk of losses through fraud and support financial sustainability. She referred to the Council's counter fraud arrangements which were assessed against the five principles contained in CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption, namely, acknowledging responsibility for countering fraud and corruption; identifying fraud and corruption risks; having in place a counter fraud and corruption strategy; providing resources to implement the strategy and taking action in response to fraud and corruption. The report noted that during 2022/23 28 days of the Internal Audit team's work was involved in counter fraud activities including 8 days undertaking work for the National Fraud Initiative and 20 days involved with proactive fraud work, general fraud queries and investigations. The report also cited instances of fraud attempted against the Council during 2022/23, how those were dealt with and the actions taken to prevent reoccurrence in future.

The Head of Audit and Risk concluded that good progress is being made with delivering the Counter Fraud, Bribery and Corruption Strategy 2022-25. The continued delivery of the Action Plan (attached as Appendix 1 to the report) will ensure the Council is successful in fighting fraud. A key next step is the development of a Council wide fraud risk assessment which will help improve the Council's ability to identify potential instances of fraud as well as any weaknesses in its counter-fraud arrangements or areas at higher risk of fraud. This will allow the Council to better target its limited resources and activities appropriately, especially if and when new fraud risks emerge.

In the ensuing discussion the following matters were raised –

- In accepting the importance of raising awareness of fraud and of having policies to that effect, the Committee wanted to know what controls are in place to prevent fraud occurring in the first place on a day-to-day basis e.g. mandate fraud whereby an attempt is made to change an individual or company's bank details.
- The avoidance of the second homes premium payment whereby the second home is cited as the main residence.
- The occurrence of fraud in relation to Disabled Facilities Grants and how it is perpetrated with regard to the grant.

  The Committee was advised that every Internal Audit review examines the controls in place for the area reviewed and makes recommendations for improvement where shortcomings or weaknesses have been identified. Counter Fraud Working Group activity will also help ensure that the issue of fraud and possibility of fraud will be at the forefront of people's minds and awareness as they conduct their everyday business. Additionally staff have been instructed to conduct due diligence checks and to verify contact details in the form of e-mail addresses and telephone numbers to avert bank mandate fraud and in re-contracting for the Bacs software, the Council will ensure that the software incorporates identity authentication as a matter of course. Disabled Facilities grant fraud can occur when the recipient of the grant moves house after the property has been adapted without repaying the grant or where works have not been completed to required standards or not at all or in the case of inflated quotations for the work.

  With regard to second homes, as legislation does not specify the criteria for what constitutes a main residence the onus is on the Council to form its own view supported by information obtained about the individual's lifestyle e.g. place of work, GP surgery address, children's schools to build a picture of where the individual lives and to come to a determination on that basis. The Council's decision can be challenged by way of an appeals process. However, as an increasing number of councils in England decide to levy a second homes premium, avoidance/fraud of this type is likely to reduce.

It was resolved to note the Annual Counter Fraud, Bribery and Corruption Report for 2022/23 and the activity carried out during the year to minimise the risk of fraud, bribery and corruption occurring within and against the Council.

6. NATIONAL FRAUD INITIATIVE OUTCOMES REPORT 2022/23

The report of the Head of Audit and Risk setting out the Council's current outcomes in respect of the National Fraud Initiative (NFI) 2022/23 exercise was presented for the Committee's consideration.

The Head of Audit and Risk provided an overview of the NFI exercise process and purpose which is a data matching exercise conducted every two years by the Cabinet Office that aims to detect and prevent fraud and error. The Council along with other local authorities and public sector bodies is mandated to participate. Participants submit data to a secure NFI website at the end of the designated calendar year after which the NFI system matches data in and between public sector bodies to identify anomalies. Potential anomalies called matches are reported to participants to review, investigate, and record outcomes which are then collected and reported on nationally by the Auditor General. Data matches do not in themselves indicate fraud or error but rather identify cases which may require further analysis. For the 2020/21 NFI exercise seven service areas generated almost 97% of the £6.5m of fraud and error identified for Wales with Council Tax discounts (£2.6m) and Blue Badges (£1.4m) being the foremost of those. As part of the 2022/23 NFI exercise, the Council submitted data in relation to Housing, Taxi driver licences, Payroll, Creditors payment history and standing data, Council Tax Reduction Scheme and Council Tax and the Electoral Register. Additionally, the DWP submitted benefit recipient details and the Blue Badge Digital Service submitted Blue Badge Holder details.

Between January and March 2023 the Council received a total of 66 separate reports which contained a total of 2,638 individual matches. To date 8 days have been invested providing the data to the Cabinet Office, analysing, and evaluating matches and working with services to investigate the matches and improve their processes. The report sets out the reports which Internal Audit has analysed and/or co-ordinated the evaluation of which and the service areas to which they relate. The outcomes of that work are detailed in Appendix 1 including the monetary savings made as with duplicate creditor payments (£13,343.21) or estimated as with Housing Waiting List fraud (£4,283) and Blue Badges not cancelled (£194,350). With regard to the latter, following discussions with the senior officer responsible for Blue Badge administration all the 299 NFI matches for this category were identified as examples of a lack of communication between services with Blue Badges not having been closed on the system because the team had not been informed of the permit holder's death. It was noted in this regard that a further complication is that deaths are registered in the county in which they occur meaning that deaths in Ysbyty Gwynedd including those of Anglesey residents are registered in Gwynedd County. However, that information is not necessarily passed onto the Council in Anglesey through the Gwynedd Tell Us Once process or otherwise with the result that Blue Badges then remain open on the system after the permit holder has passed away.

Due to a combination of competing priorities and insufficient resources, the Revenues Team has yet to analyse matches in relation to Council Tax reduction and Housing Benefit and the Council Tax Single Person Discount. The Team intends to use an external provider to conduct a managed bulk review of their discounts and exemptions before the end of 2023/24. Whilst it is considered that the NFI exercise has provided a good return on investment, there are apparent weaknesses in the formulas used by the NFI to calculate outcomes e.g. the inflated value of a Blue Badge remaining in circulation and lost income to the Council. However, the opportunity to identify internal control weaknesses and to discuss ways to strengthen processes with management is one unquantifiable benefit of the exercise that is not reflected in NFI financial outcomes. Ways of improving the process of analysing matches to ensure greater efficiency and effectiveness will be discussed with Heads of Service and Senior Management moving forward so that future exercises provide a greater return on investment.

In considering the report the Committee discussed the following –

- The distortion of the outcomes report and income lost to the Council by the Blue Badge errors and its reflection on the Council especially if the badges have not been misused. The Committee particularly noted the challenges and complications arising for Blue Badges and potentially for other services as well as a result of the Council's not being informed of deaths that occur outside its boundary, most obviously in Ysbyty Gwynedd. The Committee further noted that it places the Council at a disadvantage in relation to processes such as the NFI exercise.

  The Committee was advised that management has provided assurance that internal control processes will be strengthened to ensure that Blue Badge administrators are able to proactively cross reference permit holders' details with deceased records, ensuring that the badges are cancelled promptly. Additional work is also being undertaken to establish a direct communication process between Social Services and Contact Môn.

- The recovery of monies which the NFI exercise indicate may have been lost to fraud e.g. in relation to the Council Tax Single Person discount and whether loss/non-collection of Council Tax income is accounted for in drawing up the budget.

  The Committee was advised that the external provider engaged by the Council to review Council Tax discounts and exemptions seeks to verify sole occupancy in the case of Single Person Discount claimants and if there is evidence to suggest that a claimant does not live alone then the account is adjusted accordingly and a new Council Tax bill is generated and sent to the claimant which may result in the Council Tax being paid or the claimant providing proof of sole occupancy. The Council has increased the debit raised by cancelling claims that were not valid. The Committee was further advised of the process for setting the Tax Base, as well as the collection rate and the factors involved including the number of discounts and exemptions granted. In a normal year approximately 97% of Council Tax income is collected in-year and 99.3% over three years.

It was resolved to note the NFI Outcomes report and to confirm that the Governance and Audit Committee takes assurance from the contents of the report that the Council is seeking to actively embrace opportunities provided by the National Fraud Initiative to use data analytics to strengthen both the prevention and detection of fraud.

7. INTERNAL AUDIT UPDATE

The report of the Head of Audit and Risk providing an update as at 30 November, 2023 on the audits completed since the previous update as at 13 September 2023 was presented for the Committee's consideration. The report also set out the current workload of Internal Audit and its priorities for the short to medium term going forward. Members of the Committee were provided under separate cover with copies of the three internal audit reports finalised since the last update in relation to the Administration of Teachers' Pension (First Follow-Up) (Reasonable Assurance); Organisational Resilience (Strategic Risk YM7) (Reasonable Assurance) and the Local Government Pension Scheme (Reasonable Assurance). Two other pieces of work were completed in the period involving an investigation of a contract overpayment and an investigation of internal fraud for which an assurance opinion was not applicable.

The Head of Audit and Risk provided an overview of the reviews completed and their conclusions including the risks/issues identified and actions recommended. She referred to the pieces of work in progress as per paragraph 24 of the report and confirmed with regard to outstanding actions that as at 30 November, two moderate-rated issues/risks were overdue with both being in the Resources service. The Internal Audit service is currently carrying two vacant posts as a result of the departure of a Senior Auditor to a post within Resources and the continuance of a long-term secondment. Nevertheless, good progress has been made with implementing the Annual Internal Audit Strategy for 2023/24 and the Counter Fraud, Bribery and Corruption Strategy 2022-25. Work is also in progress with Zurich Risk Engineering UK to undertake an independent assessment of the Council's Risk Management Framework which is expected to report in February 2024. Internal Audit is also currently working with the Council's Training and Development Team to provide counter fraud awareness training across the Council.

In responding to questions raised by the Committee, the Head of Audit and Risk –

- Confirmed that the service continues to utilise budget savings from vacant posts to commission additional external support.
- Explained that the Committee is updated twice a year on performance in addressing audit actions including outstanding/overdue actions.
- Clarified that the piece of work in progress in relation to a complaint about waste removal (Housing Services) is about examining the procurement process in terms of value for money and contract award procedures and that the review of the Visitor Economy and Coastal Areas Income Processes also in progress is about looking at those processes from the perspective of efficiency and security.

It was resolved to note Internal Audit's assurance provision and priorities going forward.

8. STRATEGIC RISK REGISTER UPDATE

The report of the Head of Audit and Risk setting out the amendments to the Strategic Risk Register since it was last presented to the Committee in February 2023 was presented for the Committee's consideration.

The Risk and Insurance Manager reported that with the new Council Plan 2023-28 in place, the Leadership Team undertook a review of the strategic risk register as a whole in July 2023 to ensure that the register provided an accurate reflection of the risk to the Council's strategic objectives. In the same period the system holding the risk registers (4risk) was upgraded and the method by which risks are scored has also been changed to reflect a numeric value only with the highest risk now being 25 rather than A1. There have been some initial challenges with the upgrade process with the result that the register as presented does not have the same level of assurance detail as previously although work to resolve the issues with the software provider is ongoing. The Risk and Insurance Manager referred to the changes to the strategic risks as follows –

- The redefinition of risks YM1, YM5, YM7, YM8, YM3 and YM14 as per the table at paragraph 8 of the report and the reasons for the change.
- The closure of risk YM4 in relation to the impact of a cyber-attack on the provision of frontline and support services and its incorporation within risk YM3 in relation to IT failure and the disruption that would cause to service delivery.
- The addition of two new risks to the register namely YM15 in relation to core collaborative working and partnership arrangements and YM16 in relation to a lack of resources to update business processes affecting the Council's ability to modernise.
- The uprating at both an inherent and residual level of risk YM1 – the risk that a real term reduction in Council funding will lead to a reduction in statutory services - from 4 (Likely) to 5 (Almost Certain) because of the economic situation and the financial challenges facing the public sector.

The Committee considered the report and the following matters were discussed –

- Encouraging services to move systems to the Cloud to strengthen resiliency and eliminate the need for a second data centre as a mitigating action in respect of risk YM3 (The risk that IT failure significantly disrupts service delivery). The Committee questioned whether there might be risks in being over reliant on the Cloud and whether there were disadvantages associated with Cloud provision in terms of cost, security, and access to data. The Committee suggested that a review of Cloud services might be beneficial in providing assurance about Cloud operations.

  The Committee was advised that the Council's IT auditors could be asked to undertake a review of Cloud services.

- The separation of the roles of the Governance and Audit Committee and Scrutiny in relation to risk management and the detailed evaluation of risks.

  The Committee was advised that this Committee's responsibility is to be assured that management has arrangements in place to manage risk and that those risk management arrangements are effective. Should the Committee in monitoring the strategic risk register be concerned about any emerging risk or detect a pattern of risk deterioration over a period of time then it can refer those concerns to the relevant Risk Owner for action or to provide assurance. The Committee was also reminded that Zurich Risk Engineering will be undertaking an assessment of the Council's Risk Management Framework and will be reporting to this Committee on the outcome of the assessment early next year.

- The number of risks where the residual risk level after mitigation is still Red or Critical and the Council's approach to dealing with this level of risk.

  The Committee was advised that although all the risks will be reviewed in detail in the coming months, there are certain risks with YM1 being an example where the scope for introducing additional controls and the impact they are likely to have in reducing the residual risk are limited because of external factors such as the wider economic situation and outlook which are beyond the Council's control.

- In noting that one of the main controls with regard to YM1 (the risk that a real term reduction in Council funding will lead to a reduction in statutory services) is to ensure that the Council retains balances of over 5% of the annual budget in reserve, the Committee asked what is the burn rate on the reserves and at what point will the Council reach a position which several councils are already finding themselves in of having run out of money.

  The Committee was advised that currently the Council has approximately £11m in General reserves and £18m in Earmarked reserves these having been allocated for specific purposes (as well as there being school balances which are under the management of schools). To balance the 2023/24 budget, the Council used £3.78m of its reserves and based on the anticipated settlement, it is expected that a similar sum will be required to make up the budget shortfall in 2024/25 although the precise amount will depend on the level of Council Tax increase and/or budget cuts which Full Council determines to implement. That would indicate a burn rate of £3m to £4m per year which would deplete the General Balances within 3 years and if the Council were to deallocate the earmarked reserves for general use that would sustain the Council for a while longer. It is also anticipated that the 2025/26 financial year will be equally challenging and as the scope for savings reduces so the burn rate is likely to increase. The outlook beyond that point is uncertain as political changes could also lead to changes in the financial landscape. In the short to medium term the Council is not in danger of finding itself in such severe financial difficulties as to have to issue a Section 114 notice. However, as the Council's reserves reduce so does the impact of mitigation leading to increased risk.

It was resolved to note the amendments made to the Strategic Risk Register and to confirm that the Governance and Audit Committee takes assurance that the Leadership Team has recognised and is managing the risks to the achievement of the Council's priorities.

Additional Action – Head of Audit and Risk to request the Council's IT auditors to undertake a review of Cloud services.

9. EXTERNAL AUDIT: AUDIT WALES PRGRAMME AND TIMETABLE QUARTERLY UPDATE

The report of Audit Wales on its Work Programme and Timetable as of 30 September, 2023 was presented for the Committee's information. The report provided an update on the progress and status of Audit Wales's financial and performance audit work comprising of both planned and published studies and included the work of Estyn and Care Inspectorate Wales.

Yvonne Thomas, Audit Wales Financial Audit Manager confirmed with regard to the financial audit work that the audit of the accounts has been largely completed as previously reported and the certification of grant returns in relation to Teachers' Pension contributions for the 2022/23 financial year is nearing completion as is the certification of the grant return for non-Domestic rates 2022/23 with the aim being that both returns are certified this month.

Mr Alan Hughes, Performance Audit Lead reported on the progress of the Performance Audit programme and confirmed that the Assurance and Risk Assessment review is scheduled to be completed in January 2024 with the review of the Use of Performance Information having now been completed and scheduled to report in the new Year. The fieldwork for the Setting of Well-being Objectives has been completed with the draft report to be issued in the New Year, likewise the Thematic review of Unscheduled Care. Also reporting in the New Year is the Thematic review of the Council's strategic approach to Digital. The 2022/23 Performance Audit Programme is therefore on track to being completed.

In considering the report the Committee raised the following questions –

- Whether the Capital Programme Management review will include commentary on how capital projects are managed and run.

  The Committee was advised that the review is currently at the scoping stage but that any specific themes which the Committee/individual members might wish the review to look at could be communicated to him and taken back to the centre.

- The intended outcomes of the review of the Council's strategic approach to Digital.

  The Committee was advised that the review is looking at the extent to which the Council's strategic approach to digital has been developed in accordance with the sustainable development principle and the five ways of working required to achieve the well-being goals set out by the Well-being of Future Generations Act. As a thematic review, a short local report as well as a national outcomes report will be produced.

It was resolved to note Audit Wales's Quarter 2 2023/24 Update on its Work Programme and Timetable.

10. REVIEW OF FORWARD WORK PROGRAMME 2023/24

The report of the Head of Audit and Risk incorporating the Committee's Forward Work Programme and Training Programme for 2023/24 was presented for the Committee's consideration.

The Head of Audit and Risk guided the members through the changes in the Work Programme and those were noted by the Committee. She confirmed that the Work Programme is aligned with the Committee's core functions as those are set out in its Terms of reference and she clarified that nothing was scheduled against the Performance Panel

Assessment section as that assessment is only required to take place once in an electoral cycle and the assessment report then considered by this Committee.

The possibility of introducing individual self - assessment for members of the Committee by way of one-to-one conversations with the Chair was raised as means of identifying what support individual members might require and wish for in developing their skills and expertise.

The Head of Audit and Risk advised that members of the Committee have already completed a training needs assessment questionnaire on which the Committee's training programme (included in the report) is based. She suggested, and it was agreed that the questionnaire be re-circulated so that members can provide an update on what they see as their ongoing training needs.

The Chair said that he would consider the proposal regarding having a one-to-one conversation with individual members and the practicability of implementing it.

In response to further questions about the Committee's self-assessment undertaken with the support of CIPFA, the Head of Audit and Risk provided an update on progress to date and expected reporting arrangements and timetable.

It was resolved -

- **To accept the Forward Work Programme 2023/24 as meeting the Committee's responsibilities in accordance with its terms of reference and**
- **To note the changes to the dates on which reports will be submitted.**

Additional Action – Head of Audit and Risk to re-circulate the Committee's Training Needs Assessment Questionnaire.

Mr Dilwyn Evans
Chair

CYNGOR SIR YNYS MÔN / ISLE OF ANGLESEY COUNTY COUNCIL	
Meeting:	Governance and Audit Committee
Date:	8 February 2024
Title of Report:	Information Governance – Senior Information Risk Owner's Annual Report for 1st April 2022 – 31 March 2023
Purpose of the Report:	To Inform Members as to the Level of Compliance and Risk
Report by:	SIRO/Monitoring Officer Ext 2586 lynnball@ynysmon.llyw.cymru
Contact Officer:	SIRO/Monitoring Officer Ext 2586 lynnball@ynysmon.llyw.cymru

Purpose of this report

To provide key Information Governance (IG) issues for the period 1 April 2022 to 31 March 2023 and to summarise current IG risks.

1.0 Introduction

This report provides the Senior Information Risk Owner's statement and overview of the Council's compliance with legal requirements in handling corporate information, including compliance with the United Kingdom General Data Protection Regulation (UK GDPR); Data Protection Act 2018; Freedom of Information Act 2000; Regulation of Investigatory Powers Act 2000 (Surveillance) and relevant codes of practice.

The report provides information about the Council's contact with external regulators and gives information about security incidents, breaches of confidentiality, or "near misses", during the period.

Key data about the Council's information governance is given below in Appendices 2-8.

2.0 Senior Information Risk Owner's Statement

As SIRO I make the following recommendations:

i. the SIRO's report be accepted as an accurate reflection of IG issues in the Council for the relevant period;

ii. the Committee supports the SIRO in asking the Leadership Team to:-

    (i) assess the Council's use of CCTV and its use, if any, of drone technology;

(ii) undertake an assessment of the data protection risks of partnership working, together with the cyber threat of contract management / procurement in the Council;

(iii) put in place appropriate arrangements to ensure that the Leadership Team is adequately sighted on the Council's cyber threats and mitigations

Appendix 1. The number of data security incidents recorded by the Council during the year.

Data security incidents (22/23): 22 incidents
Level 0 – Level 1 (near miss or confirmed as a data security incident but **no** need to report to ICO and other regulators) = 21 Level 2 incidents (data security incident that **must** be reported to the ICO because of the risk presented by the incident = 1

Category Level 0 -1	Number
Disclosed in error	19
Lost data/ hardware	2
Unauthorised disclosure	0
Lost in transit	0
Other	0
Category 2	**Number**
Disclosed in error	0
Unauthorised disclosure	1
Technical failing	0
Other	0

Appendix 2. Agreed actions following data security incidents.

Action
Following an unauthorised disclosure when a photograph of a service user's confidential hospital letter was attached to an e-mail to an internal user Group. Three actions were identified and agreed in order to reduce the likelihood of a similar incident.

Appendix 3. Data breaches reported to the ICO.

1.0 A data breach was reported to the ICO in September 2022 following an unauthorised disclosure of a service user's confidential hospital letter. The ICO required no further action from the Council.

2.0 Following an investigatory process of over 20 months, the ICO provided feedback on a data breach that was initially reported in June 2021, involving the security of servers of 5 secondary schools. The breach was initially detected by the Council when several outbound suspicious SMTP traffic flows (simple mail transfer protocol i.e. suspicious email activity) were identified from the secondary school's network. The servers and IT infrastructure was developed and maintained by a third party on behalf of the schools.

Unable to identify the cause of the suspicious activity, the decision was made to quarantine the virtual machines and any other potentially compromised networked devices and user accounts for the five secondary schools. A report to the ICO was made by the Council's DPO, later by the schools as the responsible data controllers. An investigation was carried out by the NCC Group, the leading UK cyber threat advisory organisation and an Incident Management Team was set up by the Council.

During the investigation it was found that the systems contained several known vulnerabilities, leaving them vulnerable to attacks. The NCC Group discovered several issues which relate to the overall poor security posture of the estate. It was discovered that key systems were deployed on unsupported end of life, legacy Operating Systems. The NCC Group also noted that the effectiveness of their investigation was significantly affected due to the lack of logging across the estate.

Whilst the investigation's conclusions were that whilst there was no evidence of compromise, several key compliance elements were missing and the ICO supported the development plan created and implemented by the Council to ensure that the schools were able to process personal data securely and in a way that complied with UK data protection law.

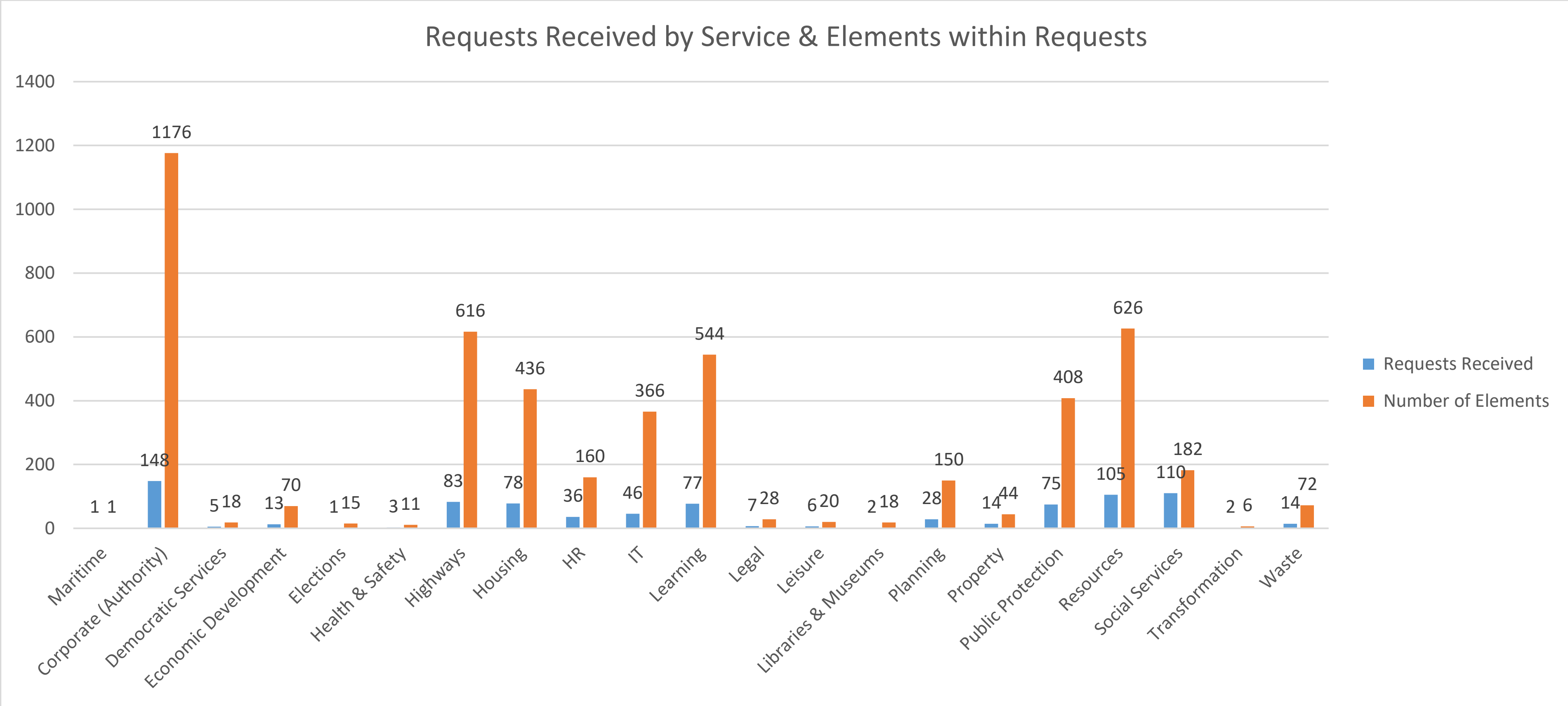
The remediation that the Council implemented to the digital security of the schools systems and the data protection governance of the schools made a significant and immediate improvement to security and compliance and this, more than any other factor, resulted in the ICO taking no further action against the Council and schools. The data protection elements of this work remain ongoing in the Learning Service.

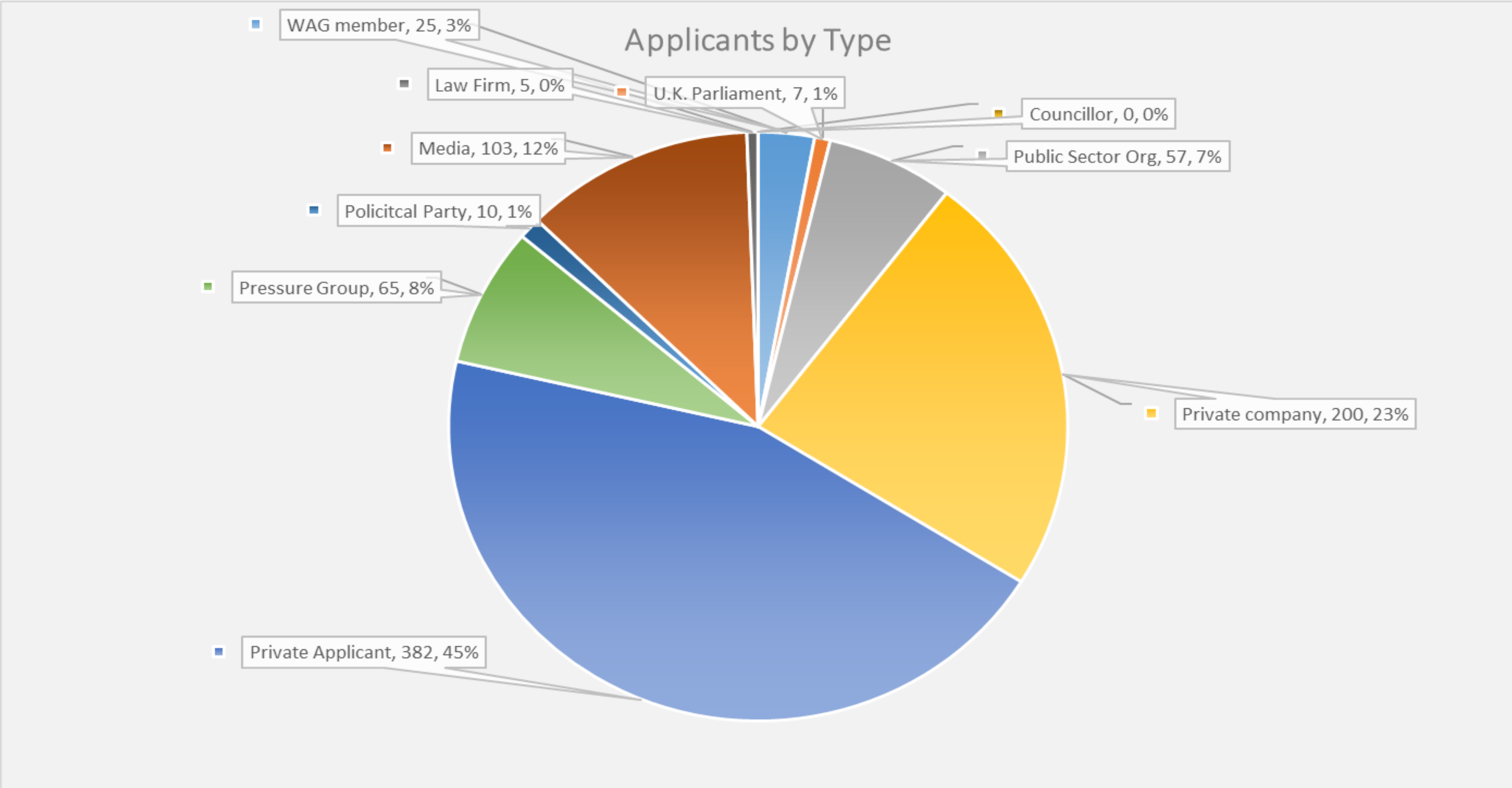
Appendix 4. Information about Freedom of Information Act 2000 requests and complaints

Freedom of Information Act 2000 requests and Internal Reviews

During 1 April 2022 and 31 March 2023 the Council received 854 requests for information comprising 4967 individual elements.

Total Number of Requests Received	854
Total Number of Elements Received	4967





Of the 854 requests, 2 resulted in an Internal Review of the responses supplied by the Council. The outcomes are as follows:

- In both cases the original decision was upheld;

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Appendix 5. Information about the number of data protection complaints made to the Council during the year by individuals about its processing of their personal information.

Data protection legislation consolidates the rights of individual data subjects to complain about the way organisations have used or propose to use their personal data or otherwise infringed their data subject rights.

Data Protection Act Complaints to the Council
3 DPA complaints were received, 1 related to a request to **rectify data** 2 complaints related to an **objection** to the Council's processing of personal data Following investigation by the Data Protection Officer, it was found that **all cases were not upheld**. The Council's processing was considered to be lawful and the data subject rights were not compromised.

Appendix 6. Information about the number of data protection Subject Access Requests and the Council's performance.

Subject Access Requests and compliance
24 SARs were received with 50% (12) responses sent within the appropriate statutory deadline, i.e. within 1 month with 1 late responses 10 SARs are on hold. 2 SARs were designated as being complex requests and the statutory time limit was extended to three months. 1 of these were responded within the extended timescale and the other was still open with Social Services.

Appendix 7. Information about Regulatory Oversight

7.1. The Investigatory Powers Commissioner's Office

The Investigatory Powers Commissioner's Office (IPCO) oversees the conduct of covert surveillance and covert human intelligence sources by public authorities in accordance with the Police Act 1997, the Protection of Freedoms Act 2012 and the Regulation of Investigatory Powers Act 2000 (RIPA). The RIPA regime aims to ensure that directed surveillance is carried out in a way that is compliant with human rights. This is achieved through a system of authorisation by senior officers who have to be satisfied that the surveillance is necessary and proportionate; the authorisation must then be judicially approved.

The Council's SIRO is also Senior Responsible Officer (SRO) for the Council's RIPA compliance.

The Council's Policy was reviewed and refreshed during the period of this report. However, no authorisations were made during the period of this report.

7.2 Information Commissioner

The Information Commissioner is responsible for enforcing and promoting compliance with the Data Protection Act 2018 and the UK GDPR; the Freedom of Information Act 2000; the Privacy and Electronic Communications Regulations; the Environmental Information Regulations; the Re-use of Public Sector Information Regulations; the INSPIRE Regulations. The Information Commissioner has power to assess any organisation's processing of personal data against current standards of 'good practice'.

Information about the number of data protection complaints from individuals about the Council's processing of their personal information which were investigated by the Information Commissioner's Office (ICO) during the period of this report.

Information about the number of data protection complaints from individuals about the Council's processing of their personal information which were investigated by the Information Commissioner's Office (ICO) during the period of this report.
Nil.

Freedom of Information Act Appeals to the ICO
Nil.

7.3. Surveillance Camera Commissioner

The office of Biometrics and Surveillance Camera Commissioner (BSCC) oversees compliance with the Surveillance Camera Code of Practice. The office of the Commissioner was created under the Protection of Freedoms Act 2012 to further regulate CCTV. The Biometrics and Surveillance Camera Commissioner has assumed the responsibilities of the now defunct Surveillance Camera Commissioner. In 2019 the Surveillance Camera Commissioner wrote to UK local authority Chief Executives requesting that the DPOs were appointed to the role of CCTV Senior Responsible Owner.

The Council has been using the Surveillance Camera Commissioner's CCTV specific Data Protection Impact Assessment (DPIA) since 2019-2020 and it is now used by the Council whenever a new CCTV system is proposed. Whilst advice regarding compliance and governance is provided to services by the DPO at their request and training has been arranged for managers, there is no compulsion on Services to proactively communicate information about their CCTV systems to the DPO or the CCTV Single Point of Contact (SPOC). Attempts to survey the Council's CCTV systems since 2019 have elicited mixed responses of questionable value. It is acknowledged that the Council's use of CCTV is less intrusive than other councils who operate town centre systems, but the risks exist, particularly because of the interaction with the Police, which could lead to governance challenges.

It is my opinion that the corporate knowledge about the Services' use of CCTV systems is patchy and not comprehensive. Consequently, it is likely that the Council does not have adequate oversight of its systems and cannot identify compliance and training gaps. Ownership of the risks of CCTV must belong to the Council's Senior Leadership Team.

I am aware that Services are considering using Drone technologies and body worn CCTV systems and whilst this technology offers great potential for effective service delivery, the increased governance issues and compliance risks that accompany this technology calls for senior oversight of CCTV compliance and governance through delegation to the SIRO to support the operational role of the CCTV SPOC.

As SIRO, I have identified the need for a survey of the Council's use of CCTV, broken down on a service by service basis.

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CYNGOR SIR YNYS MÔN / ISLE OF ANGLESEY COUNTY COUNCIL	
Meeting:	Governance and Audit Committee
Date:	8 February 2024
Title of Report:	Report of the Schools Data Protection Officer on the Outcome of the Information Commissioner's Office's Investigation into the Cyber Incident in June 2021
Purpose of the Report:	To inform members as to the outcome of the investigation conducted by the ICO following reporting the cyber incident affecting the secondary schools.
Head of Service:	Marc Berw Hughes Director of Education, Skills and Young People MarcHughes@ynysmon.gov.wales
Report Author:	Elin Williams Schools Data Protection Officer dpoysgolionmon@ynysmon.gov.wales

Purpose of this report

To provide the Audit and Governance Committee with an overview of the outcome of the Information Commissioner's Office's (ICO) investigation into the cyber incident at the secondary schools in 2021.

The report also provides an overview of what actions have been taken by the Schools Data Protection Officer and the Council's ICT Service in terms of forming an internal work programme to address various technical and information governance elements that were deficient.

Recommendations

The Schools Data Protection Officer makes the following recommendations to the Committee, that:

i. the Schools Data Protection Officer's report, providing an overview of the outcome of the ICO's investigation into the incident, is accepted.
ii. the actions identified and completed via the internal work programme are accepted.

<u>Report by the Schools Data Protection Officer on the Outcome of the Information Commissioner's Office's Investigation into the Cyber Incident in June 2021</u>

1. Background

It was discovered on the 23rd of June 2021 that a potential cyber-incident had occurred which affected all the five secondary schools on Anglesey - Ysgol Syr Thomas Jones; Ysgol Uwchradd Bodedern; Ysgol Gyfun Llangefni; Ysgol David Hughes and Ysgol Uwchradd Caergybi.

It was not known at the time if personal data held on the schools' systems could have been compromised during the incident. The alarm was raised following discovering suspicious traffic on secondary school e-mail servers.

Information technology systems, including e-mail accounts, had been temporarily disabled to contain the incident at the time. There was disruption at the schools whilst the incident was being contained.

A team of specialised cyber-technology consultants were immediately brought in by the Council to investigate the incident. The National Cyber Security Centre (NCSC) also provided support to resolve matters. Forensic analysis of the cyber incident found no evidence that ICT systems were infiltrated or compromised.

The incident was reported to the Information Commissioner's Office (ICO) due to the possible risk to the highly sensitive records held by the schools.

2. Actions Completed as Part of the Internal Work Programme Following Secondary Schools Cyber Incident

2.1. <u>Overview</u>

Following the incident in June 2021, an internal work programme was formed that contained several important and far-reaching remedial steps to address various technical and information governance elements that were deficient.

Technical and data protection governance improvements have been led by the Schools Data Protection Officer and the Council's ICT Service officers.

Several important actions have been completed since the programme was implemented, including accepting key data protection policies, and upgrading information technology systems and infrastructures in schools.

The incident prompted the Council to bring forward planned works, as part of the Welsh Government's HWB programme, to upgrade information technology systems of the secondary, special and primary schools. The work to upgrade the ICT systems and infrastructure began over the 2021 summer holidays.

Data systems that the schools were using were transferred on to the HWB cloud services. Being on HWB has helped make the systems at the schools as robust as possible and has reduced the risk of any potential cyber-attack or incidents in the future.

Work was undertaken to enable Multi Factor Authentication (MFA) on HWB accounts of staff and school governors to improve security when accessing HWB from home.

As part of the response to the incident, it was decided to move the equipment used by schools to Microsoft InTune, again to improve access security. The migration has been completed for the primary schools and Canolfan Addysg y Bont, with work being started on the migration of secondary schools.

2.2. Data Protection Governance Improvements

No	Actions and Improvements	Progress Since July 2021
1	To update current data protection policies and to create new policies.	A total of **14** data protection policies have been either updated following the adoption of the *UK GDPR* or created as new policies for schools: • Schools Data Protection Policy. • Schools Data Breach Policy. • Schools Information Security Policy. • Procedure for Sharing Information with Police Authorities in the United Kingdom (Gwynedd & Anglesey). • Schools Data Subject Access Request Policy. • Schools Data Processing Policy. • Transferring School Records to the Anglesey Archives Policy. • Schools Data Protection Impact Assessment Policy. • Schools CCTV Policy. • Schools Record Management Policy. • Schools E-Safety Policy. • School Staff Email Policy. • School Staff Social Media Policy. • Taking Photos for the Purpose of School Publicity Policy. A Data Protection Policies Checklist document has been developed to support schools to confirm that they have actioned the main requirements within all the data protection policies.

2	To ensure school staff and governors have received data protection training and are aware of their responsibilities in terms of data protection compliance.	Training sessions have been held with headteachers, school staff and governors. A total of **51** training sessions have been held between July 2021 and November 2023 and **25** governing bodies have been audience to a data protection presentation.
3	To use the School Management Review (SMR) to monitor compliance and to confirm which policies have been adopted by schools.	The School Management Review was used to gain baseline information regarding compliance and is used to monitor which schools have adopted which data protection policies.
4	To create a Service Level Agreement between schools and the Council for the Schools Data Protection Officer service.	A Service Level Agreement was created and shared with schools to sign in November 2021 following a period of consultation. The current SLA will be reviewed in March 2024.
5	To map the data flow between the schools and the Council.	A group was established to look at contracts and the processes in place between schools and the Council to identify where an agreement is required. Work is ongoing with this workstream.
6	To review arrangements with Data Processors and create/review Data Processing Agreements where required.	Mapping work around which systems, programmes, and apps that each individual school uses has been completed. This has provided information on whether schools already had appropriate data protection agreements in place and further work has been completed to create new Data Protection Agreements where needed and when new apps and programmes are used. Work is ongoing with this workstream.
7	To create a Record of Processing Activities (ROPA) Package and Information Asset Register Package.	A guidance document on how to create a ROPA was developed. Instead of providing a template for schools to complete themselves, the Schools Data Protection Officer has instead been developing a pre-populated ROPA template for schools to adapt (both a primary and secondary version). This also includes an Information Asset Register. These have been developed using the information gathered from the mapping exercise regarding which systems, programmes and apps are used. The templates are ready to be approved and sessions will be held to support schools with adapting the templates.
8	To create a Schools Data Protection Impact Assessment Package.	A risk register template and risk matrix were developed and shared with schools to support

		individual schools with identifying and monitoring data protection risks.
9	To complete Data Protection Impact Assessments.	A general DPIA template has been created for relevant schools to adapt for their CCTV system. Work is ongoing with this workstream.
10	To create a consent form package.	The current consent form for publishing photographs on various platforms has been reviewed and updated and a leaflet has been produced to explain to pupils and parents how *UK GDPR* consent works.
11	Conduct a data protection audit.	The Schools Data Protection Officer has visited each individual school to review data protection compliance and arrangements both in 2022 and 2023.
12	Discuss schools' data protection matters with the Primary and Secondary Forums and share the school data protection update newsletter.	The Schools Data Protection Officer provides regular updates to schools which includes sharing a termly newsletter. There is also a schools data protection section within the school governor bulletin and regular updates and information relating to data protection are provided via the Learning Service weekly bulletin. The Schools Data Protection Officer is regularly invited to attend the Primary Strategic Forum and Secondary Strategic Forum meetings and is also a member of the Schools ICT Forum and the Improving Processes and Systems Working Group. There is a data protection page on the Learning Service microsite where all current policies, guidance and templates are available for schools to use, and a Schools Data Protection Operational Group has been established.

2.3. ICT Improvements

The following are improvements suggested by the company that supported the Isle of Anglesey County Council following the secondary schools cyber incident (NCC Group).

No	Suggested Improvements	Progress to Date
1	**Upgrade from legacy operating systems**	By migrating to InTune, current versions of Windows installed or the computer has been de-commissioned if installing updates was not possible.
2	**Implement Multi Factor Authentication (MFA)**	MFA in place via InTune. Any requests to log in from outside of the school network requires MFA.

3	**Disable legacy email protocols (IMAP & POP3)**	This has been addressed by the use of the HWB email system.
4	**Up-to-date anti-virus scan**	All equipment that has been migrated to InTune receives Defender updates.
5	**Microsoft local administrator password solution**	Equipment has administrator accounts that are unique and complicated, details are securely stored by the ICT team.
6	**Remote desktop hardening**	Remote desktop has been disabled.
7	**Restrict internet access**	Access to the internet has been disabled from servers.
8	**Deploy Endpoint Detection and Response (EDR)**	Need to prepare a business case once the secondary schools' migration has been completed.
9	**SIEM solution**	SIEM has been installed corporately, work has begun to look at importing school data.
10	**Account privileges**	Accounts on equipment are not administrator accounts.
11	**Review patch management**	Updates are managed via InTune settings, and the infrastructure team are organising updates for other packages as needed.
12	**Review potentially unwanted programmes**	All computers reconfigured and only software that is approved is installed.

3. Information Commissioner's Office Outcome to their Investigation

The ICO shared its outcome to its investigation following the Council reporting the incident to them in June 2021, via a letter in April 2023. The ICO confirmed that the incident had been considered under the UK General Data Protection Regulation (UK GDPR) due to the nature of the processing involved and that no further intervention was required by them.

It was recognised by the ICO that during investigations into the incident, it was found that various technical and information governance elements that are needed to comply with the relevant legislation were deficient. The technical deficiencies were highlighted in a report by the NCSC (National Cyber Security Centre), the UK's main specialist in cyber security.

Additionally, the ICO offered encouragement to continue with the technical and data protection governance improvements in the schools.

4. Conclusions

It is clear that the Council's ability to recognise and identify what needed to be adopted and improved upon was acceptable to the ICO, and that this has prevented further intervention.

The Schools Data Protection Officer and the Council's ICT Service officers have continued with the technical and data protection governance improvements in the schools, as recommended by the ICO.

Continuing with the work programme is crucially important in order to create a secure digital infrastructure and a strong culture of data protection at our schools. The Schools Data Protection Officer and the Council's ICT Service will continue to support schools to complete the work programme and to ensure that every school has the policies, key documents, best practices, and the appropriate technology to be able to fully comply with data protection requirements.

Cyber-attacks still pose a real threat to schools, but the upgrading of the systems and infrastructure, along with good data protection compliance practices, puts schools in a safer situation going forward.

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ISLE OF ANGLESEY COUNTY COUNCIL	
Adroddiad i: **Report to:**	Governance and Audit Committee
Dyddiad: **Date:**	February 2024
Pwnc: **Subject:**	Corporate Health and Safety Annual Report 2022/23
Pennaeth Gwasanaeth: **Head of Service:**	Christian Branch Pennaeth Gwasanaeth / Head of Service Rheoleiddio a Economaidd / Regulation and Economic ChristianBranch@ynysmon.gov.uk 01248 752491
Awdur yr Adroddiad: **Report Author:**	Stephen Nicol Prif Ymgynghordydd Iechyd a Diogelwch Corf./Principal Corporate Health & Safety Advisor Rheoleiddio a Economaidd / Regulation and Economic StephenNicoll@ynysmon.llyw.cymru 01248 751884 / 07747 118 402
Natur a Rheswm dros Adrodd / Nature and Reason for Reporting: To inform the members of the Governance and Audit Committee of the Authority's performance with regard to Health and Safety during the period April 1st 2022 to March 31st 2023	

Introduction

1. The Corporate Health and Safety Policy states an annual report will be written with regard to Health and Safety performance. The report is presented in a format identified by WLGA to enable key information to be included. The report is present in Appendix A

Recommendation

2. That the Governance and Audit Committee:

- Consider the report and recommendations included

CYNGOR SIR YNYS MÔN ISLE OF ANGLESEY COUNTY COUNCIL

Health and Safety Report 2022 / 23

Corporate Health and Safety Annual Report

CONTENTS

1 Introduction

The Isle of Anglesey County Council's Corporate Health and Safety Policy includes a commitment to the preparation and publication of an Annual Health and Safety Report.

The Welsh Local Government Association (WLGA) have developed a framework and guidance for the production of an Annual Health and Safety Performance Report. The framework and guidance provides a series of headings to assist with the reporting of health and safety performance. This framework was not intended to be a comprehensive analysis of health and safety but should assist in identifying the commitment, ability and direction of the management of occupational health and safety. This report follows the format provided by WLGA.

2 Corporate Management

The Leadership Team (LT) has continued to provide continuity and governance of the council with regard to general management and actions, with decisions still taken by the Executive. This was supported by meetings of the Tim Rheoli Corfforathol Group to enable escalation of any issues to LT to ensure appropriate action can be taken to resolve matters, health and safety related or other.

The Corporate Health and Safety Plan for 2021/22 was devised to address the risks and demands of living, working, and providing services with the continued presence of Covid19. The Corporate Health and Safety Plan for 2022/23 continued many themes from the previous plan with a view to aid recovery of "business as usual".

3 Statistical Information

The data presented below includes all accidents and incidents reported during 2022/23. The internal classification of accidents and incidents has been in three categories - Minor, Serious and RIDDOR.

Minor accidents and incidents would have been accidents / incidents where the resulting injury or loss was insignificant. This includes accident and incidents which resulted in no injury or loss and the potential outcome may be insignificant if injury or loss had occurred.

Serious accidents / incidents are classified where the outcome resulted in significant injury or loss or where there was potential for significant injury or loss. This includes accidents and incidents which resulted in no injury or loss but the potential outcome may be significant if injury or loss had occurred.

RIDDOR accidents and incidents are those which met specific criteria that required reporting to the HSE. The criteria for reporting these types of accidents and incidents are provided within the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

The table below presents the number of accidents and incidents for the whole authority. This includes incidents involving members of the public, service users, school pupils, contractors, facilities as well as employees.

All incidents reported

Table 1 – All incidents 2022/23

<table>
<tr><td rowspan="5">
</td><td>Incidents Recorded in 2022/23</td></tr>
<tr><td>Total 1237</td></tr>
<tr><td>Minor 884</td></tr>
<tr><td>Serious 240</td></tr>
<tr><td>RIDDOR 11</td></tr>
</table>

Table 2 – All incidents 2021/22

Incidents Recorded in 2021/22
Total 966
Minor 815
Serious 147
RIDDOR 4

Table 3 – All incidents 2020/21

Incidents Recorded in 2020/21
Total 655
Minor 546
Serious 108
RIDDOR 1

Analysis of Tables 1, 2 and 3 shows there is an increase in the number of accidents and incidents in 2022/23 over the previous two years. This is considered to be the result of increased activity since restrictions have been removed since the COVID19 crisis.

As the Council has a duty of care for members of the public as part of the undertaking, incidents recorded for members of public are included in the overall total figures. Members of the public include, school pupils, pre-school pupils, Youth Club members, Clients in care homes and Leisure facility users.

Incidents for this group can include playground incidents, slip, trip and falls of clients due to mobility, sporting incidents and medical conditions. These are recorded for legal reason should further actions be required

The number for these incidents is presented below in Table 4

Table 4 – non work activity incidents

Type of location	Total
Schools (Pupils)	425
Dechrau'n Deg & Cylch Meithrin and Youth Club incidents (Pupils and Members)	188
Leisure Centres (Users)	60
Care Homes (Clients)	173

The above would indicate there were 846 incidents reported regarding Members of Public in facilities run by the Council.

Employee only incidents

The tables below presents the number of accidents and incidents involving employees only.

Table 5 – Incidents relating to employees only 2022/23

<table>
<tr><td rowspan="5">
</td><td>Total Number of Incidents (Employees only)</td></tr>
<tr><td>Total
326</td></tr>
<tr><td>Minor
263</td></tr>
<tr><td>Serious
57</td></tr>
<tr><td>RIDDOR
6</td></tr>
</table>

Table 6 – Incidents relating to employee only 2021/22

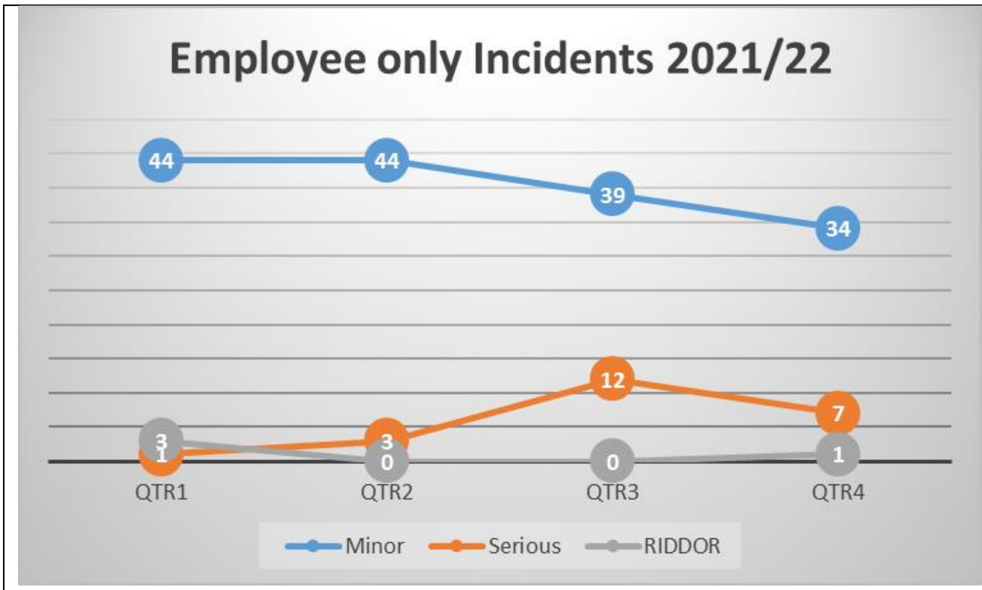	**Total Number of Incidents (Employees only)**
	Total 188
	Minor 161
	Serious 23
	RIDDOR 4

Table 7 – Incidents relating to employees only 2020/21

	**Total Number of Incidents (Employees only)**
	Total 180
	Minor 159
	Serious 20
	RIDDOR 1

Analysis of Tables 4, 5 and 6 show an increase in the number of incidents in 2022/23 (Table 4) compared to the previous years.

The most significant incidents are presented in a table below, Table 8

Table 8

Type of incident	Total
Physical assault Learning Difficulty	84
This type of incident involves clients or pupils lashing out where possible there is no intent. The capacity recognise potential to cause harm.	
Physical assault	11
This type of incident considers the person's intention could be to cause harm. The type of incident varies from pushing to striking a person, there has been physical contact	
Violent incident / Abuse	45
This type of incident involves members of staff receiving abusive or threatening comments from members of public. This may include members of public complaining about issues but in a volatile manner	
Challenging behaviour	6
This involves clients / pupils behaving in a possibly aggressive manner but due to mental capacity issue there may not be intent to cause distress	
Manual Handling	17
Manual Handling incidents occur due to lifting objects or assisting clients	
Slip, Trip and Falls	27
Incidents recorded where an employee has fallen resulting in injury. This could include slippery surfaces or over obstruction	

Another Type of incident is listed as a type of incident on the recording system. This is used for incident where it is difficult to class an incident. This may be where a member of staff has reported something as a concern. A total of 58 incidents were recorded under this heading.

Other types of incidents recorded minor figures, for example Medical conditions recorded 5 incidents, contact with Glass/Sharps recorded 6. These incidents where considered low and possible no apparent pattern to raise significant concern. Assessments of the incidents were made to identify possible remedial actions.

There was 36 incidents of property damage or loss recorded for staff.

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR)

RIDDOR is the law that requires employers, and other people in control of work premises, to report and keep records of work-related accidents which cause death; work-related accidents which cause certain serious injuries (reportable injuries), diagnosed cases of certain industrial diseases; and certain 'dangerous occurrences' (incidents with the potential to cause harm).

Work-related accidents involving members of the public or people who are not at work must be reported if a person is injured, and is taken from the scene of the accident to hospital for treatment to that injury. There is no requirement to establish what hospital treatment was actually provided, and no need to report incidents where people are taken to hospital purely as a precaution when no injury is apparent.

A breakdown of the RIDDOR reports is presented below Table 9

Table 9 RIDDORs reported

Date	Incident	Reason for report
5/5/22	Pupil fell on scooter and cut face. Possible issue with scooter and pupil was taken direct to Hospital	Member of Public direct to Hospital
15/12/22	Pupil fell over barrier queuing for lunch. Possible fracture and taken directly to hospital	Member of Public direct to Hospital
6/1/23	Home carer fell in clients house and fractured ribs	Specified Injury
16/1/23	Teacher fell in work injuring tendon	Over 7 day absence injury
9/2/23	Member of public colleting pupil fell on school yard. Fractured wrist	Member of Public direct to hospital
10/2/23	Member of staff at school fell and became unconscious. 999 called for assistance	Specified Injury
1/3/23	Pupil fell in class and fractured knee	Member of Public direct to hospital
3/3/23	Pupil cut finger with saw in lesson	Member of Public direct to hospital
6/3/23	Small piano toppled on pupil, cut to head	Member of Public direct to hospital
14/3/23	Traffic Warden fell over fence and fractured spine. Note – Reported as RIDDOR as precaution due to severity of injury.	Specified Injury

28/3/23	Employee slipped stepping down off stand.	Over 7 day injury

An additional RIDDOR report was made with regard to a diagnosis of Hand Arm Vibration with a member of staff. The report was made after the Occupational Doctor recommended reporting. A full report was provided to the HSE and no further action was required.

This was not included as an incident report.

4 Partnerships

The North Wales Health and Safety Teams

Limited work has been done between the Corporate Health and Safety Teams in North Wales since the COVID19 crisis. There has been some consultation between the Teams on specific topics to enable a similar approach on health and safety controls.

HSE

The HSE have started carrying out proactive inspections since restrictions for COVID have been removed. The HSE specifically targeted asbestos management within schools as a proactive inspection. Two schools were inspected within Ynys Mon. The inspections did not impose further action for the management of asbestos. There was a recommendation to provide clearer management structure within the Asbestos Files at site.

The feedback from HSE Inspectors was there was good interaction between the Schools and the Council / Property Services.

5 Joint Consultation

Health and Safety Group

Virtual Corporate Health and Safety Group meetings have been held during 2022/23. The meeting allowed Health and Safety Co-ordinators from services across the whole of the council to share information.

6 Occupational Health Provision

A bilingual Occupational Health Service is provided by Gwynedd County Council, which is managed by the HR Service. There are just over 450 appointments made available to staff each year. These are allocated via line manager referral or self -referral by the member of staff. There are approximately 200 appointments made available to staff who feel they will benefit from physiotherapy these appointments are made by referral from Occupational Health following a consultation.

7 Key Achievements

Implementation of Eye Care package

The implementation and provision of a new eye care provide has been achieved this year. This provides eye tests and glasses where required for DSE work. This has been introduced at a reduced cost to the Council and should assist with compliance with the legal requirement.

Alarms

Personal Alarms have been issued to lone work staff on a rolling program. The alarm has contact with a call centre which provides 24hour coverage. The call centre is to a British Standard and should provide an immediate response of calling either staff Line Managers or Emergency Services.

Learning Pool

The continued provision of the Learning Poll as a method of providing information and training should be considered a key achievement. This has enabled staff and external partners to access relevant information which should assist with their health and safety.

Staff

The flexibility and commitment of staff from all services to provide continued services in a safe manner through the crisis should be considered a key achievement. Front line staff have continued to provide high quality services for the people and communities of Anglesey, despite the personal risks to their own safety.

This should include the willingness to adapt as restrictions have been removed.

8 Safety Performance

Corporate Health and Safety Support

The Corporate Health and Safety Policy identifies a structure of support for the Council. The Corporate Health and Safety Team are located within Public Protection, which is located within Regulatory and Economic Development Service.

The Corporate Health and Safety Team is managed by the Licensing and Corporate Safety Manager. The Licensing and Corporate Safety Manager reports to the Chief Public Protection Officer who reports to the Head of Service Regulatory and Economic Development.

The Corporate Health and Safety Team consists of three core members, Principle Advisor, Assistant Advisor and Trainee Advisor. Both the Assistant Advisor and Trainee Advisor have been undertaking the NEBOSH General Diploma in Health and Safety training course and are approaching completion. The qualification is recognised as the requirement to provide competent health and safety advice.

The Corporate Health and Safety Team's work plan is part of the Licensing & Corporate Health & Safety Service Plan. This forms part of the Public Protection Service Plan and the Service Plan for Regulatory and Economic Development. The Corporate Health and Safety Team's actions are presented below.

Table 10 Corporate Health and Safety Team Actions

Key Actions	**Success Criteria** (How do we know when you have achieved the Key Action?)	**2022 / 2023 Quarterly Targets**				**Resources** Other than own
Ensure the Council effectively undertakes its (internal & external) statutory health & safety duties and responsibilities	Develop Corporate H&S action plan	Q1	Q2	Q3	Q4	
		1			1 draft	
	Review Policies – Policy Portal update. Online intranet policies up to date	Q1	Q2	Q3	Q4	4Policy system. Assistance from ICT provide links from Monitor
		Target				
		7	8	8	7	
		Completed				
		8	8	8	9	
	Potential Violent Person/Accidents Risk register. Monitor PVP marker system. Review on a quarterly basis	Q1	Q2	Q3	Q4	ICT work with CRM system
		Target				
		1	1	1	1	
		Completed				
		1	1	1	1	
	Percentage response to Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) accidents within Local Authority Premises within 5 days	Q1	Q2	Q3	Q4	
		100%	100%	100%	100%	
		Number of RDDORs				
		1	0	1	9	
	Service management meetings. Attend meetings to report on H&S matters as and when required/requested	Q1	Q2	Q3	Q4	Services to arrange meeting and venues
		100% when requested or required				
		6	8	6	4	
	HS Group meetings. Quarterly meetings. Agendas topic lead.	Q1	Q2	Q3	Q4	
		Target				
		1	1	1	1	
		Completed				
		0	2	1	1	
		Q1	Q2	Q3	Q4	

	Quarterly Health and Safety Bulletins on live topics. Aiming to create a H&S culture	1	1	1	1	
	Provide Health and Safety section of Corporate Induction	Q1	Q2	Q3	Q4	HR to arrange dates and provide venue
		100% on request				
		0	1	1	0	
	Reactive work to a service level target of an initial response within 1 working day.	Q1	Q2	Q3	Q4	
		Requests per Quarter				
		273	203	163	200	
		A total of 839				
	Corporate H&S Annual Report to audit Committee scheduled meeting	Q1	Q2	Q3	Q4	
			1			
	Number of planned health & safety interventions at Council premises. This is an overall target for the range of activities that are carried out across the local authority. This will include proactive monitoring, inspections and audit, also reactive inspection activities such as incident investigation.	Q1	Q2	Q3	Q4	
		Target				
		10	10	10	10	
		Completed				
		4	8	13	20	
	Eye Care DSE Implementation with new service providers and monitor	Q1	Q2	Q3	Q4	
		Action was to implement new system with provider for eye care relating to tests and provision of glasses for DSE users as required by the DSE Regulations				
		Q1	Q2	Q3	Q4	
Accident stats	Quarterly reports	1	1	1	1	

9 Strategic Action Plan

Strategic Action Plan	
PLAN	Corporate Health and Safety Action Plan (CHSAP) The CHSAP has been developed to address known areas for continued improvement. This is to be agreed by the Leadership Team and disseminated to Tim Rheoli. Each Services should develop their own Service Health and Safety Action Plans (SHSAP) to address the needs of the CHSAP SHSAPs should be planned to also address possible specific areas identified and relevant to the Service. SHSAP should consider the ongoing management of the Services "business as usual". The SHSAP will be agreed by the Director or Head of Services for the relevant Service. Plans and Risk Assessments will be developed by the relevant Service involved with the work.
DO	CHSAP implemented by All Services – actions from the CHSAP will be completed as required. SHSAP implemented by Relevant Services – actions from the SHSAP will be completed as required. Services will monitor their own progress on specific action plan from the Corporate Health and Safety Plan and individual Service Health and Safety Action Plans Monitoring. Progress will be report in Service either in their Service Management Team or Service Health and Safety Group meetings. If reported in Service Health and Safety Group meeting the report must be provided to the relevant Head of Service / Director. Heads of Service / Directors will report progress to Tim Rheoli on a quarterly basis. The Health and Safety Coordinators will provide the progress reports to Corporate Health and Safety. These will be considered in the Corporate Health and Safety Group meetings.
REVIEW	Quarterly reviews will be carried out on progress of the CHSAP by the Tim Rheoli and the Corporate Health and Safety Group. The review will consider progress of actions, the effectiveness of actions implemented and possible further action. Quarterly reviews will be carried out on progress of the SHSAPs by the relevant Service Management Team or Service Health and Safety Groups The review will consider progress of actions, the effectiveness of actions implemented and possible further action.

10 Conclusion

There has been an increase in activities during the period 2022/23 and this has seen an increase in the number of incidents reported. It is difficult to measure the year 2022/23 against previous years due to the lifting of restrictions over those periods.

The year 2023/24 may give a better comparison as this could be a year with no restrictions and possibly more of a return to normal working arrangements. This year may give a better indication of potential gaps in comparison to pre-Covid19 restrictions.

11 Recommendation

The Council should follow the strategic plan for management of Health and Safety and implement the Corporate Health and Safety Action Plan.

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ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	**GOVERNANCE AND AUDIT COMMITTEE**
Date:	**8 FEBRUARY 2024**
Subject:	**TREASURY MANAGEMENT MID-YEAR REVIEW 2023/24**
Portfolio Holder(s):	**COUNCILLOR R WILLIAMS, DEPUTY LEADER AND FINANCE PORTFOLIO HOLDER**
Head of Service / Director:	**R MARC JONES, DIRECTOR OF FUNCTION (RESOURCES) & SECTION 151 OFFICER**
Report Author: Tel: E-mail:	**CLAIRE KLIMASZEWSKI** **01248 752133** **claire.klimaszewski@ynysmon.llyw.cymru**
Local Members:	**n/a**

A –Recommendation/s and reason/s

To recommend that the Governance and Audit Committee:-

1. Review and note the report, the treasury activity and the prudential indicators as at 30 September 2023.

2. To forward any comments onto the Executive.

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

The report is for scrutiny and information and the consideration of options is not applicable.

C – Why is this a decision for the Executive?

To comply with regulations issued under the Local Government Act 2003 and the CIPFA Prudential Code 2021.

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

The report gives an update on the treasury management position whereby borrowing and investments decisions have been taken in accordance with the Treasury Management Strategy that was approved by the Council in March 2023.

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

No decision required in respect of this report which will impact on the budgetary position of the Council.

	DD – Who did you consult?	**What did they say?**
1	**Chief Executive / Leadership Team (LT)** (mandatory)	No additional comments.
2	**Finance / Section 151**(mandatory)	This is the Section 151 Officer's report.
3	**Legal / Monitoring Officer** (mandatory)	No additional comments.
4	**Human Resources (HR)**	Not applicable
5	**Property**	Not applicable
6	**Information Communication Technology (ICT)**	Not applicable
7	**Procurement**	Not applicable
8	**Scrutiny**	This report is for scrutiny of the Governance and Audit Committee, 8 February 2024.
9	**Local Members**	Not applicable
10	**Other**	None

E – Assessing the potential impact (if relevant):		
1	**How does this decision impact on our long term needs as an Island**	Treasury management is key to facilitating sustainability for the long-term needs of the Island as borrowing plans help to fund capital expenditure to ensure assets are available now and into the future. Treasury plans must also be affordable to ensure that future generations are not disadvantaged by Treasury Management decisions taken in the short and medium term.
2	**Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority. If so, how:-**	The Treasury Management strategy and activity must be affordable to mitigate the impact on the future. Some capital expenditure funded by borrowing, such as Sustainable Communities for Learning, and other invest to save schemes funded by borrowing may help to reduce future costs.
3	**Have we been working collaboratively with other organisations to come to this decision, if so, please advise whom:**	Treasury Management activities often fund capital projects in partnership with other organisations, such as Welsh Government. The 21st Century Schools Programme / Sustainable Communities for Learning new schools / extensions were/are funded with significant funding from Welsh Government.
4	**Have Anglesey citizens played a part in drafting this way forward? Please explain how:-**	Anglesey Citizens are consulted each year about the annual capital programme some of which is dependent on Treasury Management activities. More in-depth consultation occurs on some capital projects, such as new school builds / school reorganisations.
5	**Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.**	Newly built assets funded by borrowing will be compliant the Equality Act and related regulations and guidance. Annual refurbishments and replacement programmes also help to increase accessibility and enable diversity.
6	**If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.**	This is statutory monitoring of Treasury Management activities, not a strategic decision.
7	**Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.**	Some of the projects funded by borrowing have a positive impact on the development and increase of the Welsh Language, such as the Welsh medium schools built as part of the 21 Century Schools Programme / Sustainable Communities for Learning Programme.

F - Appendices:

Appendix A –Treasury Management Quarter 2 Report 2023/24
Appendix B – Analysis of Isle of Anglesey County Council PWLB Loans by year of Maturity
Appendix C – Economic Analysis – Link Group
Appendix CH – PWLB Analysis – Link Group

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

- Treasury Management Strategy Statement 2023/24 – Isle of Anglesey County Council 9 March https://democracy.anglesey.gov.uk/ieListDocuments.aspx?CId=127&MId=4049&Ver=4&LLL=0
- Treasury Management Quarter 1 Report 2023/24 – The Executive 24 October 2023 https://democracy.anglesey.gov.uk/ieListDocuments.aspx?CId=134&MId=4211&Ver=4&LLL=0

1. Background

1.1 The Treasury Management Strategy Statement (TMSS) 2023/24 provides the framework for day-to-day and medium-term treasury management. The TMSS is a key part of the Council's strategic planning processes to help identify what the Council's key priorities and objectives are for the next year and into the future.

1.2 Treasury management activity, in line with the TMSS, is key for implementation of the priorities of the Council Plan 2023/28 and the Capital Strategy 2023/24, and several related strategic and operational plans. Capital expenditure is fundamental to ensure the Council has long-term assets, such as Council offices, schools, social care facilities, Council dwellings, ICT infrastructure, software and equipment, vehicles and equipment needed to deliver Council services and functions, and to help achieve the priorities of the Council Plan 2023/28. This includes ensuring the Council's current assets are refurbished, extended or replaced as needed and new assets built to deliver Council priorities, such as new schools.

1.3 Capital funding is limited, therefore, the Council funds some capital projects by means of supported borrowing, for which the Council receives funding in the annual revenue support grant from Welsh Government, or unsupported borrowing, where the annual financing costs are funded in full by the Council. Borrowing is usually fulfilled by taking out loans from the Public Works Loans Board (PWLB). This is a key part of treasury management, hence the important link to the Capital Strategy 2023/24 and implementation of the capital programme.

1.4 The Treasury Management Code of Practice 2021, which is statutory guidance 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*."

2. Introduction

2.1 Treasury management involves tasks which ensure that there is enough cash in the Council general account to pay day-to-day bills and the investment of surplus cash, over what is needed in the general account. These investments must be in highly secure accounts, such as UK banks with high credit ratings as defined in the TMSS. The Council prioritises security of its funds, in line with the Code, and ensures that enough cash is instantly accessible so that the Council is able to pay suppliers, staff and benefits, at the required payment dates. The last consideration is yield, the Council invests to get the highest interest rate possible within the pool of organisations that are secure and meet the criteria in the TMSS 2023/24. The final element of Treasury Management is managing the Council's loan portfolio, to ensure that the Council's borrowing is not too high and that the revenue costs of borrowing are affordable.

2.2 A key 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. The Capital Strategy 2023/24, Capital Programme 2023/24 and quarterly capital budget monitoring reports are closely linked to the Council's treasury management activity. In accordance with legislation, the Council is only able to borrow for capital expenditure, not revenue costs, with the exception of when Welsh Government provides a capitalisation directive for specific exceptional revenue expenditure, such as the capitalisation of equal pay back pay. The capital strategy, the annual capital programme and TMSS all support the Council's key priorities in the Council Plan 2023/28. This report is part of the monitoring of treasury management activities during the period 1 April 2023 to 30 September 2023 to help ensure that the TMSS is complied with.

3. Economic Update

3.1 The Council's external treasury management advisers, Link Group, sends several updates, such as economic and credit reports, each week, to help Council officers and Members to make the best decisions on treasury management activities. Link Group provided an economic update for the second quarter, which can be found in Appendix C. Link Group has also recently provided the following interest rate forecast:-

Table 1 – Forecast Bank Base Rate, inflation and PWLB Rates January 2024 to September 2025.

	15 Jan 2024	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025	Jun 2025	Sep 2025
Bank Rate (%)	5.25%	5.25%	5.25%	4.75%	4.25%	3.75%	3.25%	3.00%
CPI Inflation – Capital Economics	Dec - 3.7%	3.8%	2.9%	0.80%	0.70%	0.90%	0.6%	1.2%
5yr PWLB annuity rate (%)	4.63%	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%	3.80%
10yr PWLB annuity rate (%)	4.86%	4.70%	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%
25yr PWLB annuity rate (%)	5.43%	5.20%	5.10%	4.90%	4.80%	4.60%	4.40%	4.30%
50yr PWLB annuity rate (%)	5.24%	5.00%	4.90%	4.70%	4.60%	4.40%	4.20%	4.10%

3.2 The Bank of England's target inflation set by the Government, is 2%. Inflation started to creep up beyond this from August 2021, with the CPI rate reaching a high of 11.1% in October 2022 due to the impact of the invasion of Ukraine, which caused significant energy and food price increases. Inflation remained high for longer than anticipated, but started to decrease in April 2023 to 8.7%, with CPI reducing to 7.9% at the end of the first quarter. Inflation rates continued to decrease in the second quarter, with CPI at 6.7% at 30 September 2023.

3.3 At the start of the pandemic, the base rate was reduced to its lowest point at 0.1% in support of the economy. In December 2021, the Bank of England increased the rate to 0.25%, and then increased the base rate at each meeting of the Monetary Policy Committee (MPC) between 0.25% to 0.75% at its highest increase. In August 2023, the MPC increased the base rate to 5.25%, in September 2023 the rate of 5.25% remained unchanged for the first MPC meeting since December 2021. The MPC also voted for no change to the 5.25% at its meetings in November and December 2023.

3.4 The TMSS 2023/24 reported in March 2023, the bank base rate was expected to peak at 4.5% in the summer and that rates would reduce slowly in 2024 and 2025. In the treasury management review for quarter 1, it was highlighted that the Bank of England base rate was forecast to peak at 5.25%. The above analysis shows that the rate of 5.25% has remained unchanged for four consecutive MPC Committees. However, there is a risk of increased inflation due to supply issues resulting from the conflict in Gaza and shipping issues in the Red Sea which has resulted in wider conflict. There is now an increased risk that the base rate might peak at a higher rate in efforts to control inflation.

3.5 The Council benefits from a higher base rate for investment of surplus cash, which has helped the Council earn more than £1m in interest receivable. However, loans to the Council are more expensive since the Bank of England started raising interest rates to try to control inflation. External borrowing is, therefore, delayed until cash balances can no longer sustain the use of council balances to fund capital expenditure (internal borrowing).

4. The Council's Position 30 September 2023.

4.1 Borrowing PWLB – The Council's PWLB external borrowing remains the same as that presented in the TMSS in March 2023, except for repayment of £8k of principal on annuity loans. This is due to the need to avoid borrowing while interest rates are increasing. Instead, Council cash balances have been used to fund capital expenditure. This is in line with Link Group's advice on borrowing in the current economic climate. The opportunity cost of this is that there are less balances to invest, however, borrowing costs are higher than investment yields. To ensure the Council has enough cash to pay creditors and salaries, sufficient cash must remain in instant call accounts. Typically, the interest rates on these are much lower, so the Council is still able to make reasonable savings on interest payable while using cash balances.

4.2 Appendix B shows the full list of PWLB loans taken out and still payable. The oldest loan dates back to 1969, and the majority of the loans have higher interest rates than the current rates, despite the recent rise in interest rates. These are organised by the financial year the loans are due to be repaid. In addition, the present value of the loans is included in the last column to take into account that the value of money reduces over time. This shows a more realistic impact the loans will have in the future. The loans total £119.564m, but the value of these loans discounted to their present value, amount to £47.666m. The loan for £15m, which is due to be repaid in 2068/2069, is estimated at £3.190m at today's prices, using the discount rate of 3.5% for the public sector.

Table 2a- PWLB Loans Outstanding - 30 September 2023

PWLB Loans at 30 September 2023			
	PWLB / PWLB Maturity £'000	PWLB EIP/ Annuity £ '000	Total PWLB Loans at 30 September 2023 £'000
Loan Outstanding	119,400	164	119,564
Average life (years)	30.82	4.06	35
Average rate (%)	4.53	9.42	14

Table 2b – Maturity Profile of PWLB Loans Outstanding 30 September 2023

Number of Years until Loan Matures	Principal £'m	Present Value of Principal £'m
<1	2	2
1 i 3	1	1
4 i 6	4	3
7 i 10	3	3
11 i 14	2	2
15 i 22	23	12
23 i 33	42	15
34 i 50	41	10
	120	**48**

4.3 Borrowing Salix – Salix is a Welsh Government organisation which provides interest free loans and, more recently grants for projects which support the environment and to help public sector bodies in Wales to work towards achieving their net zero target by 2030. The TMSS 2023 showed that, in February 2023, the Council had £3.099m of interest free loans outstanding with Salix. Since this time, the Council has received more of the borrowing approved by Salix due to more progress with the projects funded by loans from Salix. The Council held £4.035m of Salix loans at 30 September 2023. These loans are repaid over a period of 8 or 10 years, depending on the agreement, with 2 repayments made per year, per loan. These loans have funded LED street lighting, LED lighting in schools and leisure centres and various other sustainable projects.

Table 3 – Other Loans Outstanding at 30 September 2023

Other Loans at 30 September 2023							
	Salix Loan 1 £'000	Salix Loan 2 £'000	Salix Loan 3 £'000	Salix Loan 4 £'000	Salix Loan 5 £'000	Salix Loan 6 £'000	TOTAL £'000
Outstanding Balance	16.5	114.0	349.8	158.4	1,873.7	1,522.9	**4,035.3**
Repayment Date	2024/25	2025/26	2027/28	2029/30	2031/32	2035/36	
Interest rate (%)	-	-	-	-	-	-	**-**

5. Annual Investment Strategy

5.1 The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on 9 March 2023.

5.2 The Council continues to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite.

5.3 Investment rates continued to increase during the first quarter of 2023/24, which the Council has benefitted from by investing in fixed term secure investments. In August 2023, the Bank of England increased the base rate to 5.25% and it has remained at 5.25%. There is an increased risk that the base rate might peak beyond 5.25% due to the current conflict in the Middle East and impact of supply issues arising from ships being targeted in the Red Sea.

5.4 **Creditworthiness –** There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness, to ensure that only appropriate counterparties are considered for investment purposes.

5.5 **Investment Counterparty Criteria –** The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

5.6 **Investment Balance –** The total balance of investments at 30 September 2023 was £45.345m, as shown in Table 4 below. The yield from these investments from 1 April 2023 to 30 September 2023 was £1.088m, with the total interest receivable on the below listed investments expected to be £1.752m for 2023/24. This figure is likely to be higher as new investments are made when these mature, however, cash balances are reducing as the financial year progresses, so not all these investments will be viable to renew on maturity.

Table 4 - Investments held 1 April 2023 to 30 September 2023

Counterparty	Start Date	End Date	Interest Rate %	Investment Amounts 1 April to 30 September 2023	Investment Principal at 30 September 2023	Estimated Interest earned for the period £	Estimated Total Interest 2023/24 on these investments £
NatWest Call Account - estimate for period	01/04/2023	31/03/2024	1.70%	2,844,585	2,844,585	93,176	174,649
Bank of Scotland Call Account	18/04/2023	31/03/2024	5.14%	7,500,000	7,500,000	156,591	349,341
National Westminster Bank Fixed Term	11/01/2023	11/07/2023	4.10%	10,000,000	-	113,452	113,452
National Westminster Bank Fixed Term	11/07/2023	11/01/2024	5.88%	10,000,000	10,000,000	130,488	296,416
Santander	10/02/2023	10/05/2023	4.00%	7,500,000	-	32,055	32,055
Santander	10/05/2023	10/11/2023	4.76%	7,500,000	7,500,000	139,866	179,967
Nationwide Building Society	06/04/2023	06/07/2023	4.17%	5,000,000		51,982	51,982
Nationwide Building Society	06/07/2023	08/01/2024	5.47%	5,000,000	5,000,000	64,441	139,373
Goldman Sachs	22/12/2022	22/06/2023	3.83%	7,500,000	-	64,533	64,533
Goldman Sachs	22/06/2023	22/12/2023	5.52%	7,500,000	7,500,000	113,425	207,567
Wakefield Council	22/08/2023	22/09/2023	5.23%	5,000,000	-	22,210	22,210
Wrexham County Borough Council	25/10/2022	25/04/2023	3.80%	5,000,000	-	12,493	12,493
Wrexham County Borough Council	25/04/2023	25/10/2023	4.30%	5,000,000	5,000,000	93,068	107,795
Total					**45,344,585**	**1,087,779**	**1,751,832**

5.7 The Council set a budget of £1.036m and, after transferring the interest due on school balances and the HRA, it is still estimated that this budget target will be exceeded in 2023/24.

5.8 **Approved Limits –** Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 September 2023.

6. Prudential Indicator for Capital Expenditure

6.1 The Council's Capital Position

Table 5 below shows the revised estimates for capital expenditure in comparison to the capital budget at quarter 2:-

Table 5 – Capital Expenditure

	Original Estimate 2023/24 £'000	Approved Revised Budget 2023/24 £'000	Budget to 30 September 2023 £'000	Expenditure to September 2023 £'000	Quarter 2 Estimate for Total Expenditure 2023/24 £'000
Council Fund	24,405	40,030	11,997	10,760	36,431
HRA	13,557	19,988	7,003	7,943	21,878
Total	**37,962**	**60,018**	**19,000**	**18,703**	**58,309**

6.1.1 The original budget was prepared in January 2023 before the slippage from 2022/23 was known. The approved revised budget includes £13.477m of slippage from 2022/23, approved by the Executive on 27 June 2023. An additional £8.579m capital budget was approved by the Executive during the year. £7.044m of the additional schemes during the year are funded by grants. The in-year changes show that unsupported borrowing is expected to reduce by £2.797m, though supported borrowing is expected to increase by £1.661m. Supported borrowing is funded by Welsh Government in the annual RSG.

6.1.2 The revised budget for 2022/23 is £60.018m, and £58.309m of this was expected to be spent by 31 March 2024, as reported in the capital monitoring report Q2, presented to the Executive on 28 November 2023. During the period 1 April 2023 to 30 September 2023, £18.7m of actual expenditure had been incurred against a £19m profiled budget, which showed that spend was very close to the budget as at 30 September 2023.

6.2 Changes to the Financing of the Capital Programme

6.2.1 There are some changes to the financing of the capital programme, as can be seen in Table 6 below, due to the changes to the capital budget noted in 6.1.1 and 6.1.2 above.

6.2.2 Table 6 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. The source of funding for projects might also change at year end as funding is allocated in the most cost-effective way to mitigate capital financing pressures. This also allows increased flexibility to respond to later offers of external grant funding where the Council is asked to displace the funding in year but to ensure there is funding in the next year to fulfill the conditions of the grant being offered.

Table 6 – Estimated Funding of Capital Expenditure

Capital Financing	**2023/24 Original Estimate £'000**	**2023/24 Revised Estimate £'000**
Capital Grants	22,367	35,229
Capital Receipts	500	443
Reserves	0	4,096
Revenue Contribution	9,221	11,635
Supported Borrowing	3,077	8,500
Unsupported Borrowing	2,797	38
Loan	0	77
Total	**37,962**	**60,018**

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

6.3.1 Prudential Indicator – External Debt Limits

The below table shows that, at 30 September 2023, the Council was well within the debt limits set by the Treasury Management Strategy Statement (TMSS) 2023/24 and is forecast to be £50m within the maximum limit on borrowing (authorised limit) and £45m within the operational boundary at 31 March 2024.

The authorised limit is the absolute maximum the Council is permitted to borrow. This can be changed only if affordable and with the permission of full Council. Other options should be considered first such as reviewing the projects funded by borrowing or considering alternative funding sources. The operational boundary is the level of borrowing which must trigger the review of options for funding projects or other actions to ensure that the authorised limit is not breached.

Table 7 – External Debt compared to Borrowing Limits

Prudential Indicator – External Debt Limits	TMSS 2023/24 £'000	Amount within the TMSS Debt Limits at 30 September 2023 £'000	Estimated Borrowing Position 31 March 2023 £'000	Estimated Amount within the TMSS Debt Limits at 31 March 2024 £'000
Authorised Limit - general borrowing	175,000	51,400	175,000	49,851
Operational Boundary - general borrowing	170,000	46,400	170,000	44,851
Actual general borrowing 30 September 2023	123,600	N/A	125,149	N/A
Other long-term liabilities	5,000	5,000	-	-

6.4. Prudential Indicator – Capital Financing Requirement (CFR)

6.4.1 Table 8 below shows the CFR, which is the underlying need to incur borrowing to fund capital expenditure. The CFR is expected to be £1.451m higher than the original estimate. This relates to the Council fund CFR and relates to slippage from 2022/23 capital programme. This masks that there is an increase of £4.133m relating to unsupported borrowing which is allocated to slipped projects to 2023/24 and there is a decrease in unsupported borrowing by £2.759m relating to the Band B schools programme. There is also £0.077m slippage on the Salix loan funded project. Changes are expected as the TMSS is produced before the capital programme for the year has been finalised. Capital projects can also slip due to a variety of reasons or alternative funding is found to reduce the amount of borrowing needed.

Table 8 – Change in the Capital Financing Requirements 2023/24 at 30 September 2023

Prudential Indicator – Capital Financing Requirement (CFR)	2023/24 Original Estimate £'000	2023/24 Revised Estimate £'000
CFR – Council Fund	111,697	113,148
CFR – HRA	38,286	38,286
Total CFR	149,983	151,434
Net movement in CFR	-	1,451

6.4.2 Analysis of borrowing

The table above shows the revised forecast CFR for 2023/24 is £151.434m. This is comprised of £123.600m of external borrowing, predominantly from the PWLB with Salix interest free loans for low carbon and energy efficiency projects. The difference between the CFR, which is the amount of capital expenditure to be funded by borrowing, and the external / actual borrowing taken out, is the internal borrowing. This is where the Council has used cash balances to fund capital expenditure to delay the actual borrowing for as long as possible, to save interest payable charges. This is in line with the TMSS 2023/24 and is the approach recommended by the Council's treasury management consultants, Link Group, due to impact of the economy on interest rates and gilts which PWLB interest rates are based on. When cash balances become too low, this borrowing will be externalised by taking out new loans from the PWLB. To reduce the capital financing charges, it is likely that shorter-term loans up to five years would be taken out.

Table 9 – Profile of borrowing between external borrowing and internal borrowing (use of cash balances)

	Current Position at 30 September 2023 £'000	Revised Estimated CFR 31 March 2024 £'000
External Borrowing	123,600	125,154
Internal Borrowing	27,834	26,280
Other long-term liabilities	-	-
(year-end position)	**151,434**	**151,434**

7. Debt Rescheduling

7.1 Debt rescheduling opportunities have increased significantly in the current period, where gilt yields, which underpin PWLB rates and market loans, have risen materially. An exercise was completed in June 2023, which demonstrated that replacing existing loans with new loans would attract discounts but, due to higher interest rates, total interest payable until the loans mature would be significantly higher and would, therefore not be affordable as revenue capital financing costs would increase.

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 period ended 30 September 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24. The Director of Function (Resources) reports that no difficulties are envisaged for the current or future years in complying with these indicators.

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

9. Conclusion

9.1 During the period 1 April 2023 to 30 September 2023, the Council has been proactive with depositing surplus cash balances in secure UK banks and local authorities. The Council has benefitted from the interest rate increases during the period, with £1.088m in interest receivable on these deposits. The estimated interest receivable for the full year on the investments active during the period is forecast at £1.752m. Three deposits have been arranged since 30 September 2023, which will be reported subsequently. It should be noted that the HRA, schools and amounts the Council holds on behalf of others will receive a share of the interest receivable based on their balances at 31 March 2024 and the average interest rate from all deposits. Also of note, is the Council's cash balances are reducing, therefore, future interest receivable might not achieve the levels in 2023/24.

9.2 The Council has not applied for any PWLB loans during the period to minimise interest payable and defer the borrowing identified for funding specific capital projects until necessary. The Council has borrowed interest free loans from Salix for energy efficiency / low carbon capital projects.

9.3 In summary, the Council's Treasury Management position remains stable, with better than forecast investment returns and all prudential indicators remaining within the boundaries and targets set in the Treasury Management Strategy Statement for 2023/24. No new external borrowing has taken place with the Council's strategy continuing to use internal borrowing to fund capital expenditure, but as cash reserves are utilised (balance the budget, winding down of school balances, use of HRA reserve to fund capital expenditure) the amount of surplus cash reduces which has reduced the sums available to invest and the level of internal borrowing than can be supported. This will invariably require a change in strategy in the future, with additional external borrowing having to be undertaken.

MARC JONES
DIRECTOR OF FUNCTION (RESOURCES)
& SECTION 151 OFFICER

Maturity Financial Year	**PWLB Loan Reference**	**Principal** **£**	**Rate of Interest** **%**	**Present Value of Loan Principal at 3.5%** **£**
2023/2024	475890	1,000,000	8.5	
	473692	569,200	7.875	
	475927	284,600	8.5	
2023/2024 Total		1,853,800		1,853,800
2026/2027	474962	853,800	8.625	
	503948	527,601	3.67	
2026/2027 Total		1,381,401		1,245,945
2027/2028	473954	674,502	7	
	493424	1,000,000	5.2	
	503949	490,601	3.73	
2027/2028 Total		2,165,103		1,886,762
2028/2029	400773	20,064	9.5	
	503950	262,440	3.8	
2028/2029 Total		282,504		237,861
2029/2030	401356	5,903	9.25	
	401772	3,934	9.25	
	402384	5,962	9.375	
	402971	1,156	9.125	
	403625	7,149	9.25	
	406721	12,590	9.25	
	474795	853,800	8.625	
	503951	684,697	3.85	
2029/2030 Total		1,575,192		1,281,419
2030/2031	407327	8,981	9.375	
	408828	5,651	9.25	
	409994	7,992	9.75	
	410218	4,879	9.75	
	410734	2,153	9.625	
	410915	8,782	9.75	
	411471	7,912	9.25	
	503952	450,706	3.91	
2030/2031 Total		497,055		390,681
2031/2032	475733	1,280,700	8.625	
	503953	660,449	3.96	
2031/2032 Total		1,941,149		1,474,131
2032/2033	422775	26,935	9.25	
	423932	33,446	9.5	
	426595	1,252	9.875	
	503954	314,886	4.01	
2032/2033 Total		376,518		276,263
2033/2034	503955	636,565	4.05	
2033/2034 Total		636,565		451,273
2034/2025	503956	623,834	4.09	
2034/2025 Total		623,834		427,292
2035/2036	503957	611,357	4.13	
2035/2036 Total		611,357		404,586

Maturity Financial Year	PWLB Loan Reference	Principal £	Rate of Interest %	Present Value of Loan Principal at 3.5% £
2036/2037	503958	599,130	4.16	
2036/2037 Total		599,130		383,086
2037/2038	503959	587,147	4.18	
2037/2038 Total		587,147		362,729
2038/2039	503960	225,467	4.2	
2038/2039 Total		225,467		134,579
2039/2040	493437	5,000,000	4.95	
2039/2040 Total		5,000,000		2,883,530
2040/2041	493438	3,500,000	4.95	
2040/2041 Total		3,500,000		1,950,213
2042/2043	503961	999,781	4.25	
2042/2043 Total		999,781		520,042
2043/2044	503962	1,020,120	4.25	
2043/2044 Total		1,020,120		512,678
2044/2045	503963	1,009,718	4.25	
2044/2045 Total		1,009,718		490,290
2045/2046	503964	11,464,215	4.25	
2045/2046 Total		11,464,215		5,378,444
2050/2051	490892	2,000,000	4.15	
2050/2051 Total		2,000,000	4.15	790,024
2052/2053	491677	6,800,000	4.2	
	492220	5,000,000	4.05	
	492698	6,000,000	4.25	
	493722	5,000,000	4.55	
	493723	1,138,400	4.55	
	493906	4,300,000	4.55	
2052/2053 Total		28,238,400		10,412,858
2054/2055	474612	3,000,000	8.375	
2054/2055 Total		3,000,000		1,032,691
2055/2056	476679	1,500,000	8	
	476783	2,000,000	7.875	
2055/2056 Total		3,500,000		1,164,064
2056/2057	478340	2,000,000	7.875	
	479464	3,000,000	7.125	
2056/2057 Total		5,000,000		1,606,714
2057/2058	479465	3,000,000	7.125	
	479802	3,000,000	6.875	
	480214	2,000,000	6.5	
	480215	512,854	6.5	
2057/2058 Total		8,512,854		2,643,037
2059/2060	483423	1,763,308	4.25	
2059/2060 Total		1,763,308		511,064
2064/2065	508920	10,000,000	2.24	
2064/2065 Total		10,000,000		2,357,791
2066/2067	505939	6,200,000	2.2	
2066/2067 Total		6,200,000		1,412,397
2068/2069	508376	15,000,000	2.49	
2068/2069 Total		15,000,000		3,189,889
Grand Total		**119,564,619**		**47,666,132**

Economic Update & Forecasts

- The first half of 2023/24 saw:-
  - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
  - Short, medium, and long-dated gilts remain elevated as inflation continually surprised to the upside.
  - A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
  - CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
  - Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).
- The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

- But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.
- CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and, in the Euro,-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.
- In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The Bank also retained the hawkish guidance that rates will stay "sufficiently restrictive for sufficiently long".
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and / or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.
- The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment / lower wage increases).
- The pound weakened from its cycle high of $1.30 in the middle of July to $1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss debacle last autumn. That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.
- The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21st April the FTSE 100 stood at 7,914.

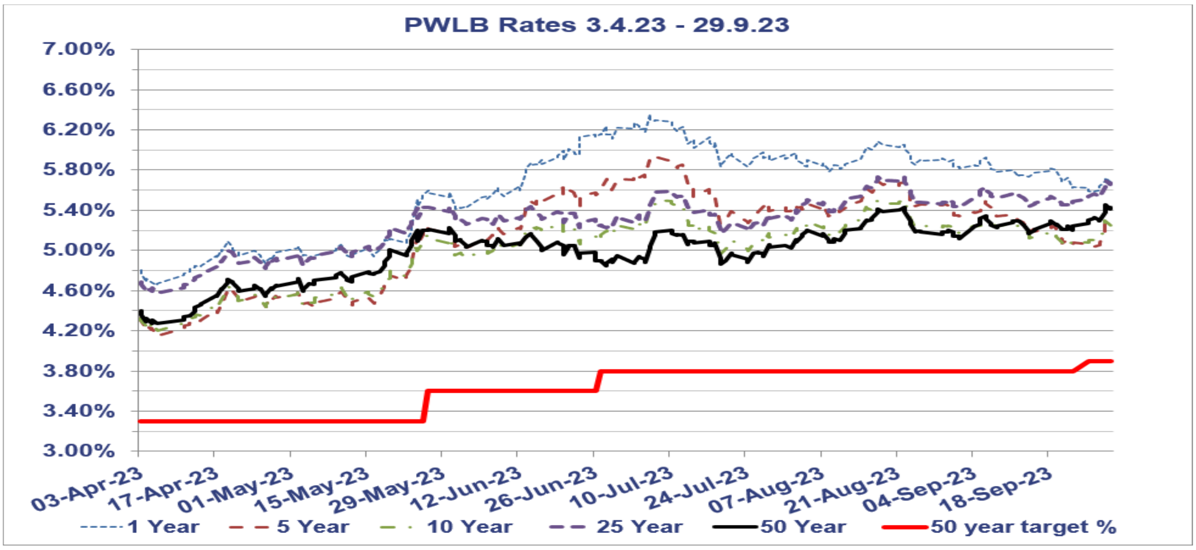
PWLB Rates Analysis 1 April 2023 to 30 September 2023

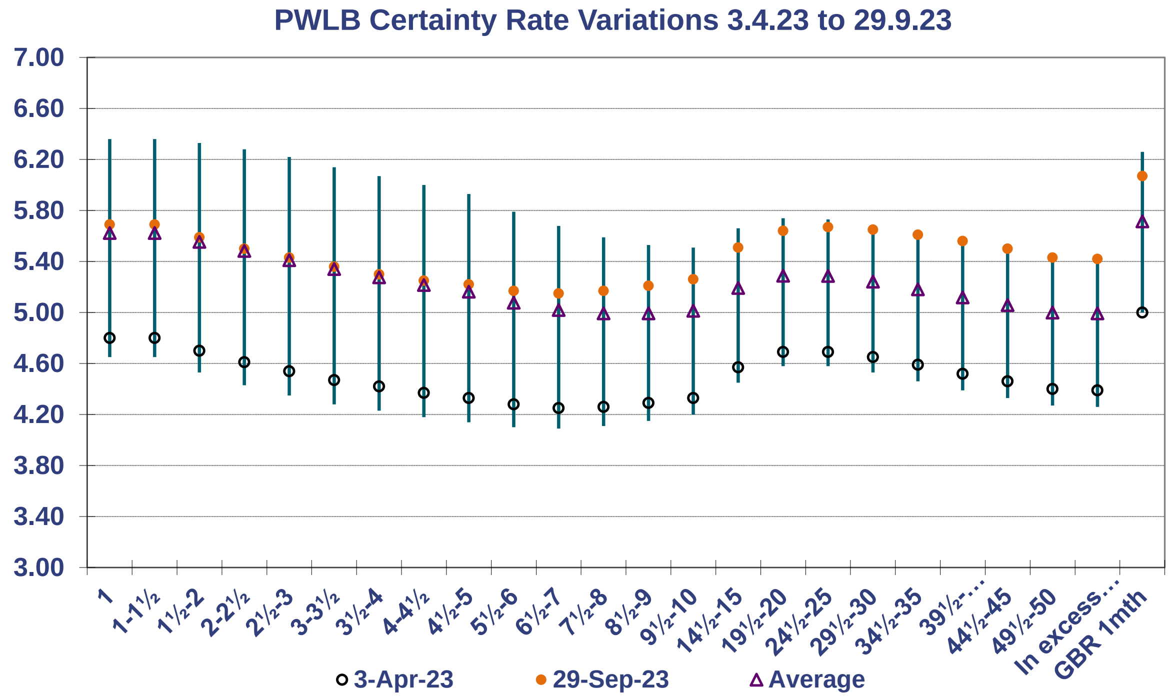
While the Council did not require any new PWLB loans during the period, the below information provides the information about changes in PWLB rates in the context of increasing interest rates and gilts.

PWLB maturity certainty rates (gilts plus 80bps) year to date to 29th September 2023
Gilt yields and PWLB certainty rates were on a generally rising trend throughout the first half of 2023/24. At the beginning of April, the 5-year rate was the cheapest part of the curve and touched 4.14%, whilst the 25-year rate was relatively expensive at 4.58%.

July saw short-dated rates peak at their most expensive. The 1-year rate spiked to 6.36% and the 5-year rate to 5.93%. Although, in due course, short-dated rate expectations fell, the medium dates shifted higher through August and the 10-year rate pushed higher to 5.51% and the 25-year rate to 5.73%. The 50-year rate was 4.27% on 5th April but rose to 5.45% on 28th September.

We forecast rates to fall back over the next two to three years as inflation dampens. The CPI measure of inflation is expected to fall below 2% in the second half of 2024, and we forecast 50-year rates to stand at 3.90% by the end of September 2025. However, there is considerable gilt issuance to be digested by the market over the next couple of years, as a minimum, so there is a high degree of uncertainty as to whether rates will fall that far.





HIGH / LOW / AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

- The current PWLB rates are set as margins over gilt yields as follows:-
    - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
    - **PWLB Certainty Rate (GF)** is gilt plus 80 basis points (G+80bps)
    - **PWLB Local Infrastructure Rate** is gilt plus 60 basis points (G+60bps)
    - **PWLB Certainty Rate (HRA)** is gilt plus 40 basis points (G+40bps)

- The **UK Infrastructure Bank** will lend to local authorities that meet its scheme criteria at a rate currently set at gilt plus 40bps (G+40bps).

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	**GOVERNANCE AND AUDIT COMMITTEE**
Date:	**8 FEBRUARY 2024**
Subject:	**TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25**
Portfolio Holder(s):	**COUNCILLOR R WILLIAMS, DEPUTY LEADER AND PORTFOLIO HOLDER FINANCE,**
Head of Service / Director:	**MARC JONES, DIRECTOR OF FUNCTION (RESOURCES) AND SECTION 151 OFFICER**
Report Author: Tel: E-mail:	**CLAIRE KLIMASZEWSKI** **ClaireKlimaszewski@ynysmon.llyw.cymru**
Local Members:	**n/a**

A –Recommendation/s and reason/s

- The Council is required to produce and publish an annual Treasury Management Strategy Statement (TMSS) before the start of each financial year. The Council, under the Local Government Act 2003 and Welsh Government Regulations, has to have due regard to the CIPFA Prudential Code and CIPFA Treasury Management Codes, the latest versions of which were published in 2021.
- This TMSS complies with the requirements in both codes and sets out all the requirements which must be followed in how the Isle of Anglesey County Council treasury management activities are conducted. This helps to ensure that the Council's investments are secure and sufficiently accessible so that there is enough cash to for day-to-day payments as they fall due. The TMSS, as required by the codes, also provides a framework to ensure that the Council's borrowing levels remain prudent and affordable.
- The CIPFA Prudential Code, 2021 (S29), introduced more frequent treasury management monitoring reports. Prior to the 2021 version of the code, a treasury management mid-year review and treasury management year-end outturn monitoring report were the minimum standards. In accordance with the revised Prudential code, the Council now produces treasury management quarterly reports culminating in the year-end treasury management outturn report.
- These reports provide monitoring information on the forward-looking prudential indicators which are specified in the appendices within the TMSS. The reports highlight any significant variances from the approved indicators and include forecasts on the Council's borrowing and investments during the year. The additional reports are not required to go full Council, therefore, these are presented to the Executive for approval. The treasury management mid-year review and outturn reports will continue to be scrutinised by the Governance and Audit Committee, considered by the Executive and approved by full Council.

- **Recommendations**
  - To review the Treasury Management Strategy for 2024/25 and submit comments to the Executive and full Council.

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

n/a

C – Why is this a decision for the County Council?		
.		
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 – Assessing the potential impact (if relevant)		
1	**How does this decision impact on our long term needs as an Island**	Treasury management is key to facilitating sustainability for the long-term needs of the Island as borrowing plans help to fund capital expenditure to ensure assets are available now and into the future. Treasury plans must also be affordable to ensure that future generations are not disadvantaged by Treasury Management decisions taken in the short and medium term.
2	**Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how:-**	The Treasury Management strategy and activity must be affordable to mitigate the impact on the future. Some capital expenditure funded by borrowing such as Sustainable Communities for Learning and other invest to save schemes funded by borrowing may help to reduce future costs.
3	**Have we been working collaboratively with other organisations to come to this decision, if so, please advise whom:**	Treasury Management activities often fund capital projects in partnership with other organisations, such as Welsh Government. The 21st Century Schools Programme / Sustainable Communities for Learning new schools/extensions were / are funded with significant funding from Welsh Government.
4	**Have Anglesey citizens played a part in drafting this way forward? Please explain how:-**	Anglesey Citizens are consulted each year about the annual capital programme, some of which is dependent on Treasury Management activities. More in-depth consultation occurs on some capital projects such as new school builds / school reorganisations.
5	**Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.**	Newly built assets funded by borrowing will be compliant with the Equality Act and related regulations and guidance. Annual refurbishments and replacement programmes also help to increase accessibility and enable diversity.
6	**If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.**	The TMSS is required each year.
7	**Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.**	Some of the projects funded by borrowing have a positive impact on the development and increase of the Welsh Language, such as the Welsh medium schools built as part of the 21st Century Schools Programme / Sustainable Communities for Learning Programme.

E – Who did you consult?		What did they say?
1	**Chief Executive / Leadership Team (LT)** (mandatory)	
2	**Finance / Section 151**(mandatory)	n/a – this is the Section 151 Officer's report.
3	**Legal / Monitoring Officer** (mandatory)	
4	**Human Resources (HR)**	
5	**Property**	
6	**Information Communication Technology (ICT)**	
7	**Procurement**	
8	**Scrutiny**	
9	**Local Members**	
10	**Other**	

F - Appendices:

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

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

- 2023/24 Treasury Management Strategy Statement, approved by the full Council on 9 March 2023;
- 2022/23 Treasury Management Outturn Report, approved by the full Council on 26 October 2023;
- 2022/23 Capital Outturn Report, presented to this Committee on 27 June 2023;
- 2023/24 Capital Budget Monitoring Quarter 2, presented to the Executive on 28 November 2023;
- 2023/24 Treasury Management Mid Year Report, presented to this Committee on 8 February 2024;
- 2024/28 Capital Strategy – Executive, 29 February 2024

APPENDIX A

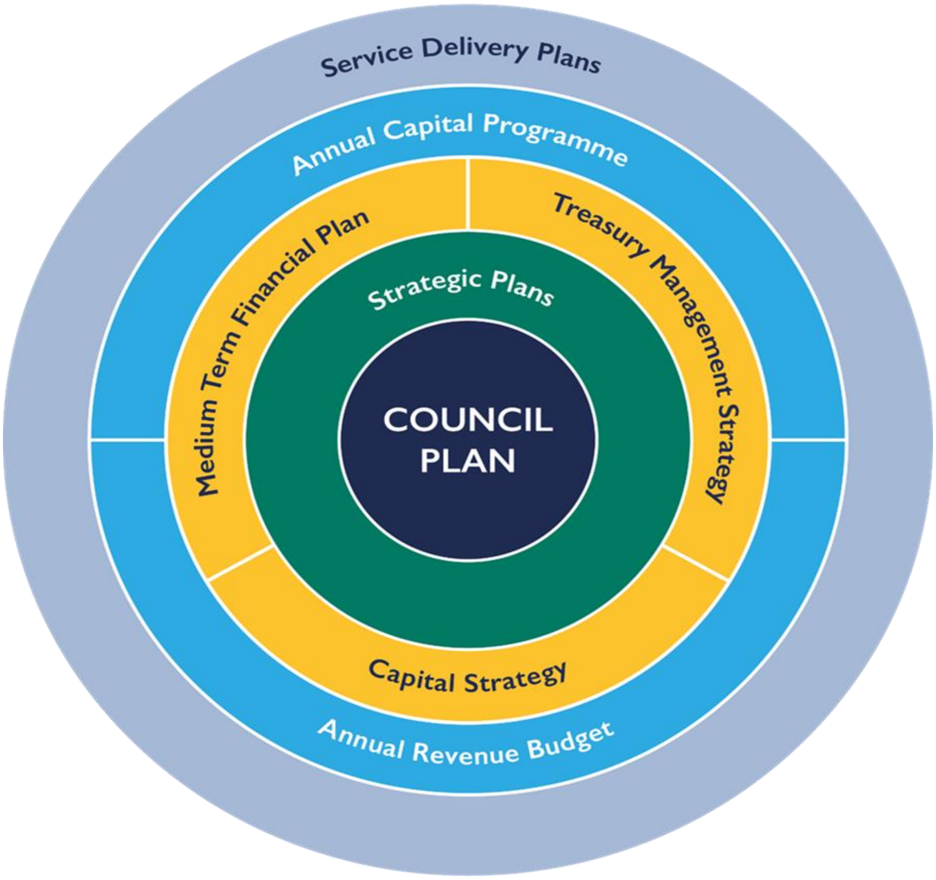
TREASURY MANAGEMENT STRATEGY STATEMENT

ANNUAL INVESTMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND TREASURY MANAGEMENT POLICY STATEMENT 2024/25

1. INTRODUCTION

1.1 The Treasury Management Strategy Statement (TMSS) 2023/24 provides the framework for day-to-day and medium-term treasury management. It is completed with regard to the CIPFA Prudential Code 2021 and the CIPFA Treasury Code 2021.

1.2 The TMSS is a key part of the Council's strategic planning processes to help ensure that the Council is able to achieve its strategic objectives and vision. The Council's strategic circle below shows the Council Plan is central to the work of the Council. All the Council's strategic and operational plans must align with the Council Plan to deliver the services and priorities needed to achieve the strategic objectives of the Plan. The circle shows that the Treasury Management Strategy Statement, alongside the Capital Strategy and Medium-Term Financial Plan, are the key financial strategies to ensure that the Council's financial resources are managed in line with key legislation and CIPFA requirements and are focused on meeting the priorities of the Council. This helps ensure that the Council's finances are targeted at the right functions and services to achieve the Council's goals.



2. BACKGROUND

2.1. CIPFA defines treasury management as:-

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

2.2. Treasury management involves tasks which ensure that there is enough cash in the Council general account to pay day-to-day bills and the investment of surplus cash, over what is needed in the general account. These investments must be in highly secure accounts, such as UK banks with high credit ratings. The Council prioritises security of its funds in line with the Code and ensures that enough cash is instantly accessible so that the Council is able to pay suppliers, staff and benefits, at the required payment dates. The last consideration is yield, the Council invests to get the highest interest rate possible within the pool of organisations that are secure and meet the criteria in this strategy. The final element of Treasury Management is managing the Council's loan portfolio to ensure that the Council's borrowing is not too high and that the revenue costs of borrowing are affordable.

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

3. ISLE OF ANGLESEY TREASURY MANAGEMENT POLICY STATEMENT

3.1 In addition to the corporate risk policies, register, actions and monitoring, the Council takes its responsibility for good stewardship of public funds seriously and all treasury management practices will have protection of public funds engrained. It is impossible to eliminate all risk, but all treasury management activities will be managed to reduce the risk Council funds are exposed to as follows:-

3.1.1 Investment decisions will always prioritise security of the investment first. Liquidity is the second consideration, as the Council needs instant access to enough funds to pay day-to-day payments as they fall due. Finally, the Council will seek to maximise income earned on investments only if the investments are highly secure and if there is sufficient instant access to funds.

3.1.2 Bank deposits, or investments in banks or building societies, will only be placed in highly secure banks and building societies with high credit ratings in line with the criteria included in Appendix 7.

3.1.3 Loans to local authorities will be considered after due diligence checks have been completed.

3.1.4 Investments in AAA rated money market funds are permitted.

3.1.5 The Council will aim to keep a minimum of £10m in instant access accounts, if Council balances are sufficient.

3.1.6 The Council is committed to ensuring value for money in its treasury management activities, though within the context of protection of public funds.

3.1.7 The Council will internally borrow if there is sufficient cash balances, particularly when interest rates are rising, to reduce or delay interest payable.

3.1.8 If there is a borrowing need for eligible purposes, any borrowing should take into account whether rates are likely to rise or reduce in the medium-term. Short-term loans should mitigate interest payable if rates are likely to reduce in the short or medium-term, and longer-term loans should be considered if interest rates are forecast to increase in the medium to long-term.

3.1.9 Treasury management activity supports the achievement of the Council's key priorities and will be aligned with the Capital Strategy and the Medium-Term Financial Plan to ensure that investments are secure, accessible and interest receivable is optimised within secure investments. Borrowing will be based on the requirements of the Capital Strategy 2024/28 and annual programmes, but only if affordable, taking into account the financial scenario at the time and information in the Medium-Term Financial Plan which is updated regularly.

3.1.10 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**.**

4. EXTERNAL CONTEXT

4.1 A full summary of the economic outlook is set out in Appendix 2. Table 1 below shows the recent Bank of England base rate forecasts, inflation and PWLB rates provided by Link Group.

Table 1 – Forecast Bank Base Rate, Inflation and PWLB Rates January 2024 to September 2025

	15 Jan 2024	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025	Jun 2025	Sep 2025
Bank Rate (%)	5.25%	5.25%	5.25%	4.75%	4.25%	3.75%	3.25%	3.00%
CPI Inflation – Capital Economics	Dec -3.7%	3.8%	2.9%	0.80%	0.70%	0.90%	0.6%	1.2%
5yr PWLB annuity rate (%)	4.63%	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%	3.80%
10yr PWLB annuity rate (%)	4.86%	4.70%	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%
25yr PWLB annuity rate (%)	5.43%	5.20%	5.10%	4.90%	4.80%	4.60%	4.40%	4.30%
50yr PWLB annuity rate (%)	5.24%	5.00%	4.90%	4.70%	4.60%	4.40%	4.20%	4.10%

4.2 The Bank of England's target inflation, set by the Government, is 2%. Inflation started to creep up beyond this from August 2021, with the CPI rate reaching a high of 11.1% in October 2022 due to the impact of the invasion of Ukraine, which caused significant energy and food price increases. Inflation remained high for longer than anticipated, but started to decrease in April 2023 to 8.7%, with CPI reducing to 7.9% at the end of the first quarter. Inflation rates continued to decrease in the second quarter, with CPI at 6.7% at 30 September 2023 and 4% at 31 December 2023.

4.3 At the start of the pandemic, the base rate was reduced to its lowest point at 0.1% in support of the economy. In December 2021, the Bank of England increased the rate to 0.25% and then increased the base rate at each meeting of the Monetary Policy Committee (MPC) between 0.25% to 0.75% at its highest increase. In August 2023, the MPC increased the base rate to 5.25%, in September 2023 the rate of 5.25% remained unchanged for the first MPC meeting since December 2021. The MPC also voted for no change to the 5.25% at its meetings in November and December 2023. The TMSS 2023/24 reported in March 2023 that the bank base rate was expected to peak at 4.5% in the summer and that rates would reduce slowly in 2024 and 2025. In the treasury management review for quarter 1, it was highlighted that the Bank of England base rate was forecast to peak at 5.25%. The above analysis shows that the rate of 5.25% has remained unchanged for four consecutive MPC Committees. However, there is a risk of increased inflation due to supply issues resulting from the conflict in Gaza and shipping issues in the Red Sea, which has resulted in wider conflict. There is now an increased risk that the base rate might peak at a higher rate in efforts to control inflation.

4.4 The Council benefits from a higher base rate for investment of surplus cash, which has helped the Council earn more than £1m in interest receivable. However, loans to the Council are more expensive since the Bank of England started raising interest rates to try to control inflation. External borrowing is, therefore, delayed until cash balances can no longer sustain the use of council balances to fund capital expenditure (internal borrowing).

5. THE COUNCIL'S CURRENT BORROWING POSITION

5.1 Borrowing PWLB – the Council's PWLB external borrowing remains the same as that presented in the TMSS in March 2023, except for repayment of £8k of principal on annuity loans. This is due to the need to avoid borrowing while interest rates are increasing. Instead, Council cash balances have been used to fund capital expenditure. This is in line with Link Group's advice on borrowing in the current economic climate. The opportunity cost of this is that there are less balances to invest, however, borrowing costs are higher than investment yields. To ensure the Council has enough cash to pay creditors and salaries, sufficient cash must remain in instant call accounts. Typically, the interest rates on these are much lower, so the Council is still able to make reasonable savings on interest payable while using cash balances.

5.2 Appendix 4 shows the full list of PWLB loans taken out and still payable. The oldest loan dates back to 1969, and the majority of the loans have higher interest rates than the current rates, despite the recent rise in interest rates. These are organised by the financial year the loans are due to be repaid. In addition, the present value of the loans is included in the last column to take into account that the value of money reduces over time. This shows a more realistic impact the loans will have in the future. The loans total £119.564m, but the value of these loans discounted to their present value amount to £47.666m. The loan for £15m which is due to be repaid in 2068/2069 is estimated at £3.190m at today's prices using the discount rate of 3.5% for the public sector.

Table 2 - Public Works Loans Board (PWLB)

PWLB Loans at 30 September 2023			
	PWLB / PWLB Maturity	PWLB EIP/ Annuity	Total PWLB Loans at 31 Dec 2023
Loan Outstanding (£'000)	119,400	164	119,564
Average life (years)	30.82	4.06	35.00
Average rate (%)	4.53	9.42	4.54

5.3 Borrowing Salix – Salix is a Welsh Government organisation which provides interest free loans and, more recently, grants for projects which support the environment and to help public sector bodies in Wales to work towards achieving their net zero target by 2030. The TMSS 2023 showed that, in February 2023, the Council had £3.099m of interest free loans outstanding with Salix. Since this time, the Council has received more of the borrowing approved by Salix due to more progress with the projects funded by loans from Salix.

The Council held £4.035m of Salix loans at 30 September 2023. These loans are repaid over a period of 8 or 10 years, depending on the agreement, with 2 repayments made per year, per loan. These loans have funded LED street lighting, LED lighting in schools and leisure centres and various other sustainable projects.

Table 3 - Salix Loans at 30 September 2023

Other Loans at 30 September 2023							
	Salix Loan 1 £'000	Salix Loan 2 £'000	Salix Loan 3 £'000	Salix Loan 4 £'000	Salix Loan 5 £'000	Salix Loan 6 £'000	TOTAL £'000
Outstanding Balance	16.5	114.0	349.8	158.4	1,873.7	1,522.9	**4,035.3**
Repayment Date	2024/25	2025/26	2027/28	2029/30	2031/32	2035/36	
Interest rate (%)	-	-	-	-	-	-	**-**

6. THE COUNCIL'S INVESTMENT BALANCES AS AT 31 DECEMBER 2023

6.1 The total balance of investments at 31 December 2023 was £33.227m, as shown in Table 4 below. The yield from these investments from 1 April 2023 to 31 December 2023 was £1.603m with the total interest receivable on the below listed investments expected to be £1.909m for 2023/24. This figure is likely to be higher as new investments are made when these mature, however, cash balances are reducing as the financial year progresses, so not all these investments will be viable to renew on maturity.

Table 4 – Investments 1 April 2023 to 31 December 2023

Counterparty	Start Date	End Date	Interest Rate %	Investment Amounts 1 April to 31 December 2023	Investment Principal at 31 December 2023	Estimated Interest earned for the period £	Estimated Total Interest 2023/24 on these investments £
NatWest Call Account - average for period	01/04/2023	31/03/2024	1.46%	10,365,106	7,536,347	109,414	145,942
Lloyds Call Account	18/04/2023	31/03/2024	5.14%	7,500,000	5,691,167	252,417	325,349
National Westminster Bank Fixed Term	11/01/2023	11/07/2023	4.10%	10,000,000	-	113,452	113,452
National Westminster Bank Fixed Term	11/07/2023	11/01/2024	5.88%	10,000,000	10,000,000	278,696	296,416
Santander	10/02/2023	10/05/2023	4.00%	7,500,000	-	32,055	32,055
Santander	10/05/2023	10/11/2023	4.76%	7,500,000	-	179,967	179,967
Nationwide Building Society	06/04/2023	06/07/2023	4.17%	5,000,000	-	51,982	51,982
Nationwide Building Society	06/07/2023	08/01/2024	5.47%	5,000,000	5,000,000	133,378	139,373
Goldman Sachs	22/12/2022	22/06/2023	3.83%	7,500,000	-	64,533	64,533
Goldman Sachs	22/06/2023	22/12/2023	5.52%	7,500,000	-	207,567	207,567
Wakefield Council	22/08/2023	22/09/2023	5.23%	5,000,000	-	22,210	22,210
Wrexham County Borough Council	25/10/2022	25/04/2023	3.80%	5,000,000	-	12,493	12,493
Wrexham County Borough Council	25/04/2023	25/10/2023	4.30%	5,000,000	-	107,795	107,795
National Westminster Bank Fixed Term	11/01/2024	10/03/2024	5.25%	10,000,000	-	-	84,863
Santander	10/11/2023	09/02/2024	5.34%	5,000,000	5,000,000	37,307	66,567
Nationwide Building Society	08/01/2024	08/04/2024	5.11%	0	-	-	58,100
					33,227,514	**1,603,266**	**1,908,663**

7. IMPACT OF FUTURE PLANS ON BORROWING

7.1 Capital expenditure is partly funded from borrowing, therefore, the Capital Strategy and this strategy are closely linked. The capital expenditure summary 2024/25 to 2027/28 presents three options for capital expenditure. All three scenarios take into account the work needed on the Council's assets or whether replacement assets will be needed. The three options are presented as the minimum, possible and maximum scenarios, with the maximum requirement being the amounts to bring all the Council assets to a high standard or new asset where replacements are needed. The capital expenditure in this strategy uses the first scenario – minimum, due to the significant funding shortfall for 2024/25 and, potentially, for the years beyond.

7.2 Table 5 below shows estimated expenditure and funding for the period 2023 to 2028. For 2025/26 onwards, this is the minimum level of capital investment due to significant funding issues. This is based on the assumption that there will be no unsupported borrowing as this may not be affordable given the revenue budget pressures faced by the Council. Only the Council's supported borrowing allocation is included in the funding section of Table 5.

Table 5 – Estimated Capital Expenditure and Funding 2023/24 to 2027/28

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Council Fund - excl. Investment Properties	34,380	15,565	5,028	4,876	4,836
HRA	13,362	35,145	29,974	20,831	21,455
Investment Properties	2,780	0	0	0	0
Total Expenditure	**50,522**	**50,710**	**35,002**	**25,707**	**26,291**
Capital Grants	28,669	15,978	6,205	6,244	6,284
Capital Receipts	157	25	151	0	0
Reserves & Revenue Contributions	14,089	12,025	10,936	7,454	7,298
Balance Funded from Borrowing	7,607	22,682	17,710	12,009	12,709
Total funding	**50,522**	**50,710**	**35,002**	**25,707**	**26,291**

7.3 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. While internal borrowing saves the Council in interest payable costs, the minimum revenue provision (MRP) is charged on the basis of the underlying borrowing need (the CFR), not the actual borrowing.

7.4 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.

7.5 In order to ensure that the Council has sufficient funds available to repay debt as it falls due, the Council is required to make a charge to the revenue account each year, and this charge is known as the Minimum Revenue Provision (MRP). Regulations require that the Council approves a MRP statement in advance of each financial year. The policy for 2024/25 is set out in Appendix 5. The Council's MRP policy was substantially revised in 2018, and again for the financial year beginning 1 April 2022. By making the MRP charge each year, the Council's cash balances are replenished and that, in turn, reduces the level of internal borrowing.

7.6 In 2018, the Council revised its MRP policy and adopted the Equal Instalment Asset Life method to calculate its MRP charge for both its supported borrowing and unsupported borrowing. The revised policy from 1 April 2022 adopts an annuity method, following a similar method to a standard repayment mortgage, where the combined repayment sum of principal repayment and interest remains constant and, as a result, the amount of principal repaid in the early years is low and increases over time. Therefore, under the annuity method the MRP charge is low in the initial years and increases over time.

7.7 The Council may choose to pay more MRP in any given year. These overpayments of MRP (which, in the Council's case, are to ensure enough cash for loan repayments) can, if needed, be reclaimed in later years. Up until 31 March 2022, the total overpayments were £268k, and related specifically to the Salix loans where the MRP charged to the revenue account has been calculated on the basis of the life of the loan rather than on the life of the asset which was funded by the loan. This ensures that the Council has sufficient cash to repay the loans when they become due for repayment.

7.8 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 6 below:-

Table 6
Capital Financing Requirement and Borrowing 2023/24 to 2027/28

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
	Estimate	**Proposed**	**Proposed**	**Proposed**	**Proposed**
CAPITAL FINANCING REQUIREMENT (CFR)					
Opening Balance of CFR	**144,112**	**150,588**	**171,991**	**188,238**	**198,521**
Capital Expenditure	50,522	50,710	35,002	25,707	26,291
External Capital Grants	(28,669)	(15,978)	(6,205)	(6,244)	(6,284)
Capital Receipts	(157)	(25)	(151)	0	0
Revenue Contribution & Reserves	(14,089)	(12,205)	(10,936)	(7,454)	(7,298)
Minimum Revenue Provision	(1,131)	(1,279)	(1,463)	(1,726)	(1,933)
CLOSING BALANCE OF CFR	**150,588**	**171,991**	**188,238**	**198,521**	**209,297**
EXTERNAL BORROWING					
Opening Balance of External Borrowing	**123,799**	**121,557**	**158,593**	**175,644**	**185,696**
Borrowing to Fund Capital Expenditure	0	22,682	17,710	12,009	12,709
Borrowing to Fund Loan Repayments	0	0	0	0	0
Borrowing to Replace Internal Borrowing	0	15,000	0	0	0
Loan Repayments	(2,242)	(646)	(639)	(1,977)	(2,763)
Closing Balance of External Borrowing	**121,557**	**158,593**	**175,664**	**185,696**	**195,642**
INTERNAL BORROWING					
Opening Balance of Internal Borrowing	**20,342**	**29,060**	**13,427**	**12,603**	**12,854**
Replacement of Internal Borrowing	0	(15,000)	0	0	0
Funding Loan Repayments from External Borrowing	0	0	0	0	0
External Loan Repayments	2,242	646	639	1,977	2,763
Borrowing to Fund Capital Expenditure	7,607	0	0	0	0
Minimum Revenue Provision	(1,131)	(1,279)	(1,463)	(1,726)	(1,933)
Closing Balance of Internal Borrowing	**29,060**	**13,427**	**12,603**	**12,854**	**13,684**
TOTAL BORROWING	**150,617**	**172,020**	**188,267**	**198,550**	**209,326**

8. BORROWING STRATEGY

8.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent, as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy.

Against this background, and the risks within the economic forecast, caution will be adopted with the 2024/25 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 borrowing rates, then borrowing will be postponed.

- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- Link Group's long-term (beyond 10 years) forecast is 3%. All PWLB certainty rates are currently significantly above this rate. Therefore, better value can be gained from short-term investments until the bank rates reduce.

8.2 External v Internal Borrowing

8.2.1 Current conditions indicate a need for a flexible approach to the choice between internal and external borrowing. However, it remains the case that there are certain limitations to externalise borrowing, 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.

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

8.2.3 However, short term savings by avoiding new long term external borrowing in 2024/25 must also be weighed against the potential for incurring additional long term extra costs, by delaying unavoidable new external borrowing, as PWLB long term rates are now higher. Additionally, the cash flow implications of internalising borrowing require regular review and will limit the potential extent of internalising borrowing.

8.3 Borrowing in Advance of Need

8.3.1 The Council will not borrow more than, or in advance of, its needs, purely 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.

8.4 Debt Rescheduling

8.4.1 Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated, but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

8.4.2 All rescheduling will be reported to the Governance & Audit Committee at the earliest practicable meeting following its action.

8.5 Borrowing from other Financial Institutions

The PWLB is the Council's main source of borrowing, with some loans from the Welsh Government owned organisation, Salix, for funding of energy efficiency and low carbon projects. The PWLB certainty rate is gilts & 80 basis points (0.8%). Consideration may be given to borrowing from the below:-

- Local authorities;
- UK Municipal Bond Agency – pooled loans;
- Money Market Funds.

9. DEBT PROFILE

9.1 Appendix 4 shows the maturity information of the Council's borrowing, the existing borrowing is due to be repaid in various years up to 2068/69. This also includes the present value of the loan payments to reflect the true impact of the loan amounts in the future, by discounting the loan principals by 3.5%, the recommended long-term rate to measure the value of money over time. 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.

Table 7 – Maturity Profile of PWLB Loans, January 2024

Number of Years until Loan Matures	Principal £'m	Present Value of Principal £'m	Cumulative %
<1	1.87	1	1.6
1 to 3	1.44	1	2.8
4 to 6	4.04	3	6.1
7 to 10	3.38	3	9.0
11 to 14	2.42	2	11.0
15 to 22	23.22	12	30.4
23 to 33	41.74	15	65.3
34 to 50	41.48	10	100.0
TOTAL	**119.58**	**47**	

10. INVESTMENT STRATEGY AND CREDITWORTHINESS POLICY

10.1 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current forecasts predict that the base rate will remain at 5.25% but will start to reduce from September 2024. Therefore, an agile investment strategy would be appropriate to optimise returns. Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

10.2 Management of Risk

The Isle of Anglesey County Council is one of the smallest local authorities in Wales. It receives the second lowest settlement from Welsh Government, with Merthyr Tydfil receiving the lowest. The Council does not have the large council balances some of the larger authorities hold, though there are larger councils with similar balances or less. Management of risk is the primary consideration for all of the Council's investments.

10.2.1 The Council's investment priorities will be security first, portfolio liquidity second and then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, with the Council's risk appetite being for low-risk investments only.

10.2.2 Minimum acceptable **credit criteria** (Appendix 7) are applied 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.

10.2.3 **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.

10.2.4 Investments can be specified or non-specified (Appendix 7 defines these and provides further information. The Council in line with its requirement for investing in low risk investments, will only invest in specified investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year and / or are more complex instruments which require greater consideration by Members and officers before being authorised for use.

10.2.5 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.

10.2.6 This Council will set a limit for the amount of its investments which are invested for longer than 365 days (see Appendix 10).

10.2.7 The Council will only invest in counterparties outside the UK if the credit ratings are AAA or above and if there are exceptional circumstances, such as the creditworthiness of UK investments are compromised. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see Appendix 9).

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

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

10.3 Creditworthiness Policy

10.3.1 The primary principle governing the Council's investment criteria is the security of its investments. After this main principle, the Council will ensure that:-

- 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.
- It will only invest in counterparties which have credit ratings as outlined in Appendix 7.

10.3.2 As an additional layer to the minimum credit rating criteria described above, this Council also employs the creditworthiness service provided by Link Group.

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

- All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

10.3.4 Significant levels of downgrades to short and long-term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Accordingly, when setting minimum sovereign debt ratings, the Council will not set a minimum rating for the UK.

10.4 Country Limits

The Council has determined that, with the exception of the UK, it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA 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 8. This list will be added to or deducted from by officers should ratings change in accordance with this policy. In practice, investments tend to be placed in UK banks for security reasons. The list is included for the unlikely event of there being an exceptional need to invest in highly secure counter-parties in other countries. For example, in the event of UK banks losing their creditworthiness and failing the specific Counterparties Council's criteria.

11. GOVERNANCE AND CONTROL

11.1 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.

11.2 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.

11.3 Role of the Section 151 Officer and Members

11.3.1 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.

11.3.2 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.

11.3.3 Members also play an important role in not just authorising the relevant decisions but also in scrutinising treasury management processes, decisions and performance. In order to undertake this role, the CIPFA Treasury Management Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. In order to support the scrutiny role of the members of the Governance & Audit Committee, the Committee's members received training in treasury management, delivered by the appointed treasury management consultants on 14 September 2022. Further training will be arranged when required. The training needs of treasury management officers are regularly reviewed and addressed.

11.3.4 The Council officers involved in treasury management activities have comprehensive knowledge and skills for managing the treasury management function. The Section 151 Officer plays a key role in Treasury Management and approves or rejects any investments proposed by the team. The Council also provides training to increase the knowledge and skills for those responsible for management, delivery, governance and decision making.

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

11.3.6 The Treasury Management Scheme of Delegation and a fuller explanation of the role of the Section 151 Officer is set out in Appendix 9.

12. TREASURY MANAGEMENT ADVICE

12.1 The Council uses Link Group, Link Treasury Services Limited as its external treasury management advisors. In accordance with procurement regulations, the Council retendered this service during early 2021, for the period 1 April 2021 to 31 March 2024, with an option to extend for two years, with Link Group, Treasury Solutions being the successful tender.

12.2 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.

13. PRUDENTIAL AND TREASURY INDICATORS

13.1 The Prudential and Treasury Indicators set out in Appendix 10 cover affordability, prudence and sets out limits for capital expenditure, external debt, the liability benchmark and the maturity structure of borrowing. It is for the Council to set the Prudential Indicators and it is important to not just consider the indicators for each individual year in isolation, but also to consider the past performance and the future forecasts. A fuller explanation of the purpose of each indicator is set out in Appendix 10.

14. REPORTING

14.1 The Council is required to receive and approve, as a minimum, five main reports each year, which incorporate a variety of polices, estimates and actuals.

- Prudential and Treasury Management Indicators and Treasury Strategy - the first and most important report (this report) is forward looking and covers:-
- the Treasury Management Strategy (how the investments and borrowings are to be organised), including treasury management indicators;
- an Investment Strategy (the parameters on how investments are to be managed);
- a Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time);
- a Treasury Management Policy Statement (definition of the policies and objectives of the treasury management function); and
- the capital plans (including the associated prudential indicators).

14.2 Quarterly treasury management monitoring reports - these 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.

14.3 An annual treasury year-end 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.

14.4 The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Governance & Audit Committee for the mid-year and year-end reports. The Executive will scrutinise the quarter 1 and quarter 3 reports which were introduced by the Prudential Code 2021.

15. CONCLUSION

15.1 In summary, the Treasury Management Strategy Statement for 2024/25 continues the strategy of prudent approach to borrowing, in order to limit the revenue implications, and using internal borrowing where cash balances allow. The investment strategy continues the policy of ensuring the security and liquidity of deposits over yield.

15.2 It is envisaged that, over the lifetime of the strategy, that the continued use of reserves to contribute to fund the revenue budget and the use of the Housing Revenue Account to fund capital expenditure will reduce cash balances significantly. An increased level of borrowing will have to be undertaken in order to fund the Council’s capital programme, whilst still maintaining sufficient cash balances to fund liabilities as they fall due.

APPENDIX 1

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

The key principles of CIPFA's ***Treasury Management in the Public Services: Code of Practice (2021 Edition)***, as described in Section 4 of that Code are as follows:-

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

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

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

The Code then goes on to say that:-

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

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

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

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

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
- suitable treasury management practices (TMPs) setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

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

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

3. The County Council/Executive Committee are responsible for the implementation of the Authority's treasury management policies and practices in accordance with the Treasury Management Scheme of Delegation. The Section 151 Officer is responsible for the execution and administration of treasury management decisions, who will act in accordance with the Authority's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

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

ECONOMIC BACKGROUND

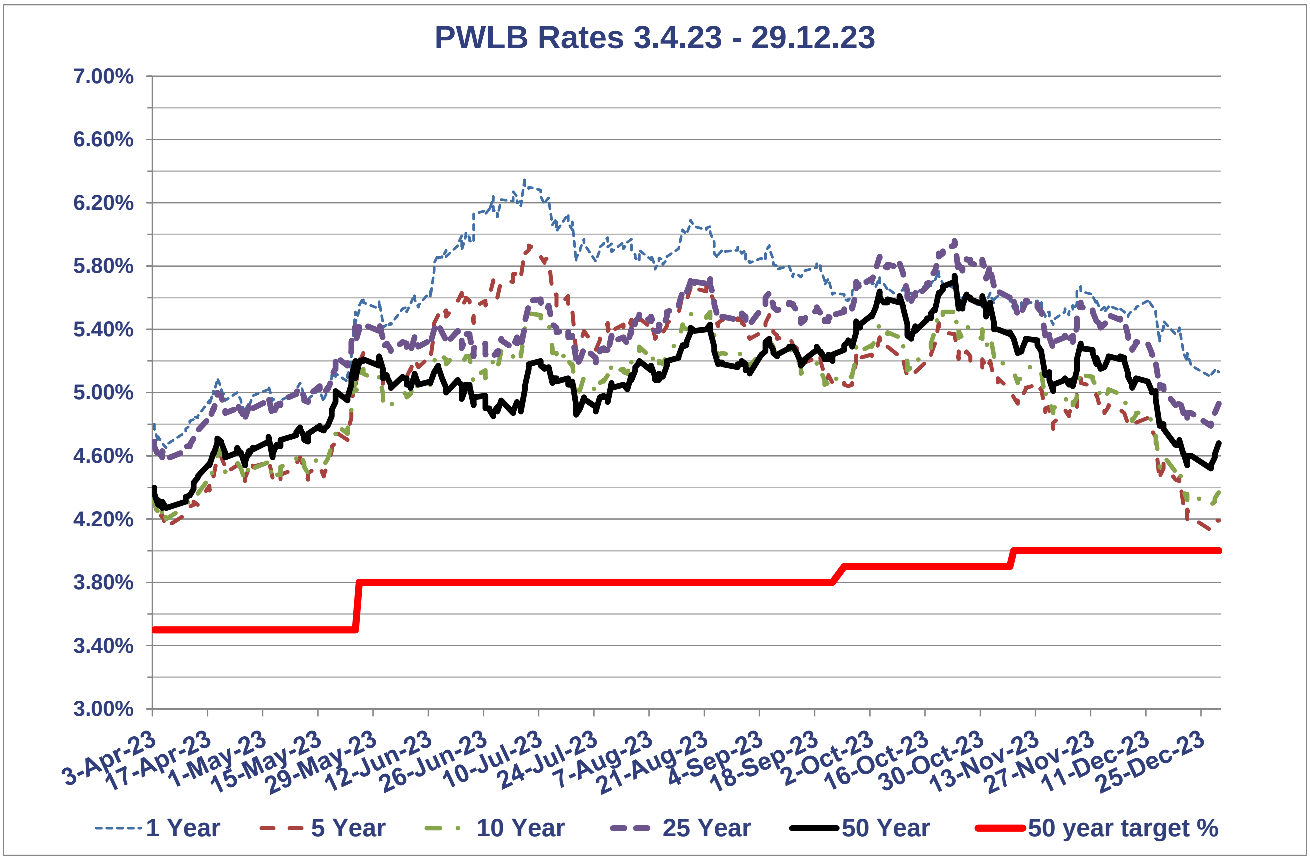
- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding Bank Rate at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December data pointed to a -1.8% year on year decrease. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.

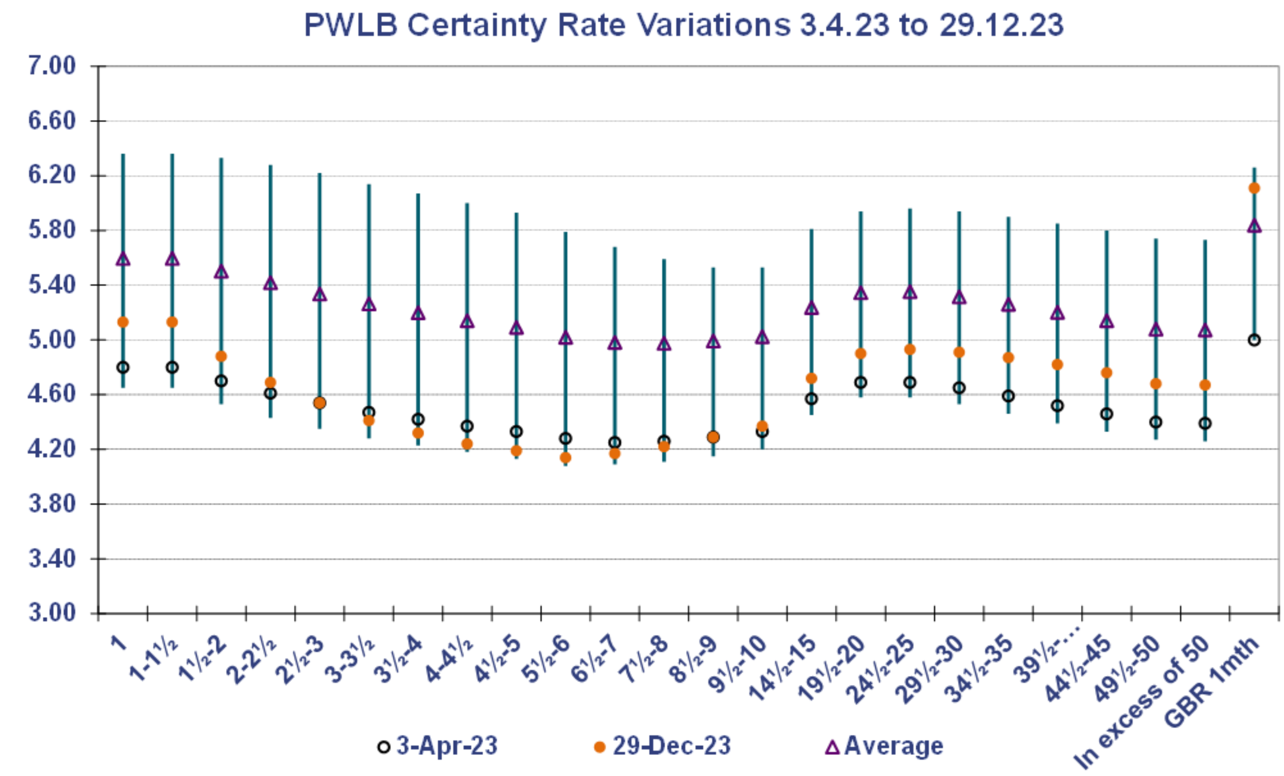
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.
- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from $1.21 in November to $1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.

- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23





HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

PWLB debt	Current borrowing rate as at 08.01.24 p.m.	Target borrowing rate now (end of Q4 2025)	Target borrowing rate previous (end of Q3 2025)
5 years	4.53%	3.70%	3.80%
10 years	4.67%	3.90%	3.80%
25 years	5.19%	4.20%	4.20%
50 years	4.97%	4.00%	4.00%

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

Rhagolygon Graddfeydd Llog 2024/2025
Interest Rate Forecasts 2024/2025

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rates.

Interest Rate Forecasts								
Bank Rate	**Mar-24**	**Jun-24**	**Sep-24**	**Dec-24**	**Mar-25**	**Jun-25**	**Sep-25**	**Dec-25**
Link	5.25%	5.25%	4.75%	4.25%	3.75%	3.25%	3.00%	3.00%
Cap Econ	5.25%	5.00%	4.50%	4.00%	3.50%	3.00%	3.00%	3.00%
5Y PWLB RATE								
Link	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%	3.80%	3.70%
Cap Econ	4.50%	4.30%	4.20%	4.00%	3.90%	3.80%	3.80%	3.70%
10Y PWLB RATE								
Link	4.70%	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%	3.90%
Cap Econ	4.50%	4.40%	4.20%	4.10%	4.10%	4.10%	4.10%	4.10%
25Y PWLB RATE								
Link	5.20%	5.10%	4.90%	4.80%	4.60%	4.40%	4.30%	4.20%
Cap Econ	5.10%	4.80%	4.60%	4.30%	4.40%	4.40%	4.50%	4.60%
50Y PWLB RATE								
Link	5.00%	4.90%	4.70%	4.60%	4.40%	4.20%	4.10%	4.00%
Cap Econ	4.70%	4.60%	4.50%	4.30%	4.30%	4.30%	4.40%	4.40%

Additional notes by Link on this forecast table: -

- Our central forecast for interest rates was previously updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).
- Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

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

DADANSODDIAD BENTHYCIADAU PWLB YN AEDDFEDU 2024/25 YMLAEN / PWLB LOANS MATURITY ANALYSIS 2024/25 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 %
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	1.9
2028/29	262	26	0	0	288	0.2
2029/30	1,539	21	0	0	1,560	1.3
2030/31	451	15	0	0	466	0.4
2031/32	1,941	9	0	0	1,950	1.7
2032/33	315	7	0	0	322	0.3
2033/34	637	0	0	0	637	0.6
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	226	0	0	0	226	0.2
2039/40	5,000	0	0	0	5,000	4.2
2040/41	3,500	0	0	0	3,500	3.0
2042/43	1,000	0	0	0	1,000	0.8
2043/44	1,020	0	0	0	1,020	0.9
2044/45	1,010	0	0	0	1,010	0.9
2045/46	11,464	0	0	0	11,464	9.7
2050/51	2,000	0	0	0	2,000	1.7
2052/53	28,238	0	0	0	28,238	24.0
2054/55	3,000	0	0	0	3,000	2.6
2055/56	3,500	0	0	0	3,500	3.0
2056/57	5,000	0	0	0	5,000	4.2
2057/58	8,513	0	0	0	8,513	7.2
2059/60	1,763	0	0	0	1,763	1.5
2064/65	10,000	0	0	0	10,000	8.5
2066/67	6,200	0	0	0	6,200	5.3
2068/69	15,000	0	0	0	15,000	12.7
	117,546	**162**	**0**	**0**	**117,708**	**100.0**
Cyfartaledd bywyd (blynyddoedd)/ Average life (years)	31.14	3.42	0.00	0.00	31.10	
Cyfartaledd gradd (%)/ Average rate (%)	4.47	9.42	0.00	0.00	4.47	

PROFFIL AD-DALU BENTHYCIADAU ERAILL 2024/25 YMLAEN / OTHER LOANS REPAYMENT PROFILE 2024/25 ONWARDS							
	Benthyciad Salix Loan 1 **£'000**	**Benthyciad Salix Loan 2** **£'000**	**Benthyciad Salix Loan 3** **£'000**	**Benthyciad Salix Loan** **£'000**	**Benthyciad Salix Loan 5** **£'000**	**Benthyciad Salix Loan 6** **£'000**	**Cyfanswm / Total** **£'000**
2024/25	8	46	64	26	220	264	628
2025/26	0	45	64	26	220	264	619
2026/27	0	0	64	27	220	264	575
2027/28	0	0	63	27	220	264	574
2028/29	0	0	63	27	220	264	574
2029/30	0	0	0	13	221	265	499
2030/31	0	0	0	0	221	265	486
2031/32	0	0	0	0	221	265	486
2032/33						265	265
2033/24						265	265
2034/35						265	265
2035/36						265	265
Cyfanswm / Total	8	91	318	146	1,763	3,175	5,501

APPENDIX 5

Minimum Revenue Provision (MRP) Policy Statement 2024/25

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

The Welsh Government statutory guidance requires the Council to approve a MRP Statement in advance of each year. The guidance also states "if it is ever proposed to vary the terms of the original statement during the year, a revised statement should be put to the Council at that time". A variety of options is provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement, which remains unchanged from the MRP Policy 2023/24:

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

MRP charges based on the asset life – annuity method may not be charged until the year the asset becomes operational. The Section 151 Officer may postpone the MRP charge until the financial year following the one in which the asset becomes operational. The estimated asset life of the asset would be determined in the year the MRP commences and would not change over the life of the asset. The estimated life periods will be set by the Section 151 Officer, based upon advice received from the relevant officers and will have regard to statutory requirements and Welsh Government guidance in relation to MRP and asset life. Where land is purchased, the asset life will be based on the asset life of the asset placed on the land, which in the majority of cases will be 50 years, in line with the asset life for buildings.

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

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

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

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

Specified and Non-Specified Investments

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

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

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

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

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

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

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

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

During 2024/25 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 7 set out the investment criteria and limits for the categories of investments intended for use during 2024/25 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.

Counterparty Criteria

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

*****as defined in the Local Government Act 2003*

Notes and Clarifications

(1) Cash Limit

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

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

(2) Time Limit

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

(3) Foreign Countries

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

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

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

(4) Credit Rating Downgrade

Should a credit rating downgrade place a counterparty below the minimum credit rating criteria for investment, the counterparty will cease to be used as soon as practicable.

If the Section 151 Officer wishes to continue investing with that counterparty approval will be sought from the Chair of the Governance & Audit Committee plus one other member of the Chair's choosing, who both must approve the action. This will then be reported as appropriate at the next available opportunity.

Approved countries for investments [correct as at 19 December 2022]

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

Based on lowest available rating

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

AA+
- Canada
- Finland
- U.S.A.

AA
- Abu Dhabi (UAE)

AA-
- Belgium
- Qatar
- France (downgraded by Fitch 2023)
- **U.K.**

Treasury management scheme of delegation

(i) County Council

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

(ii) Executive Committee

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

(iii) Governance & Audit Committee

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

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

The Treasury Management role of the Section 151 Officer

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

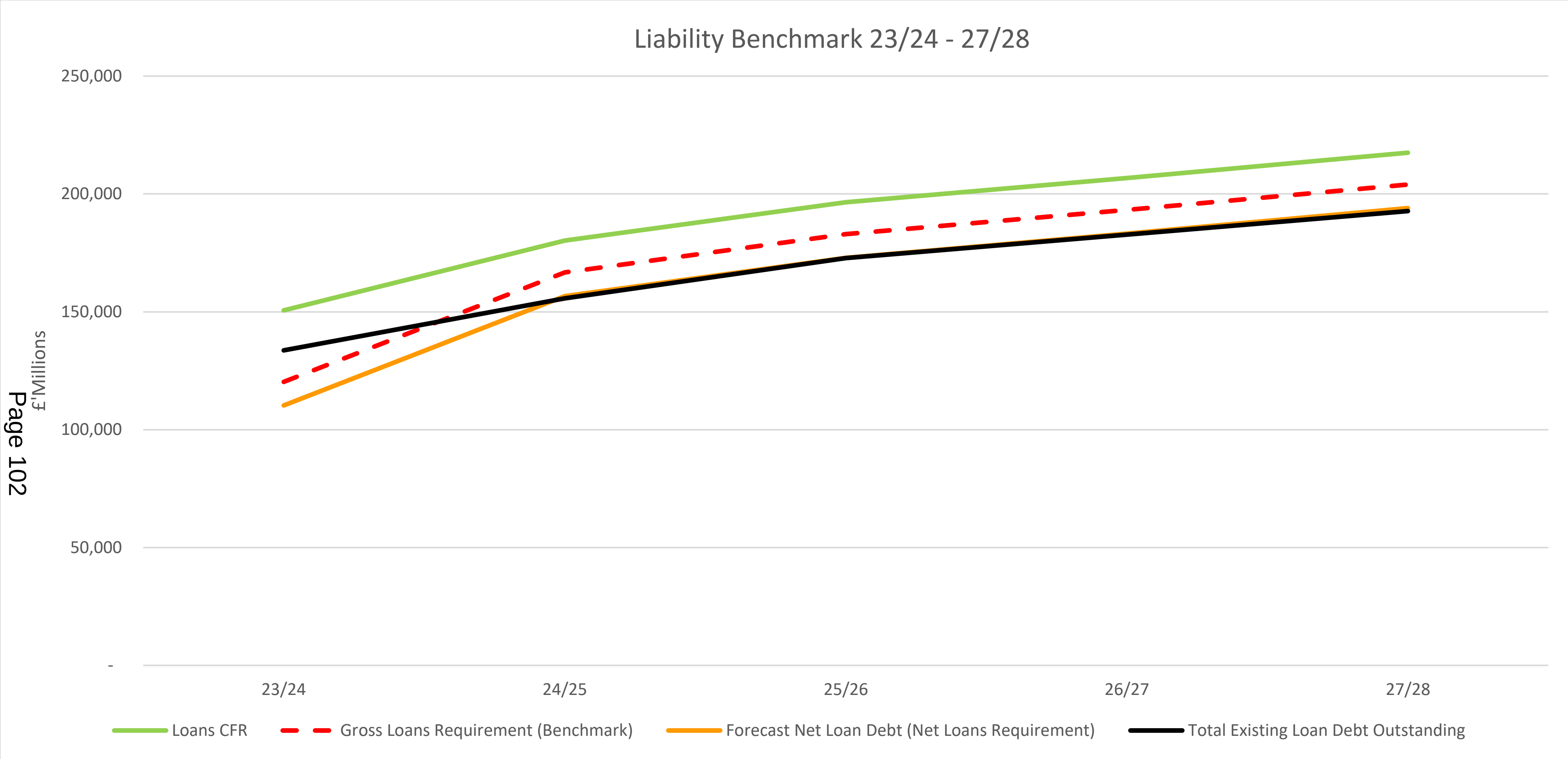
- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing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

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

PRUDENTIAL & TREASURY INDICATORS BUDGET SETTING 2024/25						**APPENDIX 10**
No.	**Indicator**					
Affordability		**2022/23 actual**	**2023/24 estimate**	**2024/25 proposal**	**2025/26 proposal**	**2026/27 proposal**
1,2	Estimates of [or actual] ratio of financing costs to net revenue stream:					
	Council Fund	3.11%	2.31%	3.12%	3.20%	3.15%
	Housing Revenue Account (inclusive of settlement)	7.26%	6.10%	10.38%	13.19%	14.72%
	Total	3.57%	2.73%	3.89%	4.24%	4.35%
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	29,510	32,330	15,565	5,028	4,836
	Housing Revenue Account	11,180	18,192	35,145	29,974	26,291
	Total	**40,690**	**50,522**	**50,710**	**35,002**	**31,127**
6,7	Estimates of [or actual] Capital Financing Requirement					
	Council Fund	105,825	112,483	116,485	117,598	118,670
	Housing Revenue Account	38,287	38,105	55,506	70,640	79,851
	Total	**144,112**	**150,588**	**171,991**	**188,238**	**198,521**
External Debt		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
8	Authorised Limit					
	: General Borrowing	175,000	175,000	205,664	215,696	225,642
	: Other long term liabilities	5,000	5,000	10,000	10,000	10,000
	: Total	**180,000**	**180,000**	**215,664**	**225,696**	**235,642**

9	Operational Boundary					
	: General Borrowing	170,000	170,000	200,664	210,696	220,642
	: Other long term liabilities	5,000	5,000	10,000	10,000	10,000
	: Total	**175,000**	**175,000**	**210,664**	**220,696**	**230,642**
10	Actual External Debt	**125,348**				
Treasury Management		**2022/23 actual**	**2023/24 estimate**	**2024/25 proposal**	**2025/26 proposal**	**2026/27 proposal**
11	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)					
			2024/25 upper limit		**2024/25 lower limit**	
12	The upper and lower limits for the maturity structure of fixed rate borrowing					
	• under 12 months		20%		0%	
	• 12 months and within 24 months		20%		0%	
	• 24 months and within 5 years		50%		0%	
	• 5 years and within 10 years		75%		0%	
	• 10 years and above		100%		0%	
			no change		no change	
13	Liability Benchmark (see chart below)					

APPENDIX 11



Liability Benchmark 23/24 - 27/28
250,000
200,000
150,000
100,000
50,000
-
£'Millions
23/24
24/25
25/26
26/27
27/28
Loans CFR
Gross Loans Requirement (Benchmark)
Forecast Net Loan Debt (Net Loans Requirement)
Total Existing Loan Debt Outstanding

Information on Prudential & Treasury Management indicators

PRUDENTIAL INDICATORS

A) Affordability

1 & 2 Ratio of financing costs to net revenue stream

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

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

B) Prudence

3 Gross Debt and the CFR

The Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

C) Capital expenditure

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

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

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

4 & 5 Estimates of Capital Expenditure

This is the forecast Capital Expenditure from 2022/23 to 2025/26, and is based on the Capital Programme for 2022/23 and the Capital Strategy for 2024/25.

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

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

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

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

CH) External Debt

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

The Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

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

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

TREASURY INDICATORS

11. **Limits for Long Term Treasury Management Investments.** This Indicator is seeking to support control of liquidity risk. The limits should be set with regard to the Council's liquidity needs and also reduce the potential need to have to make early exit from an investment in order to recover funds. The indicator relates solely to the Council's investments for treasury management purposes.

12. **Maturity Structure of Borrowing.** The Council is required to set gross limits on maturities for the periods shown and covers both fixed and variable rate borrowings. The reason being to try and control the Council's exposure to large sums falling due for refinancing.

13. **Liability Benchmark.** The new prudential indicator for 2024/25 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years.

There are four components to the LB: -

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	8 February 2024
Subject:	Internal Audit Update
Head of Service:	Marc Jones Director of Function (Resources) and Section 151 Officer MarcJones@anglesey.gov.wales
Report Author:	Marion Pryor Head of Audit and Risk MarionPryor@anglesey.gov.wales
Nature and Reason for Reporting: The Governance and Audit Committee's Terms of Reference has an explicit requirement for the Committee to oversee the Council's internal audit arrangements as part of its legislative duties under the Local Government (Wales) Measure 2011. (3.4.8.10.1) The Committee is required to consider updates on the work of internal audit including key findings, issues of concern, management responses and action in hand as a result of internal audit work. It is required to consider summaries of specific internal audit reports as requested, including the effectiveness of internal controls and will monitor the implementation of agreed actions. (3.4.8.10.10) This report also fulfils the requirements of CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022, specifically, in relation to the authority's internal audit function and the Public Sector Internal Audit Standards, which require the chief audit executive to report information about progress and the results of audit activities. (Standard 2060)	

1. INTRODUCTION

1.1 This report updates the Committee, as at 31 January 2024, on the audits completed since the last update as at 30 November 2023, the current workload of internal audit and our priorities for the short to medium term going forward.

2. RECOMMENDATION

2.1 That the Governance and Audit Committee considers:

- the outcome of Internal Audit's work,
- the assurance provided and
- our priorities going forward.

Internal Audit Update

February 2024

Marion Pryor BA MA CMIIA CPFA ACFS

Head of Audit & Risk

Contents

Summary of Assurance Work Completed Since Last Update

1. This section provides an overview of assurance reports finalised since the meeting in December 2023, including the overall assurance rating and the number of issues/risks raised.
2. We have finalised **four** pieces of assurance work in the period, summarised below and discussed in more detail later in the report:

Title	Assurance Level	Critical	Major	Moderate
Managing Strategic Risk: Safeguarding (YM10)	**Reasonable**	0	1	5
Payroll – Starters Process	**Reasonable**	0	0	4
Investigation – Waste Removal (Housing Service)	**Not applicable**	0	0	1
Risk Management Health Check (Zurich)	**Managed**	Not applicable	Not applicable	Not applicable

Managing Strategic Risk: Safeguarding (YM10)

Reasonable Assurance	Issues/Risks	
	0	Critical
	1	Major
	5	Moderate

3. Our review sought to answer the following key question:

   Does the Council have effective governance and control measures in place to manage the risk relating to safeguarding adults, children and families who are at risk to keep them safe, healthy and as independent as possible?

4. We concluded that the governance and controls measures for managing the strategic risk relating to safeguarding are mostly effective.

5. Safeguarding is an ongoing risk and while the Council has taken a series of mitigating actions, there is always a degree of uncertainty due to the nature of this risk.

6. While we have raised six Issues/Risks, one major and five with a moderate impact that require management attention, the outcome of our review is mostly positive.

7. We have agreed an action plan with management and therefore, within the scope of our review, we are able to provide **reasonable assurance** of the governance, risk management and control of this area.

Payroll – Starters Process

Reasonable Assurance	Issues/Risks	
	0	Critical
	0	Major
	4	Moderate

8. Our review sought to answer the following key question:

   Does the Council have robust systems in place to meet its duty of care and to comply with legislation whilst protecting itself from fraudulent activity in the onboarding of new employees?

9. We concluded that while the Council has effective controls in place to meet its duty of care and to comply with legislation, its controls to protect itself from fraudulent activity in the onboarding of new employees need to be strengthened, including the configuration of key system controls and a reconciliation of the monthly pay file.

10. However, it should be noted that our review found no evidence of error or unauthorised activity, with all new starter pay records reviewed being correct, accurate and processed in line with the required timescales.

11. We raised four Issues/Risks, which require management attention of moderate impact at service level and have agreed an action plan with management. Although there is a low risk of fraudulent activity, and it going undetected, the combination of mitigating controls, including long-serving and experienced staff and safer recruitment standards, means we are able to provide **reasonable assurance** of the governance, risk management and control of this area.

Investigation – Waste Removal (Housing Service)

12. The Leader, Councillor Llinos Medi, received a complaint from a member of the public, regarding the arrangements for purchasing materials and disposing of waste within the Housing Maintenance Unit, and alleging favouritism towards a particular supplier.

13. The Leader referred the complaint to Internal Audit for investigation.

14. The complainant had raised similar concerns in 2021, directly with Internal Audit, which were investigated as part of an audit of Housing Allocations. The audit, concluded in September 2021, was unable to substantiate the allegations.

15. Between June and September 2022, the complainant submitted three Freedom of Information requests for information regarding the Housing Maintenance Unit contract and specifically in relation to the waste disposal service.

16. Subsequently, in February 2023, the complainant raised their concerns with Audit Wales, to which the Council provided a response. Audit Wales concluded that they would not carry out any further investigation into the matter.

17. However, due to the significant increase in expenditure associated with the contract, we considered it appropriate to conduct a further internal review into the matter.

18. Our review sought to answer the following key questions:

    - **Were correct contract procedure rules followed when awarding the contract, in particular the arrangements for waste disposal?**
    - **Are there robust arrangements in place to ensure the Council is achieving value for money in its contract for goods and services within its Housing Maintenance Unit, in particular the provision of waste disposal services?**

19. Our investigation concluded that the Housing Service followed correct contract procurement rules when awarding the contract through the All Wales Materials Framework.

20. Similarly, the arrangements for waste disposal services were compliant with contract procedure rules.

21. We have however identified minor discrepancies and potential overpayment of some service charges made as part of the waste disposal element, which could compromise the Council's ability to achieve value for money in this area.

22. We have agreed an action plan with the service to strengthen controls in this area, reclaim any overpayment and ensure robust contract management and monitoring arrangements going forward.

23. Finally, previous investigations, supported by the findings from this investigation, support the conclusion that there has been no inappropriate favouritism shown by the Housing Service to the waste management provider.

Risk Management Health Check - Zurich

24. We commissioned Zurich Resilience Solutions to provide assurance about the Council's risk management arrangements.

25. The outcome of Zurich's work is reported separately to this Committee. However, in summary, Zurich provided assurance based on a maturity model containing five levels.

26. Zurich assessed the Council to sit in a transitional phase between levels two and three, shown below, with some areas of the organisation showing well developed maturity, particularly in relation to culture and governance.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

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Work in Progress

27. The following pieces of work are currently in progress:

Area	Reason for Audit	Stage
Declarations of Interest	Counter Fraud, Bribery and Corruption Strategy 2022-2025	Fieldwork
National Fraud Initiative	Counter Fraud, Bribery and Corruption Strategy 2022-2025	Ongoing
The Administration of Disabled Facilities Grants	Counter Fraud, Bribery and Corruption Strategy 2022-2025	Draft Report
Direct Debit Management	Internal Audit Strategy 2023-24	Fieldwork
Destination Function Income Processes	Requested by Chief Executive	Fieldwork
IT Audit – Corporate Access Management	Strategic Risk Register (YM3)	Fieldwork
IT Audit – Supplier Management	Strategic Risk Register (YM3)	Fieldwork
Robustness of estimates and adequacy of reserves assessment (Section 25 of the Financial Management Code)	Strategic Risk Register (YM1)	Scoping
Galw Gofal – First Follow Up	Limited Assurance Report	Fieldwork
Asset Management	Strategic Risk Register (YM14)	Scoping

Outstanding Actions

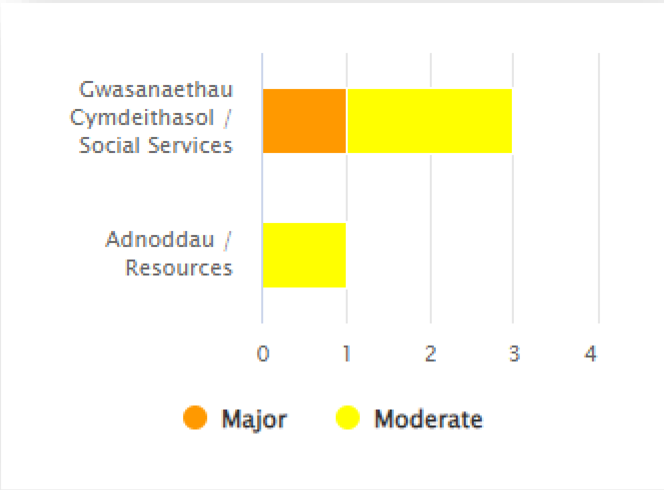
28. Work is progressing to support services with addressing all 'Issues/Risks' raised and implementing all outstanding actions.

29. As at 31 January 2024, one major and three moderate-rated issues/risks remain unaddressed beyond their target dates.

30. However, one major and two moderate-rated issues/risks are the subject of a current follow up audit, which is yet to be finalised; Galw Gofal (Partnership Risks) was the subject of a Limited Assurance report issued in January 2023.

31. The remaining moderate issue/risk relates to the recovery of duplicate payments, for which work is ongoing.

Overdue Issues / Risks by Service



Priorities

Current Capacity

32. We are carrying two vacant posts at Senior Auditor level, due to a resignation and the continuance of a long-term secondment.

33. We are utilising the budget savings from the vacancies to commission additional external support.

Short/Medium Term Priorities

34. Despite the vacancies, we have made good progress with our Annual Internal Audit Strategy for 2023-24 and Counter Fraud, Bribery and Corruption Strategy 2022-2025.

35. Our short-term priority is to complete all the assurance requirements from our Internal Audit Strategy 2023-24. Any work incomplete at the 31 March 2024 will be carried over to the Strategy for 2024-25.

Longer Term Priorities

36. The International Internal Auditing Standards Board (IIASB) issued the new Global Internal Audit Standards on 9 January 2024 which will become effective following a one-year transition period. The Standards guide the worldwide professional practice of internal auditing.

37. The Internal Audit Standards Advisory Board (IASAB), which sets the standards for the UK public sector, has begun its review of the impact on the Public Sector Internal Audit Standards and will develop proposals for revised material which will be suitable for the UK public sector context. Any subsequent changes to the UK's PSIAS, and their implementation, will be subject to consultation and appropriate transitional arrangements.

38. We will keep the Committee members updated on the impact this may have on the work of the Committee.

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ISLE OF ANGLESEY COUNTY COUNCIL	
Report to	Governance and Audit Committee
Date	8 February 2024
Subject	Risk Management Health Check by Zurich
Head of Service	Marc Jones Director of Function (Resources) and Section 151 Officer MarcJones@anglesey.gov.wales
Report Author	Marion Pryor Head of Audit and Risk MarionPryor@anglesey.gov.wales
Nature and Reason for Reporting As part of its oversight responsibilities for the Annual Governance Statement, the Governance and Audit Committee's Terms of Reference require it to review and assess the effective development and operation of risk management in the Council (3.4.8.8.1).	

1.0 INTRODUCTION

1.1 The Council commissioned Zurich Resilience Solutions to undertake a Risk Management Health Check to review the Council's risk management arrangements across the Council, with a specific focus on exploring the views, understanding and perception of risk through key stakeholder discussions.

1.2 The last review was conducted in November 2018 and reported to the Governance and Audit Committee in February 2019.

2.0 OUTCOME

2.1 Zurich's full report follows at Appendix A. An Executive Summary is included at page 4 of the report.

2.2 To measure the maturity of risk management at the Council, Zurich's findings were measured against a performance model that breaks down risk management activity into six categories that contribute towards effective risk management arrangements (graphic follows).

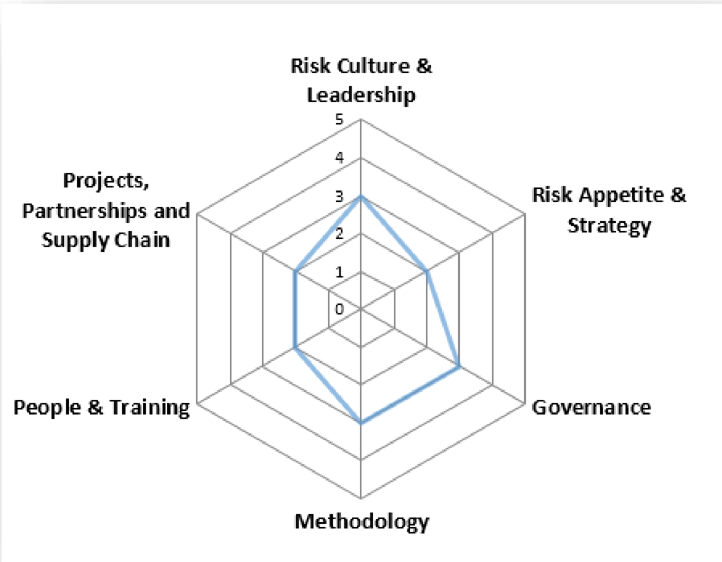
2.3 The model enables an assessment to be made around the extent to which risk management is having a positive effect on the organisation. The five levels of maturity are as follows:

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

2.4 Zurich has assessed the Council to sit in a transitional phase between levels two and three with some areas of the organisation showing well developed maturity particularly in relation to culture and governance. However, this is offset by areas where the maturity is limited, which was most notably highlighted within the Risk Appetite and Strategy section of the report, demonstrated by the graphic below:

January 2024

2.5 The progress in developing the risk management arrangements in the Council can be seen by comparing the graphic with the outcome from the 2018 Health Check below.



November 2018

2.6 A series of observations and recommendations were outlined in Zurich's report. We have developed an Action Plan to address Zurich's recommendations (Appendix B). The Leadership Team approves and supports the Action Plan.

3.0 RECOMMENDATION

3.1 That the Governance and Audit Committee:

- reviews and takes assurance from the report from Zurich Resilience Solutions that risk management is being effectively developed and operated within the Council.
- supports the actions proposed to address the recommendations made by Zurich Resilience Solutions.

Jennifer Czapla – Risk Consultant
Michael Henley – Risk Consultant
Zurich Resilience Solutions
Date January 2024

Risk Management Health Check Review

Isle of Anglesey County Council

Contents

1. Introduction

Zurich have been commissioned by Isle of Anglesey County Council (The Council) to review their risk management arrangements across the organisation, with a specific focus on exploring the views, understanding and perception of risk through key stakeholder discussions.

To measure the maturity of risk management at The Council, the findings have been measured against a performance model that breaks down risk management activity into six categories that contribute towards effective risk management arrangements within an organisation:

Risk Culture & Leadership	Exploring the attitude that Senior Officers and Members take towards the role and priority of risk management
Risk Appetite & Strategy	Reviewing the extent to which the policies for risk management support the organisation and how the appetite for risk is considered and utilised
Governance	Establishing how assurance is provided to stakeholders, the effectiveness of reporting arrangements and how risk is managed within departmental areas.
Methodology	Assessing whether effective risk processes and tools are in place to support the organisation
People & Training	Evaluating the level of risk management skills, knowledge, and capacity across the organisation
Projects, Partnerships & Supply Chain	Determining whether there are effective arrangements for managing risks within projects and with partners and suppliers

The model enables an assessment to be made around the extent to which risk management is having a positive effect on the organisation. The five levels of maturity are as follows:

Level 1	Level 2	Level 3	Level 4	Level 5
Fragmented	In Development	Managed	Integrated	Transformational

We have currently assessed The Council to sit in a transitional phase between levels two and three with some areas of the organisation showing well developed maturity particularly in relation to culture and governance. However, this is offset by areas where the maturity is limited this was most notably highlighted within the Risk Appetite and Strategy section of the report.

A series of observations and recommendations are outlined in the following pages for consideration.

2. Executive summary

Overall, the risk management framework at The Council has the potential to form the basis of a robust risk management approach. There are a number of features which demonstrate good governance and best practice is understood. We have noted that there has been a positive cultural change in recent times encouraged by the open and transparent tone at the top. It is key that such momentum is maintained and filtered down to the rest of the organisation so that the elements of good practice are embedded and consistent across services.

Although there are minimal improvements to be made regarding the documentation and methodology, development work is still required to ensure that best practice is reflected in business-as-usual activity and understood across the organisation. To confidently rate the organisation at an 'integrated' maturity, further evidence of risk management explicitly driving decision making is required and that there is a consistent approach to risk across each service area, supporting and feeding into the strategic approach.

The Council could significantly improve its maturity rating by implementing the improvement recommendations identified within this report. Of most value would be to prioritise an updated and accessible training offer to help build confidence, knowledge, and awareness. In turn this will help to alleviate the current key person dependency that exists in relation to the Risk & Insurance Officer, who drives the vast majority of risk related activities. By ensuring that tailored training is provided to each stakeholder group in an engaging and understandable manner, individuals should have a better understanding of their role (whether it be risk owner or Member) and increase independence when assessing risk within service areas.

Governance arrangements within the organisation are viewed in a positive light with well understood reporting and escalation arrangements. Further development work, however, is required to fully embed the use of risk appetite within the organisation. Whilst The Council does have the framework and foundations for using risk appetite, such as the appetite statements and tolerance levels, these parameters are not used as a tool in decision making, budget planning or corporate planning. Further work is required to engage leadership and familiarise them with the benefits of using risk appetite.

In summary The Council has good governance processes in place, sufficient forums and touch points to review risk and the right tools to conduct effective risk management. In comparison to similar local authorities, The Council has extremely strong foundations to build a more advanced and nuanced approach to risk. What is now required is for the organisation to start to independently use the process, as detailed in the documentation, and take true ownership of it through improved confidence, ensuring that risk is not just a tick box exercise, and something valued as a business tool to achieve objectives.

In order to measure the maturity of risk management, a performance model has been used which breaks down activity into six categories that contribute towards effective risk management arrangements within an organisation. It is worth noting, given the complexity of services provided and the resources often available to support risk management within the public sector, a good score is considered at level 3, Managed, whilst most local authorities would be judged to be level 2, In Development.

Figure 1.

The above figure indicates where The Council has been assessed based on the review.

Included below is a brief summary of key aspects of risk management which have been identified as part of the health check process. Further detail is explored in each section in the report:

Strengths:

- Consistent understanding and use of the governance and reporting framework at a strategic level,
- Positive risk culture in the organisation and a willingness for open discussion,
- Regular review of the strategic risk registers at all levels of the organisation,
- An appetite and willingness to learn and improve risk management practices,
- Positive working relationships between Members and officers that can provide the foundations for additional learning.

Development Opportunities:

- A greater understanding of the cross-cutting risks that affect The Council and how these can best be managed,
- Providing additional training to senior management and Members to ease the key person dependency that currently exists, build greater confidence, and establish roles and responsibilities,
- Greater understanding, use and communication in the application of the risk appetite,
- Develop greater consistency at a service level to ensure that controls are live, measurable, and specifically linked to the cause of the risk.

3. Observations and recommendations

3.1. Risk Culture and Leadership

This section considers the attitude of senior officers and members towards the role and priority of risk management.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

The overall perception within The Council is that there is a positive attitude towards risk facilitated by a recent cultural shift to place more emphasis on risk management at a leadership level. There is significant evidence to suggest that the leadership team understand and are aware of the key strategic risks facing the organisation, but that conversations regarding strategic risk are not yet explicitly and consciously linked to or driving the decision-making process.

In most of the interview discussions, officers highlighted the improvements which have been made over the last 2-3 years to develop risk management practice across the organisation. Specifically, the review and reduction of the Strategic Risk Register, which has improved the clarity and focus of risk discussions at a leadership level. Although there was great confidence from all officers regarding the content of the risk register, one of the areas where there was some hesitancy was regarding risk appetite and how the organisation's risk profile impacted decision making. When asked, most of the interviewees felt that senior officer's perception and attitude to risk generally resulted in consistent decision making but it was not necessarily part of a formalised process and attributed to individual's experience and instinct.

A consistent theme many of the interviewees were keen to highlight was the Audit & Risk Team's role in keeping risk at the forefront of the leadership agenda, highlighting some separation between the risk process and decision making. Comments indicated that although risk is dynamic and part of the live discussion, some risks associated with decision making are considered separately from the strategic risk register. When reflecting, one officer suggested incorporating a risk section into reporting templates to ensure that any significant decisions are considered against the strategic risks and the organisation's risk appetite more formally.

Another area which was explored in relation to leadership was the role of Members. Overall, people recognised Members as being an important stakeholder, but it was clear that their views and positive challenge is an underutilised area and an additional risk lens which could strengthen the review process. In comparison to the roles and responsibilities definitions included in the Policy, there are some discrepancies due to a lack of confidence and knowledge. The role and relationship of the Scrutiny Committee, Governance & Audit Committee, The Executive and Portfolio Holder responsibilities could be explicitly defined, mapped out and reinforced through additional training. This would help to help ensure that Members have the confidence and understanding to effectively engage in the process, a theme further explored in section 3.5 People and Training. It is important to note that there is an appetite for support and training as well as an enthusiasm to engage with the risk process more effectively. Several individuals highlighted that the relationship between officers and Members is strong so additional training could further improve already valued discussions at Committee level.

The evidence outlined in the documents show a local authority which, on paper, that can be rated at an 'integrated' maturity and reflects an aspirational but achievable approach to risk. There is a positive risk culture and a leadership team which welcomes risk (threat or opportunity) through the promotion of honest and transparent discussion. It was, however, hard to fully understand if risk was consistently understood and embedded enough to be self-sustaining outside of the Risk & Audit Team's influence. There are still some pockets within the organisation where information is hidden, and an assumption risk is well managed due to individual's competency rather than being explicitly monitored as part of the central risk process. It is inevitable that the introduction of the new risk system, upkeep of current conversations and further training the organisation will achieve the 'integrated' status.

Recommendations:

- Consider providing additional training to senior leaders and department heads in relation to their responsibilities surrounding risk management. This will help to ensure that the key person dependency surrounding the Risk & Insurance Officer is met. At present there is a high risk of failure in relation to risk management should the Risk & Insurance Officer not be available.
- Provide additional training for Members to help ensure that they can provide effective challenge and scrutiny of key strategic risks that aligns with the roles and responsibilities as set out in the Risk Management Policy and Strategy,
- Review current corporate reporting templates to ensure that risk review is featured as a standardised section to prompt leaders to consider key decisions against the organisation's risk profile and risk appetite.

3.2. Risk Appetite and Strategy

This section assesses the extent to which the policies for risk management support the organisation and how the appetite or risk is considered and utilised.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

The purpose of a risk management strategy is to communicate why and how risk management will be implemented throughout the organisation and to set out the purpose and direction of risk management activities. It should strive to accomplish uniformity across the risk management process and remove any ambiguity about the overall risk capacity, appetite, and tolerance levels.

Overall, the Risk Management Policy and Strategy is a clear and accessible document which outlines best practice information in an easily digestible manner. Specifically, the use of the risk management objectives, maturity rating and risk appetite chapters show a well-rounded and advanced understanding of risk which the organisation should be using to monitor progress. Although the Strategy document and Risk Appetite Statement within the document are examples of a local authority operating at a 'Managed' level discussions with key stakeholders showed that there was still a misunderstanding and lack of clarity about the use of risk appetite.

In the Policy and Strategy, The Council risk appetite is clearly defined with subsequent risk appetite levels mapped out against each category, which provides evidence that the organisation is operating at a 'managed' maturity level. Further information could be added to the appetite statements to remove any ambiguity as to the meaning of the different categories; however, this would only be required once risk appetite is regularly used in discussion and understood by all relevant stakeholders. As a future aspiration, once risk is better embedded, more specific definitions could be included in the risk appetite statement and the addition of tolerance and capacity lines to show the level of risk the organisation is unwilling to accept.

When asked about the use of risk appetite, officers assumed that individuals in the leadership team would make consistent decisions appropriate for the organisation's risk profile, but this would be based off experience and instinct rather than use of the risk appetite framework as outlined in the policy. There is limited understanding of what this means for the organisation, and it has not yet been applied to help drive decision making. Some individuals commented that it would be helpful for key decisions to be linked back to the organisation's risk appetite in a more formal way through the corporate reporting process. There is, therefore, an opportunity to integrate the strategic risk process with pre-existing forward planning processes such as the development of the Corporate Plan, budget planning and workforce planning.

Although recent progress has been made, at present it appears that the leadership team make decisions and then retrospectively fit appetite around this, if appetite is considered at all. With commercial decisions being made regarding key projects, transformation and high-risk areas, consistent understanding and application of risk appetite supports a more informed and robust decision-making process.

Recommendations:

- Review risk appetite statements with the leadership team and provide relevant training to ensure that they are up to date, relevant and reflective of the current strategic direction of the organisation. These should be used to help drive decision making within the organisation and be used as a key way to review strategic risks and their mitigations.
- Consider the provision of training for senior leaders in relation to risk appetite to ensure that there is sufficient understanding of the way in which this should be applied within The Council and to ensure that information is effectively and consistently passed down to departmental leaders.
- Include a risk heat map within risk reports to encourage the leadership team to view the entire portfolio of risks and understand the organisation's collective position in relation to its risk appetite.

3.3. Governance

We review the assurance provided to stakeholders, the effectiveness of reporting arrangements and how risk is managed within service areas.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

Governance was widely viewed in a positive light throughout the health check, most of the interviewees felt that there were good processes in place that were understood and consistently followed. The strength of the governance process was also reflected in the documentation, highlighted by a clearly laid out framework which mirrored people's understanding. For this reason, the organisation has been scored at Level 4.

Since the implementation of the new framework, risk reporting arrangements have become more robust and show a large improvement from the position The Council was in pre Covid. There is particular merit in the strategic risk deep dives conducted by the leadership team, enabling greater discussion and review of individual risks rather than a brief collective assessment of all of the risks.

At present, there is still a large onus on the Risk & Insurance Officer deciding when and where risk needs to be escalated to as well as identifying where there are interdependencies across departments. Although the risk officer is responsible for facilitating the process, there needs to be a greater emphasis on individual risk owners contributing to and driving the process across services to manage cross cutting risks. Although officers were clear that collaborative work between services would happen if required, it was not clear if there is a designated forum or formalised process across departments for reviewing interdependencies or sharing best practice. Risks associated with finance, HR and digital are good examples of where departments may benefit from collective discussion and review. There was, however, assurance that some of these conversations are being conducted via the 1-2-1 meetings with the Risk & Insurance Officer and business managers, to ensure that all risks are being identified and managed effectively.

From a strategic perspective it is clear that significant work has been done to ensure the governance process is robust and serves the organisation's needs. To confidently rate the organisation at a higher level, further evidence of services taking ownership and utilising the governance process within their departments would be required. In some interviews, officers were clear about how and when risks were managed, but this was not consistent across all services. To develop a more embedded approach that has less reliance on key individuals, further integration of key performance indicators (as referenced in the Risk Management Policy) could support the escalation stages and support services better monitor their risks independently. Although mentioned within the risk management policy there was no mention of the use of risk co-ordinators during our interviews. Greater use of risk co-ordinators in services would reduce key person dependencies and, through the use of collective discussion and review between co-ordinators, increase the chances of identifying and monitoring risk interdependencies.

Recommendations:

- Further use of the network of risk co-ordinators across the organisation to champion risk best practice and share risk information. Activity could include regular risk group discussions with risk co-ordinators and or risk coordinator training to establish roles and responsibilities,
- Greater use of key performance indicators and tolerance levels to support the relationship between operation / service risks and strategic/ corporate risks and highlight when risks should be escalated.

3.4. Methodology

This section considers what processes and tools are in place to aid risk management and whether they are effective.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

At The Council there is an established risk methodology and, in comparison with similar organisations, the risk cycle is actively completed to a good standard. As the organisation has a strong starting point, there is a significant opportunity to truly assess and evaluate the risks at an advanced level, which would improve the quality and rigour of risk assessment thus providing a better level of assurance.

In discussions with interviewees, some commented that there was a level of complacency due to a good historic record of risk management, good fortune, and a high level of trust in / reliance on key individuals identifying risk. This was supported by other points raised in discussion which suggested there is too much focus on how risks are articulated and not enough on the 'so what' part of risk management. Despite evidence in the risk register showing that controls and actions are regularly assessed, the purpose of enterprise risk management is to inform decision making and remove any barriers to success. The interviews highlighted a disparity between levels of risk awareness within departments which led to a difference in quality of both the controls and actions that were being produced between departments. A need to ensure that controls were live, measurable, and consistent is needed across all departments as well as ensuring that any future actions take the form of SMART (Specific, Measurable, Achievable, Relevant, Time-bound) targets.

A greater emphasis in risk discussions on control effectiveness, prioritisation of risk and change over time may support the leadership team's evaluation of their risk position and feed into long-term thinking and planning.

At a service level, officers did provide assurance that operational risk is well managed within specific teams, specifically where there are a number of major projects and partnership working arrangements. This was, however, attributed to specialist project management training and skills (such as PRINCE2) in certain services. Emulating good practice and championing successful internal examples of risk management across all services will create better consistency, embed the methodology and reduce capacity pressures on the Risk & Audit Team. At present there is an overreliance on individual's expertise, rather than utilisation of the risk management process and its benefits such as collective risk identification, group challenge and action planning.

Furthermore, there was some concern regarding the management of cross cutting risks and how these were managed across The Council. It was felt that these risks could potentially be missed and that there is no joined up approach to ensuring that they are being managed consistently and effectively. Many of the interviewees stated that greater collaboration was needed in this area to ensure these risks were picked up.

Finally, although there has been a slow implementation of a new risk management system (4Risk), there was widespread optimism that the system will help to improve engagement with the process. All interviewees felt that the engagement from both senior leadership and Heads of Service was positive and highlighted the need to maintain momentum. The hope is that this system will be more intuitive than previous systems and allow for more effective monitoring and review of risks and highlight areas for improvement within the methodology.

Recommendations:

- Encourage all risk owners to review and update any SMART targets as well as reviewing controls to ensure that they are live, measurable, and consistent,
- Consider how cross cutting themes and interdependence can be managed between services to generate greater collaboration in a more formalised and routine process.

3.5. People and Training

This section of the health check explores the level of risk management expertise and capability across the organisation.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

One of the most consistent themes throughout the review was people's enthusiasm for additional support and training to fully understand their role in the risk management process. It was simultaneously recognised that capacity issues may have prevented regular training being delivered historically and that a core group of people in the organisation have sufficient knowledge to maintain an effective process. Many referenced their reliance on the knowledge of others, who themselves had not received any formal training. Consequently, some officers have inherited historic risks, risk registers and processes which are not fully understood.

It was noted that formalised risk management training at a corporate level has not been provided for a number of years, but that officers have had support and guidance from the Risk & Insurance Team as well as training in some service areas where specialist skills are required. In the assessment it has been recognised that there is a plan in place to provide additional training once the migration to 4Risk has been completed and the review of the Risk Management Policy has taken place.

Roles and responsibilities were also discussed in reference to people and training. The list of roles set out in the Strategy and Policy are clear and sufficiently covered all roles required for an effective risk management approach. Merit has also been given to the Risk Management Guidance which not only sets out the risk process in an achievable and understandable way but includes best practice frameworks such as SWOT analysis and a Bow Tie diagram. What is not clear, however, is how the relationship between each of the tiers of risk management interact with each other and if those roles, in reality, are being effectively conducted. For example, in interviews it was hard to understand if the Risk Management Guidance document was issued to and used by staff.

Another area which was discussed was the role of Members and how the network of Committee's work collaboratively to assess risk. When speaking with interviewees and the Risk & Audit Team the following approach should be documented and fed into training sessions:

Level of Risk	**Risk Identification / Content**	**Assessment / Assurance**
Strategic	**Leadership Team:** Strategic risk should be identified by the leadership team and the content of the risk register should be self-assessed through regular horizon scan and identification discussions. **The Executive:** The Executive should ensure that the risks reflect the current position of the organisation, ensure any emerging trends are considered and captured, and ensure that barriers to achieving the organisation's strategic goals are reflected in the content of the risk register. The Executive should not only be satisfied that priority threats and opportunities are captured but be part of a	**Governance & Audit Committee** The Governance and Audit Committee also have a role to play in ensuring that strategic threats and opportunities are being managed effectively. Although the Committee may want to comment on the content of the risk register, their role is to ensure that the framework is robust enough to manage risk effectively. Their assessment may include control effectiveness, monitoring risk scores over time and reviewing any associated audit work in relation to the strategic risks.

	two-way conversation when challenging and reviewing risk.	
Service / Departmental Risk	**Services** Every Service should have dedicated risk registers that are associated with targets and service plans. Specific specialist projects may have separate risk registers or be included as part of the services risk log. **Service / Directorate Leadership Team** The relevant heads of Services and directors should have regular oversight of Service specific risk.	**Scrutiny Committee** Scrutiny Committee, when relevant, may want to review risks associated with a certain service or project.

The Council may need to make these roles more explicit within their framework and share the role descriptions with the various Committees to ensure they are well understood. Linking this activity in with pre-existing training plans will provide the necessary support so that key individuals have the correct knowledge and training to effectively fulfil their role.

Recommendations:

- Review the Roles & Responsibilities section of the Risk Management Strategy and Policy to ensure Committee roles are clearly articulated,
- Utilise risk management training sessions to gain clarity and confirmation over roles and responsibilities for members.

3.6. Projects, Partners, and Supply Chain

In this section I look at the effective controls in place to manage risks with partners / suppliers and in projects.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

As with many councils The Council has a variety of projects and partnerships which are intertwined with a range of risk activities. It is a challenging area to monitor risk as, sometimes, projects and partnerships are monitored outside of the central corporate approach to risk management.

Overall, there was great confidence in the risk management arrangements for large external projects due to the robust governance arrangements and expertise in the relevant service areas. It was also stated that the majority of partnerships have active risk registers that reported on to their respective Boards. Recognition to the importance of partnerships is also given in the Strategic Risk Register that is reviewed twice a year. There is good degree of reassurance there is the necessary and appropriate level of oversight in place to manage project and partnership risks.

The team did not review any service or operational risk registers as part of the Health Check, but it is assumed that where there are risks associated with critical suppliers, partnerships, or providers they are included in localised risk registers.

The organisation has been rated at a Level 3 due to a number of factors. Although there is a good degree of confidence in processes and arrangements, project risks management is done is isolation of the strategic risk approach. Although all project risks do not need to be reported centrally, without oversight or established touch points it is hard for the organisation to understand the total cost of risk it is exposed to and if risk is being measured consistently across the organisation.

Furthermore, our conversations highlighted that procurement has also been identified as an area for improvement, with recent audits providing key recommendations to be implemented. Across the sector there have been a number of examples where procurement processes have not been followed resulting in increased threats and errors that could have been avoided. Monitoring key contracts and suppliers through greater use of service risk registers would ensure that there is some oversight and record of these relationships. It would also support business continuity and emergency planning arrangements when identifying critical services and suppliers in light of disruptive event.

Recommendations:

- Review the possibility of central risk oversight for large projects or specific tolerances which dictate when projects need to be visible to the Risk & Insurance Team to improve collective risk assessment and management.

4. Appendices

4.1 Recommendations Summary

Risk Culture and Leadership	• Consider providing additional training to senior leaders and department heads in relation to their responsibilities surrounding risk management. This will help to ensure that the key person dependency surrounding the Risk & Insurance Officer is met. At present there is a high risk of failure in relation to risk management should the Risk & Insurance Officer not be available. • Provide additional training for Members to help ensure that they can provide effective challenge and scrutiny of key strategic risks that aligns with the roles and responsibilities as set out in the Risk Management Policy and Strategy, • Review current corporate reporting templates to ensure that risk review is featured as a standardised section to prompt leaders to consider key decisions against the organisation's risk profile and risk appetite.
Risk Appetite and Strategy	• Review risk appetite statements with the leadership team and provide relevant training to ensure that they are up to date, relevant and reflective of the current strategic direction of the organisation. These should be used to help drive decision making within the organisation and be used as a key way to review strategic risks and their mitigations. • Consider the provision of training for senior leaders in relation to risk appetite to ensure that there is sufficient understanding of the way in which this should be applied within The Council and to ensure that information is effectively and consistently passed down to departmental leaders. • Include a risk heat map within risk reports to encourage the leadership team to view the entire portfolio of risks and understand the organisation's collective position in relation to its risk appetite.
Governance	• Further use of the network of risk co-ordinators across the organisation to champion risk best practice and share risk information. Activity could include regular risk group discussions with risk co-ordinators and or risk coordinator training to establish roles and responsibilities, • Greater use of key performance indicators and tolerance levels to support the relationship between operation / service risks and strategic/ corporate risks and highlight when risks should be escalated.
Methodology	• Encourage all risk owners to review and update any SMART targets and controls to ensure that they are live, measurable, and consistent, • Consider how cross cutting themes and interdependence can be managed between services to generate greater collaboration in a more formalised and routine process.

People and Training	• Review the Roles & Responsibilities section of the Risk Management Strategy and Policy to ensure Committee roles are clearly articulated, • Utilise risk management training sessions to gain clarity and confirmation over roles and responsibilities for members.
Project, Partners, and Supply Chain	• Review the possibility of central risk oversight for large projects or specific tolerances which dictate when projects need to be visible to the Risk & Insurance Team to improve collective risk assessment and management.

4.2 Maturity Assessment

	Risk Culture & Leadership	Risk Appetite & Strategy	Governance	Methodology	People & Training	Projects, Partnerships & Supply Chain
Level 5 Transformational	Risk Management is actively championed by the CEO, Senior management, and Members. There is a strong consideration of risk in all decision making processes	Risk appetite is reviewed at least annually and is taken into account in key decision points including day-to-day operational, as well as strategic, decisions	There is active oversight of risk management from Members and senior management	Management of risk and uncertainty is well integrated with all key business processes and shown to be a key driver in business success	Staff are empowered to be responsible for risk management and the organisation has a good record of well managed risk taking	Risk management is a collaborative activity amongst all parties and shown to be a key driver in success delivery
Level 4 Integrated	Senior Management & Members constructively challenge risk information and consider risk within decision making processes	The organisation has formalised its risk appetite and statements exist for each principal risk category for practical use at key decision points	Governance arrangements are effective and aligned with other processes within the organisation	Risk management processes are used to support key business processes and service delivery	Suitable guidance is available, and a training programme has been implemented to ensure the continuation of risk management capability	Sound governance frameworks are established in these areas and common risk goals are identified amongst all parties
Level 3 Managed	Senior management & Members take the lead to apply risk management across the organisation and a register of key strategic risks is maintained	The concepts of risk appetite and tolerance are understood and utilised by senior management when discussing strategic risks	Formal reporting and assurance arrangements for risk management exist which are delivering value to the organisation and are consistently applied	Risk management processes are established and effective but are not being applied consistently across the organisation	A core group of people have the skills, knowledge, and capacity to manage risk effectively and implement the risk framework across the organisation	Risk Managed in these areas is effective, appropriately resourced
Level 2 In Development	Senior management & Members are actively building the organisation's risk culture and a senior level 'risk champion' has been appointed	Risk Management strategies & policies are drawn up, communicated, and being acted upon but Risk Appetite is not a concept actively used within the organisation, even if it is mentioned within the policy / strategy	Reporting and assurance exist but are currently being implemented or require development	Risk management processes exist but are currently being implemented or require development	The organisation is taking steps to increase the capacity and competency of individuals with risk management roles and responsibilities	Approaches for managing risk in these areas exist but are currently being implemented or require development
Level 1 Fragmented	Senior management & Members are aware of the need to manage risks	Risk Management is sporadic and unstructured within the organisation	The monitoring and reporting of risks is limited and only done when requested by senior management or Members	No formal process exists for risk management within the organisation	Key people are aware of the need to understand risk principles but there is a skills gap across the organisation	Key people are aware of potential risks factors in these areas

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Risk Management Review (Zurich)

January 2024

Action Plan

Marion Pryor BA MA CMIIA CPFA ACFS

Julie Jones

Ref	Issue / Risk	Risk Rating	Proposed Management Action	Responsible Officer	Deadline
1	There is some uncertainty as to the role of Members in relation to the scrutiny of Strategic risks, particularly around the role and relationship of The Executive, Governance & Audit Committee, and the scrutiny committees. Portfolio Holder responsibilities could be explicitly defined. (Recommendations 11 & 12)		Review the Roles & Responsibilities section of the Risk Management Strategy and Policy to ensure Committee roles and responsibilities are clearly defined.	Marion Pryor / Julie Jones	April 2024
2	Risk appetite is not understood by all relevant stakeholders and there is some ambiguity as to what the different risk appetite categories mean and consequently uncertainty around the level of risk the organisation is unwilling to accept. (Recommendations 1, 4 & 5)		Review risk appetite statements to ensure that they are up to date, relevant and reflective of the current strategic direction of the organisation.	Marion Pryor / Julie Jones	March 2025
			Provide Directors, Heads of Service and other senior managers with training in relation to their responsibilities surrounding risk management and risk appetite.	Marion Pryor / Julie Jones	October 2024
3	It appears that decisions are taken without consistently considering the risk appetite or that it is retrospectively fitted to the decision. (Recommendations 3 & 6)		Review the corporate reporting templates to ensure that risk is a standardised section to prompt leaders to consider risk and the Council's risk appetite when making decisions.	Gwyndaf Parry	September 2024
			Include a risk heat map within risk reports to encourage leaders to view the entire portfolio of risks and understand the Council's collective position in relation to its risk appetite.	Marion Pryor / Julie Jones	April 2024

Ref	Issue / Risk	Risk Rating	Proposed Management Action	Responsible Officer	Deadline
4	The views of Members and their positive challenge in relation to risk is underutilised and it appears that some Members have a lack of confidence, knowledge and understanding of their role to effectively engage in the process. (Recommendations 2 & 12)		Provide Members with suitable training to help them to effectively challenge and scrutinise risks and understand their roles and responsibilities as set out in the Risk Management Policy and Strategy.	Marion Pryor / Julie Jones	October 2024
5	The role of risk co-ordinators in services appears underutilised leading to a greater dependency on the Internal Audit and Risk Team in relation to risk management; further training would reduce key person dependencies. (Recommendation 7)		Provide risk co-ordinators with training to establish their roles and responsibilities and further develop their understanding of risks.	Marion Pryor / Julie Jones	October 2024
6	Cross cutting risks could potentially be missed as there does not appear to be a joined-up approach to ensure that they are being managed consistently and effectively. (Recommendation 10)		Introduce a process to manage cross cutting themes and interdependence between services to generate greater collaboration in a more formalised and routine process.	Marion Pryor / Julie Jones	September 2024
7	There is a disparity between levels of risk awareness within services resulting in a difference in quality of both the controls and actions. Actions are not always in the form of SMART (Specific, Measurable, Achievable, Relevant, Time-bound) targets. (Recommendation 9)		Review and update all service risk controls and actions to ensure that they are live, measurable, and consistent.	All risk owners	September 2024

Ref	Issue / Risk	Risk Rating	Proposed Management Action	Responsible Officer	Deadline
8	Project risks management appears to be done in isolation of the strategic risk approach, making it hard for the organisation to understand the total cost of risk it is exposed to and ensuring that risk is being measured consistently across the organisation. (Recommendation 13)		Consider a process to provide a central risk oversight for large projects or specific tolerances which dictate when projects need to be visible.	Gwyndaf Parry / Julie Jones	November 2024
9	Key performance indicators (as referenced in the Risk Management Policy) are not integrated or fully embedded, resulting in reliance on key individuals to escalate and monitor risks rather than services monitoring their risks independently. (Recommendation 8)		Develop a greater use of key performance indicators and tolerance levels to support the relationship between risk registers and highlight when risks should be escalated.	Julie Jones	September 2024

Risk Matrix – Summary of 'Risks/Issues'

LIKELIHOOD	Within the next 3 months	**Almost Certain**	**5**					
	Within the next 12 months	**Likely**	**4**					
	Within the next 2 years	**Possible**	**3**					
	Within the next 5 years	**Unlikely**	**2**					
	Not within the next 25 years	**Rare**	**1**					
MINOR		**MODERATE**		**1**	**2**	**3**	**4**	**5**
MAJOR		**CRITICAL**		**Insignificant**	**Minor**	**Moderate**	**Major**	**Catastrophic**
Objectives				Minor delay in achieving objectives	Reduction in scope or quality of a secondary objective	Reduction in scope or quality of a primary objective or achievement of a secondary objective is significantly delayed	Achievement of a primary objective is significantly delayed, or a secondary objective can't be met	A primary objective cannot be met
Reputation				Public concern restricted to local complaints	Minor adverse local / public / media attention and complaints	Serious adverse local or minor adverse regional or national media attention	Serious negative regional or national criticism	Prolonged regional and national condemnation
Financial Cost				<£100k	£100k - £500k	£500k - £2m	£2m - £5m	>£5m
Health & Safety				Near miss or minor injury not requiring any professional medical treatment	Minor injury requiring professional medical treatment	Serious injury	Life changing injury	Fatality
Safeguarding				No safeguarding impact	Isolated non-compliance with procedures	Continued non-compliance with procedures	Isolated safeguarding incident	Multiple and related safeguarding incidents
Regulation				No regulatory impact	Reportable incident to regulator, follow up not required	Report of a breach to regulator that requires immediate correction	Prosecution by regulator leading to fines or intervention that requires a project to rectify the situation	Prosecution by regulators that results in significant fines and/or large-scale intervention
Environmental				Minor short-term effect	Short term effect that requires little resources to resolve	Short term effect that requires significant resources to resolve	Serious short-term effect or some long-term effect	Serious and long-term effect
IMPACT								

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Archwilio Cymru
Audit Wales

Digital Strategy Review – Isle of Anglesey County Council

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

Contents

Report summary

Report summary

Exhibit 1: report summary

The exhibit below summarises the reason we undertook this audit, our key findings and recommendations for Isle of Anglesey County Council (the Council).

Why a strategic approach to digital is important

1 Digital technology is key to delivering a wide range of council services in a more economic, efficient and effective way, is also an important means of councils delivering their wellbeing objectives and carrying out sustainable development.

2 Having a clearly articulated strategic approach to digital can bring several benefits such as:

- establishing a common vision for use of digital and the intended outcomes for local communities linked to the council's strategic objectives;
- helping to ensure that councils' use of digital technology is aligned with their key strategic objectives and other plans and strategies and is informed by a good understanding of current and future trends;
- reducing the risk of duplication both within councils and with partners;
- consideration of resourcing digital over the short, medium and longer term together; and
- providing a framework against which to monitoring progress over the short, long and medium term.

The focus of our audit

3 We looked at the extent to which the Council's strategic approach to digital has been developed in accordance with the sustainable development principle and that it will help to secure value for money in the use of the Council's resources.

Our key findings

4 The Council does not have a current strategic approach to digital or an approved digital strategy or equivalent. The absence of a strategic approach means that the Council is unable to demonstrate that it is planning over an appropriate timescale, informed by relevant considerations and the involvement of stakeholders. It also means that the Council has not considered the resource implications of its approach to digital over the short and longer term and has not developed measures to monitor progress in implementing it.

Our recommendations for the Council

R1 **Strengthening the evidence base**
To help ensure that its next digital strategy is well informed and that its resources are effectively targeted, in developing its strategy the Council should draw on evidence from a wide range of sources, including

- involving stakeholders with an interest in the digital strategy as well as drawing on the views of stakeholders from existing sources;
- the objectives and strategies of other public bodies, and identifying opportunities to collaborate;
- further analysis of current and future trends (see our audit criteria for Q.1.1 and Q1.2 in **Appendix 1** for some examples of what this might include)

R2 **Identifying resource implications**

To help ensure that its next digital strategy is deliverable, the Council should identify the short- and long- term resources implications of delivering it together with any intended efficiency savings.

R3 **Arrangements for monitoring value for money**

To be able to monitor the value for money of its next digital strategy, the Council should strengthen its arrangements for monitoring both its progress and impact over the short, medium and longer term.

Detailed report

What we looked at and why – the scope of this audit

1 We reviewed the Council's strategic approach to digital, and specifically the extent to which this has been developed in accordance with the sustainable development principle; and that it will help to secure value for money in the use of the Council's resources.

2 Our findings are based on document reviews and interviews with a sample of Executive Committee Members and senior officers. The evidence we have used to inform our findings is limited to these sources. We undertook this work during June 2023.

3 We set out to answer the question '**In developing its digital strategy has the Council acted in accordance with the sustainable development principle and put in place proper arrangements to secure value for money in the use of its resources?'** We did this by exploring the following questions:

- Is the Council's digital strategy informed by a good understanding of current and future trends?
- Does the Council have a clear vision of what it wants to achieve through the use of digital technology?
- Is the Council working effectively with the right people and partners to design and deliver its digital strategy?
- Has the Council resourced delivery of its digital strategy so it can deliver long-term/preventative benefits?
- Is the Council monitoring and reviewing progress?
- Is the Council learning lessons from how it works?

4 **Appendix 1** sets out the detailed questions we set out to answer along with the audit criteria we used to arrive at our findings.

Why we undertook this audit

5 This audit was undertaken to help fulfil the Auditor General's duties under section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) and section 15 of the Well-being of Future Generations (Wales) Act 2015.

6 We sought to:

- provide assurance that councils' digital strategies will help to deliver well-being objectives in a way that secures value for money in the use of resources;
- provide assurance that councils are acting in accordance with the sustainable development principle in the design of their digital strategies;

- explain how councils are using/planning to use digital technology to meet people's needs and deliver better outcomes; and
- inspire and empower councils and other public sector bodies by identifying and sharing examples of notable practice/approaches where relevant.

The Council's digital strategy

7 The Council is currently preparing a new corporate digital strategy which is due to be approved later this year. The previous digital strategy covered the period 2017-21 and was extended to cover the period up until April 2022.

8 The digital schools' strategy spans 2022-24 and seeks to address the hardware and infrastructure issues for the Island's schools.

9 In the absence of a current strategy the Council have a 'business partner' model whereby all but one of the services have a contact point in IT. This is used as a vehicle for two-way communication on the services' digital requirements and potential digital capabilities. The Council have informed us that the Strategic Digital Plan will be subject to its usual performance management and monitoring arrangements.

What we found: the Council does not currently have an effective strategic approach to digital

The Council has not drawn on a wide range of evidence sources to help inform its digital strategy

10 The Council's understanding of the current situation is focussed on digital as an alternative and additional method for contacting the Council and accessing services rather than as a potential method of addressing root causes of issues. Having seen increased take-up of digital channels, the Council are expecting a shift in this direction but are aware that customer preference will require a continuation of telephone and face-to-face channels too.

11 There is a limited understanding of the long-term factors that will impact the Council's digital strategy and the challenges and opportunities that may result. The Council has mainly identified short or medium-term factors that will affect how customer-facing services could be improved. The Council's Destination Management Plan for 2023-28 notes that there are digital transformation opportunities but not what they could be. By limiting its use of digital as a means for residents to access services, the Council may miss opportunities to use digital to address root causes of current and future problems and balance the need to meet short and longer-term objectives.

12 There is limited evidence to show that the Council is planning over an appropriate timescale. The timeframe for the Council's next digital strategy is yet to be decided;

there is some concern around committing to digital schemes which may not have longevity. A strategy period of five years has been tabled to correspond with the length of the latest Council Plan but due to the expected radical changes in digital developments, the Council is also considering producing a high-level policy document with annual delivery plans. The digital schools' strategy spans 2022-24 and does not address the long-term cost implications of replacing hardware. The Council has not set out measures or milestones for its digital school strategy to help monitor its short and long-term impacts and value for money. The absence of these measures or milestones makes it difficult for the Council to be able to assess the value for money of the strategy.

The Council recognises the importance of aligning its digital strategy with other key documents, but it is too early to assess if this will result in an integrated approach

13 As the Council was developing its digital strategy when we undertook this review, it is too early to comment to what degree it will be aligned with its other corporate plans and strategies and those of other bodies. However, the Council recognises that its next digital strategy needs to be aligned with its other key corporate plans.

14 We note that during the transition period after its previous digital strategy expired, the Council used a scoring matrix with weightings for considerations such as

- relevance to council plan and well-being objectives;
- a reduction in failure demand; and
- compliance with the Well-being of Future Generations Act;

to decide which digital projects should be prioritised by the IT team. Key staff note that a similar matrix might form a part of the next high-level strategy.

15 The Council wishes for its next digital strategy to align in principle to timelines set out within a range of other public bodies' digital strategies. At the point of fieldwork however, the Council could not demonstrate how it has sought to integrate its work with that of partner organisations. Aligning the Council's digital strategy with its well-being objectives, other plans and strategies and those of other public bodies would reduce the risk of duplication and help to identify opportunities to deliver multiple benefits.

The Council has not identified the stakeholders it needs to involve in the development and delivery of its next digital strategy

16 The Council has not identified the range of stakeholders that it needs to involve in designing and delivering its next digital strategy. At this point, before a draft has been produced, the Council is also not able to demonstrate that it is effectively involving the full diversity of people affected by its digital strategy. We understand that the Council's next digital strategy will focus on enhanced customer experience and contribute towards achieving its new customer charter, but it is not clear if the Council will consult on its strategy or any projects once it is developed.

17 The Council's own review of its digital approach found that digital is not the favoured method of communication for some. The Council is at risk of allocating resources inappropriately by not seeking the views of prospective users on the reasons for this.

18 The Council has not conducted a mapping exercise to identify different stakeholders with an interest in the development and delivery of its next digital strategy. Not involving citizens and other stakeholders in developing the Council's strategic approach, or the delivery of it, risks designing approaches that do not meet citizens' needs and therefore do not secure value for money.

The Council has not identified the long-term resource implications of its next digital strategy

19 The Council has not yet calculated the long-term resource implications for its next digital strategy, though view them as a significant financial challenge in the context of wider financial pressures. The amounts calculated and set aside to realise digital projects' short to mid-term aims are listed within other key documents since the previous strategy expired. The Council expect the next digital strategy's annual delivery plan to support the Council Plan of which only the first year, 2023-24, was costed. The service delivery plans list the forecast expenditure up until 2025-26 but are based upon 2023-24 prices.

20 Whole life costs for the digital schools' strategy are only partially addressed within the Capital Strategy. the Council has adopted a principle that an unspecified 'sum' is allocated in the capital programme each year to fund the major improvement to, or the replacement of, existing IT equipment and that a bid will be submitted prior to 2029 to replace network hardware.

21 The Council has not considered how it could allocate resources to deliver better outcomes over the longer term. For example, investing in digital technology that might incur significant up-front costs but realise efficiencies and improved outcomes over the longer-term. Considering if and how Council resources could best be deployed to deliver benefits over the longer term would help it demonstrate that it is applying the sustainable development principle. It is also an important element of arrangements to secure value for money.

There are weaknesses in the Council's arrangements for monitoring progress

22 In the absence of a strategy, the Council is monitoring and reviewing progress of individual digital projects in terms delivery to time and within budget and which well-being objectives they contribute to. This is set out within the quarterly scorecard monitoring report to the Executive Committee. Monitoring arrangements for the Council's next are yet to be confirmed. The interim process for selecting projects emphasised the long-term benefits from a value for money perspective but it is unclear how this will be reviewed once projects are selected for delivery. The HR system was cited as a long-term value for money investment as the

specification noted that its flexibility made it easier to adapt for future requirements should they change.

23 Monitoring the achievement of objectives for both the Council's strategic approach and individual digital projects is important to understand the impact of the Council's investment in digital, and therefore of arrangements to secure value for money.

The Council reviews the effectiveness of its strategic approach to digital but arrangements for reviewing its digital schools' strategy have not been fully implemented

24 The Council's Technical Team reviewed the lessons learnt from the 2017-21 IT Strategy (extended to 2022) and prepared a report to the Leadership Team. The conclusion was that the aim of offering digital channels to contact the Council had been achieved but that the back-office systems had not yet been transformed.

25 The covering paper for the Digital Schools Strategy 2022-24 states that an annual progress report and a review of the strategy will be completed. It also states that quarterly summary reports on the actions, outcomes / impact, highlighting successes and issues would be provided, however this has not happened in practice apart from the two measures for actions and a statistical report on the use of the HWB platform at an internal steering group.

26 In the absence of a draft digital strategy, the Council cannot demonstrate which methods will be in place for reviewing the effectiveness of its next digital strategy. Completing and sharing post implementation reviews could also help the Council assess whether it has achieved its original aims and learn lessons to improve future projects.

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Appendix 1

Audit questions and audit criteria

Below are the questions we sought to answer in carrying out this audit, along with the audit criteria we used to arrive at our findings.

Main audit question: **In developing its digital strategy has the Council acted in accordance with the sustainable development principle and put in place proper arrangements to secure value for money in the use of its resources?**

Exhibit 2: audit questions and audit criteria

Level 2 questions	Level 3 questions	Criteria
1. Is the Council's digital strategy informed by a good understanding of current and future trends?	1.1 Is there is a thorough understanding of the 'as is' (ie current demand/issues to be addressed) and the reasons why/underlying causes? 1.2 Is there a thorough understanding of the long-term factors that will impact and the challenges and opportunities that may result (eg risks and opportunities)?	• The Council has drawn on a broad range of information from internal and external sources to develop a thorough understanding of the 'as is' and how it is likely to change. This includes information (including data) relating to: – service sustainability/resilience and resourcing challenges. – the needs of citizens and communities. – the underlying causes of current demand/issues to be addressed. – analysis of future trends and how they might impact, eg social, economic/political, environmental, cultural or technological. They might include known trends eg ageing population, depleting natural resources and particularly technological advances. They might also include those with a higher level of uncertainty eg jobs and skills needed in the future. • The analysis of the 'as is' and how it is likely to change is well informed by involvement activity, as appropriate, that reflects recognised good practice (eg National Principles for Public Engagement in Wales, Future Generations Commissioner for Wales advice and guidance). • The Council uses its evidence base effectively to:

Level 2 questions	Level 3 questions	Criteria
		– identify actions in its strategic approach to digital that are likely to be most effective and why, including how they could address the root causes of problems; – inform decisions around its use of digital technology that seek to balance the need to meet short and longer-term objectives.
2. Does the Council have a clear vision of what it wants to achieve through the use of digital technology?	2.1 Is the Council planning over an appropriate timescale?	• The Council has considered what long term means in planning its approach to digital – ie how far ahead it can/should plan and why (at least ten years with consideration of longer-term trends as appropriate). • The Council has considered how actions can deliver the best impact over that timeframe in terms of outcomes and most effective use of resources. This could include consideration of appropriate intervention points linked to the Commissioner's definition of prevention. (More details can be found in: Taking account of the Well-being of Future Generations Act in the budget process – The Future Generations Commissioner for Wales). • The Council has set out measures for its digital strategy that reflect short and long-term impacts and value for money, with milestones that reflect progress as appropriate. • The Council has set out how its digital strategy will be resourced over the longer term as far as is practical (see also criteria relating to integration).
	2.2 Has the Council thought about the wider impacts its digital strategy could have, including:	• The Council has considered how its digital strategy can make a contribution across the well-being goals. • Staff developing the digital strategy understand what colleagues and partners do and how their work relates, and have sought to integrate their

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Level 2 questions	Level 3 questions	Criteria
	• how it could contribute to each of the seven national well-being goals? • how delivery will impact on the other things it is trying to achieve (ie its well-being objectives and wider priorities)? • how delivery will impact on other what other public bodies are trying to achieve (ie their well-being objectives)?	work with that of their colleagues from across the Council and with partner organisations. • Integration is evident in the alignment of the digital strategy with other key corporate strategies and service plans. For example medium-term financial plan, workforce plan, asset management strategies, well-being statement and carbon reduction plans. • The digital strategy is aligned with other strategic intents such as: – customer experience; – management of demand/reductions in demand failure and prevention; and – design and implementation of new service delivery models. • The Council's digital strategy aligns with the plans/strategies of local and national partners including the Welsh Government's Digital Strategy for Wales Digital strategy and well-being plans.
	2.3 Is there a wide and common understanding of what the Council is trying to achieve?	• Councillors and senior officers responsible for implementing the digital strategy have a common and clear understanding of what the Council is trying to achieve and the intended impact on service delivery. • The Council's digital strategy is clearly communicated to staff and partners who may help deliver it.

Level 2 questions	Level 3 questions	Criteria
3. Is the Council working effectively with the right people and partners to design and deliver its digital strategy	3.1 Has the Council identified who it needs to involve?	• The Council has a good understanding of who will be directly and indirectly affected by its digital strategy and who it needs to involve. • The Council has effectively involved the full diversity of views in developing its digital strategy, including from non-traditional sources and from those it may have previously failed to reach.
	3.2 Is the Council effectively involving the full diversity of people affected by its digital strategy?	• The Council has provided genuine opportunities for people to influence the design and delivery of its digital strategy from an early stage, including representatives of groups who share protected characteristics. • The Council has used the results of involvement to shape the design and delivery of its digital strategy.
	3.3 Is the Council collaborating effectively with the right partners?	• The Council is collaborating to ensure it delivers better outcomes and value for money through its digital strategy and has put appropriate arrangements in place to support this, for example for: – sharing or pooling expertise and resources; – sharing information; – ensuring effective monitoring, evaluation and accountability including consideration of value for money.

Level 2 questions	Level 3 questions	Criteria
4. Has the Council resourced delivery of its digital strategy so it can deliver long-term/ preventative benefits?	4.1 Does the Council understand long-term resource implications?	• The Council has assessed the costs and benefits of using digital technology to invest in long-term, preventative approaches and the cost (both financial and in terms of outcomes) of not doing so. • The Council has thought about the resources it will need to deliver its digital strategy over the medium and longer term (whole life costs) and how it could manage risks/meet those costs including, for example, planned 'invest to save' initiatives and managed reductions in technical debt. • The Council has calculated and set out any savings it intends to make through implementing its digital strategy.
	4.2 Does the Council allocate resources to deliver better outcomes over the long-term?	• Action (including preventative action) that is likely to contribute to better outcomes and/or use of resources over the longer term is promoted and supported, even: – where this may limit the ability to meet some short-term needs; – where the benefits are likely to be accrued by or attributed to another organisation.

Level 2 questions	Level 3 questions	Criteria
5. Is the Council monitoring and reviewing progress?	5.1 Is the Council monitoring and reviewing progress towards, short, medium and longer-term objectives?	• The Council monitors the costs and benefits of delivering its digital strategy from a value for money perspective. • The Council is measuring the wider contribution the digital strategy is making across its own/partnership objectives. • Progress is measured against short, medium and long-term objectives.
6. Is the Council learning lessons from how it works?	6.1 Does the Council review the effectiveness of its digital strategy?	• The Council regularly reviews the effectiveness of its digital strategy including: – effectiveness of its collaborative activity; – effectiveness of its involvement activity, including the impact of the strategy on service users including those who are digitally excluded; – the impact of the strategy on those who share protected characteristics; – the economy, efficiency and effectiveness of the digital strategy overall in helping the Council to achieve its strategic objectives. • The Council has reviewed lessons learned from its response to the pandemic and is applying this learning to its digital strategy.
	6.2 Does the Council share lessons learned from its approach to its digital strategy?	• The Council shares and applies any lessons learned from the development and delivery of its digital strategy widely across the organisation, and with partners where relevant.

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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Organisational response

Report title: Digital Strategy Review – Isle of Anglesey County Council

Completion date:

Ref	Recommendation	Organisational response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
R1	**Strengthening the evidence base** To help ensure that its next digital strategy is well informed and that its resources are effectively targeted, in developing its strategy the Council should draw on evidence from a wide range of sources, including. • involving stakeholders with an interest in the digital strategy as well as drawing on the views of stakeholders from existing sources. • the objectives and strategies of other public bodies and identifying opportunities to collaborate. further analysis of current and future trends (see our audit criteria for Q.1.1 and Q1.2 in Appendix 1 for some examples of what this might include)	The Council has –progressed its timetable to produce its digital strategy which had begun at the time of audit and involved. • stakeholder engagement at several levels – WLGA Digital team, SOCATIM, N Wales IT network, Senior team, corporate team, Fforwm Mon (all service management teams), Business Managers (all services), the public. The IT team also have customer response feedback to helpdesk queries. • collaborative working is already undertaken in this field with other local authorities both regionally in Wales and sub regionally sharing good practice and resources.	The digital strategy is completed in draft form and is currently progressing through internal governance which should be completed by end of February 2024 The engagement and collaborative working continue on an ongoing basis through the various forums identified.	**Head of Profession HR and Transformation**
R2	**Identifying resource implications** To help ensure that its next digital strategy is deliverable, the Council should identify the short- and long- term resources implications of delivering it together with any intended efficiency savings.	To inform the strategy a request was made of all services for their planned technology priorities for the next 5 years. A scoring matrix has been developed to enable prioritisations for all new projects. The Digital Strategy will be supported by an annual action plan that will identify success criteria which includes resources and outcomes	**April 2024 for the financial year 2024/25**	**IT Team Manger**

R3	**Arrangements for monitoring value for money** To be able to monitor the value for money of its next digital strategy, the Council should strengthen its arrangements for monitoring both its progress and impact over the short, medium and longer term.	Monitoring of the digital strategy will be included in the Transformation Board (Modernising) agenda	Meetings of the Transformation Board take place every two months	**IT Team manager**

Archwilio Cymru
Audit Wales

Use of performance information: service user perspective and outcomes – Isle of Anglesey County Council

Audit year: 2022-23

Date issued: November 2023

Document reference: 3927A2023

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

Contents

Report summary

1 We considered the service user perspective and outcome information provided to senior officers and senior members (senior leaders), and how this information is used.

2 Overall, we found that limited performance information is provided to senior leaders at the Isle of Anglesey County Council (the Council) to enable them to understand the service user perspective and the outcomes of the Council's activities.

3 We have made three recommendations to strengthen the information given to senior leaders.

What we looked at – the scope of this audit

4 We focused on the performance information provided to senior officers and senior members (senior leaders) about service user perspective and outcomes, and how this information is used. We did not undertake a full review of the Council's performance management arrangements or an in-depth review of the quality of the data that the Council collects. Neither did the review focus on engagement with service users on specific service changes or the development of policies and strategies.

5 We have set out our audit questions and audit criteria in **Appendix 1**. The audit criteria essentially sets out what good looks like and what we would expect to find.

6 Overall, we were looking for performance information to be shared with senior leaders to help them understand how well services and policies are meeting the needs of service users and how well they are helping the Council to achieve the outcomes it is working towards. We were also looking to see that senior leaders use this information to monitor progress and take action where necessary to improve outcomes.

7 This is an important part of arrangements to ensure that councils are securing value for money in the use of their resources. It is also an important way in which the Council can assure itself that it is acting in accordance with the 'involvement' way of working in taking steps to meet its well-being objectives. Without this information, it is difficult to see how senior leaders can understand whether their policies and actions are having the intended impact and make changes where they are not.

8 Our findings are based on document reviews and interviews with the Executive member, head of service and senior officer with responsibility for the Council's performance management arrangements. The evidence we have used to inform our findings is limited to these sources. We undertook this work during May 2023.

9 We set out to answer the question '**Does the Council's performance information enable senior leaders to understand the service user perspective and the**

outcomes of its activities to effectively manage its performance?' We did this by exploring the following questions:

- Does the performance information provided to senior leaders include appropriate information on the perspective of service users?
- Does the performance information provided to senior leaders include appropriate information on the outcomes of the Council's activities?
- Does the Council have robust arrangements to ensure that the data provided is accurate?
- Does the Council use the information to help it achieve its outcomes?
- Does the Council review the effectiveness of its arrangements?

Why we undertook this audit

10 This audit was undertaken to help fulfil the Auditor General's duties under section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) and section 15 of the Well-being of Future Generations (Wales) Act 2015.

11 We sought to:

- gain assurance that the performance information the Council provides to senior officers and elected members enables them to understand the service user perspective and the outcome of its activities;
- gain assurance that this information forms part of the Council's arrangements to secure value for money in the use of its resources and its application of the sustainable development principle; and
- identify opportunities for the Council to strengthen its arrangements.

The Council's performance reporting arrangements

12 The Council's Leadership Team (senior officers) and its Executive (the Council Leader and portfolio-holding members) receive quarterly performance reports in the format of a corporate scorecard. This includes details of service performance, progress towards well-being objectives and financial monitoring information.

13 In addition to the quarterly corporate scorecards the Council Plan is monitored via:

- Quarterly performance management reports which focus on the service-related actions; and
- Quarterly Transformation Programme Boards.

14 Our review focused on these key performance reporting mechanisms.

What we found

Limited performance information is provided to senior leaders to enable them to understand the service user perspective and the outcomes of the Council's activities

The performance information provided to senior leaders gives limited insight into the perspective of service users

15 Service user perspective is not well represented within the Council's current performance reporting. The main performance report, the quarterly corporate scorecard, provides limited information about the perspective of service users. For example, only five of the 74 measures included in the quarterly scorecards relate to service user perspective. It is, therefore, difficult to see how senior leaders would be able to understand how well services and policies are meeting the needs of service users from this information.

16 Some executive members are provided with performance information on service user perspective in relation to some services within their portfolio, but not others. For example, leisure centres but not street cleanliness. Where there is information about the perspective of service users, this is not then reflected in the quarterly performance reports. For example, the Cyswllt Môn call centre records and monitors complaints and compliments, and comments received via social media are monitored which enable the departments to respond quickly. However, actions are only usually presented to the relevant head of service. Overall, the information provided is relatively limited and so does not enable senior leaders to fully understand the service user perspective.

Performance information provided to senior leaders largely focuses on outputs and activities rather than evaluating their impact

17 The Council draws its performance information from a range of evidence sources, such as social media, written survey responses and visitor satisfaction 'smiley' buttons. However, this information mainly focuses on activities rather than provide an assessment of outcomes.

18 The Council states in its 2021-22 Self-Assessment report that it has a high degree of confidence that it is achieving its intended outcomes. However, the report does not set out what the outcomes are. The report mainly describes plans and actions.

19 We found some limited examples of outcomes information in the quarterly scorecards. However, overall, the information provided did not enable senior leaders to understand the impact and outcomes of the Council's activities. This

limits senior leaders' ability to understand the impact of the Council's activities and whether it is achieving its desired outcomes.

The Council does not have arrangements to ensure that performance information reflecting the service user perspective and outcomes is accurate

20 The Council has a Corporate Planning and Performance Management Handbook which set outs the Council's performance management framework. However, it does not refer to arrangements to check the accuracy of data.

21 Overall, we found that the Council doesn't have comprehensive arrangements to check the accuracy of its service user perspective and outcomes information. As a result, there is a risk that action and decisions may be taken, and resources deployed based on inaccurate information.

As information provided on outcomes and the perspective of service users is limited, the extent to which the Council can use this information to help it achieve its outcomes is also limited

22 As set out above, our main finding is that performance information provided to senior leaders does not generally enable them to understand the service user perspective and the outcomes of the Council's activities. Therefore, it follows that the extent to which the Council uses the service user perspective and outcomes information to help it achieve its outcomes from this performance information is limited.

23 Where we did find examples of the Council providing information on the perspective of service users and outcomes, we found the Council then using this information to make changes. For example, the Appendix of the most recent Annual Complaints Report lists lessons learnt and actions taken in respect of complaints. The report also includes the numbers of compliments for each service. But despite there being twice as many compliments as complaints, the report doesn't include any further commentary on the compliments. This is a missed opportunity to give senior leaders information which would help them gain assurance that the services provided are achieving their expected outcomes.

The Council reviews its performance regime annually, but this does not specifically cover service user perspective and outcome-based information

24 The Council has arrangements in place to formally review the performance regime on an annual basis. It reviewed its Performance Handbook in January 2023. However, the Council did not explore how it can strengthen the information on service user perspective or outcomes as part of this.

25 The Council does not compare the type of information it collects or collection methods on service user perspective or outcomes with the information collected by similar organisations. We do not mean comparing performance per se, but to help it learn how other organisations are providing information about service user perspectives and outcomes to help strengthen its own arrangements. This is an important element of arrangements to secure value for money.

Recommendations

Exhibit 1: recommendations

Information on the perspective of the service user

R1 The Council should strengthen the information it provides to its senior leaders to enable them to understand how well services and policies are meeting the needs of service users.

Outcomes information

R2 The Council should strengthen the information provided to senior leaders to help them evaluate whether the Council is delivering its objectives and the intended outcomes.

Arrangements to check the quality and accuracy of data

R3 The Council needs to assure itself that it has robust arrangements to check the quality and accuracy of the data it provides to senior leaders relating to service user perspective and outcomes.

Appendix 1

Key questions and what we looked for

Exhibit 2: key questions and what we looked for

The table below sets out the question we sought to answer in carrying out this audit, along with the audit criteria we used to arrive at our findings.

Level 1	
Does the Council's performance data enable senior leaders to understand the service user perspective and the outcomes of its activities to effectively manage its performance?	
Level 2	**Audit Criteria[1] (what we are looking for)**
2.1 Does the performance information provided to senior leaders include appropriate information on the perspective of service users?	• The information is: – relevant to the objectives the Council has set itself; – sufficient to enable an understanding of the service user perspective; – sufficient to provide an understanding of progress towards the outcomes the Council is planning to achieve; – drawn from the diversity of service users including groups who share protected characteristics; and • The Council has involved service users in determining which information to collect.
2.2 Does the performance information provided to senior leaders include appropriate information on the outcomes of the Council's activities?	• The information draws on a range of evidence sources to provide a holistic view of progress. • The information enables senior leaders to monitor progress over the short, medium and long term. • The information enables senior leaders to monitor the delivery of outcomes that cover multiple service areas and/or organisations.

[1] Our audit criteria have been informed by our cumulative knowledge of previous audit work, as well as the question hierarchy and positive indicators we have developed to support our sustainable development principle examinations.

Level 1	
Does the Council's performance data enable senior leaders to understand the service user perspective and the outcomes of its activities to effectively manage its performance?	
Level 2	**Audit Criteria[1] (what we are looking for)**
2.3 Does the Council have robust arrangements to ensure that the data provided is accurate?	• The Council has clear arrangements to check the quality and accuracy of the data it provides to senior leaders. • Where weaknesses in data quality are identified, the Council addresses them.
2.4 Does the Council use the information to help it achieve its outcomes?	• Where poor performance is identified, the Council uses the information to make changes/interventions. • There is evidence of the Council improving its progress towards its outcomes as a result of interventions.
2.5 Does the Council review the effectiveness of its arrangements?	• The Council reviews the information provided to senior leaders to ensure it is appropriate and relevant. • The Council compares the information it collects with the information collected by similar organisations to identify opportunities to strengthen its arrangements.

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Organisational response

Report title: Use of performance information: service user perspective and outcomes – Isle of Anglesey County Council

Completion date: 3.1.24

Ref	Recommendation	Organisational response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
R1	**The Council should strengthen the information it provides to its senior leaders to enable them to understand how well services and policies are meeting the needs of service users.**	**The Corporate Scorecard indicators are agreed between senior officers and elected members. The quarterly data and trend analysis provides a flag for challenge. The Scorecard is presented quarterly to the Executive and Scrutiny where elected members question and challenge.** **Parallel to this work has been the development of key thematic data dashboards as part of a longer-term aim to become a data driven organisation. Initial dashboards developed include Net Zero and Poverty. The data has been accessed from a variety of internal and external sources e.g. Census data, Ward Census data etc.** **The Authority proposes to ask its senior leaders what additional information they require to understand how well services and policies are meeting the needs of service users.**	**September 2024**	**Corporate Planning, Performance and Programme Manager**
R2	**The Council should strengthen the information provided to senior leaders to help them evaluate whether the Council is delivering its objectives and the intended outcomes.**	**There are already several sources of information provided to senior leaders on performance e.g. annual service reviews, annual financial service reviews, the quarterly scorecard data, self-assessment process etc which all focus on the way the Council deliver.**	**September 2024**	**Corporate Planning, Performance and Programme Manager**

		As noted in R1 response above the development of Dashboards have been welcomed by Senior Leaders as a means of not only identifying data but also providing information in a format which lends itself to further challenge .This supports the Council's view of moving towards being a more data driven organisation that utilises less narrative and is more focussed on data and trends that create a visible picture in a consistent format. Creating the initial Dashboards has created a great deal of enthusiasm and interest and the challenge is to manage the expectation of that enthusiasm within the capacity available. Collaboration with other local authorities who have done substantial work - albeit with the capacity to deliver -has been invaluable to progress the Authority with these developments. The Authority proposes to ask its senior leaders what additional information they require to help them beyond what is already in place to evaluate whether the Council is delivering its objectives and intended outcomes.		
R3	The Council needs to assure itself that it has robust arrangements to check the quality and accuracy of the data it provides to senior leaders relating to service user perspective and outcomes.	Current arrangements for collating data are managed on a service level but filtered to the corporate centre for collation. The corporate centre currently reviews data against past data and any anomalies, increased/decreased levels are referred to	September 2024	Corporate Planning, Performance and Programme Manager

		services and/or cross checked with information held from other sources. The establishment of Dashboards will strengthen the arrangements to verify accuracy and quality. Internal Audit (IA) routinely look at performance measures and their associated data in relevant audits at both corporate and service level. Where applicable an "Issue/Risk" may be raised around performance data by IA which becomes an action for improvement. The Council is eager to take advantage of any opportunity that will enable it to learn from the good practice of others. E.g.it has recently joined the newly formed all Wales Data Cymru Network, which should prove an invaluable network to share and learn from others. Services to review the service user perspective and outcomes through the Council's Consultation and Communication Board.		

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to	Governance and Audit Committee
Date	8 February 2024
Subject	Review of Forward Work Programme for 2023-24 v5
Head of Service	Marc Jones Director of Function (Resources) and Section 151 Officer MarcJones@anglesey.gov.wales
Report Author	Marion Pryor Head of Audit and Risk MarionPryor@anglesey.gov.wales
Nature and Reason for Reporting A Forward Work Programme for 2023-24 is provided to the members of the Governance and Audit Committee to assist them in fulfilling the Committee's Terms of Reference.	

1.0 INTRODUCTION

1.1 A Forward Work Programme is attached at Appendix A, along with a training programme at Appendix B.

1.2 The programme has been developed considering the Committee's terms of reference and its responsibilities under the Local Government and Elections (Wales) Act 2021.

1.3 Amendments have been made to the dates that reports will be submitted to the September 2023, December 2023, February 2024 and April 2024 meetings to take account of the Committee's work on reviewing its effectiveness.

2.0 RECOMMENDATION

2.1 That the Governance and Audit Committee:

- considers whether the Forward Work Programme proposed for 2023-24 meets the Committee's responsibilities in accordance with its terms of reference, and
- notes the changes to the dates on which reports will be submitted.

Appendix A – Forward Work Programme 2023-24

Core Function	29 June 2023	27 July 2023	21 September 2023	07 December 2023	08 February 2024	18 April 2024
Accountability arrangements (3.4.8.3)	Review of Forward Work Programme 2023-24 (3.4.8.3.2) Annual Chair's Report 2022-23 (3.4.8.3.1)	Review of Forward Work Programme 2023-24 v2 (3.4.8.3.2)	Review of Forward Work Programme 2023-24 v3 (3.4.8.3.2) ~~Committee Self-assessment (3.4.8.3.2)~~	Review of Forward Work Programme 2023-24 v4 (3.4.8.3.2) **~~Committee Self-assessment (3.4.8.3.2)~~**	Review of Forward Work Programme 2023-24 v5 (3.4.8.3.2) **~~Committee Self-assessment (3.4.8.3.2)~~** ~~Annual Review of Committee's Terms of Reference (3.4.8.3.2)~~	Review of Forward Work Programme 2024-25 (3.4.8.3.2) **Committee Self-assessment (3.4.8.3.2)** **Annual Review of Committee's Terms of Reference (3.4.8.3.2)**
Governance (3.4.8.4)		Draft Annual Governance Statement (3.4.8.4.1/2/3)		~~Local Code of Governance (3.4.8.4.1/3)~~ ~~Annual Report of the Partnerships and Regeneration Scrutiny Committee 2022-23 (3.4.8.4.4)~~ Final Annual Governance Statement (3.4.8.4.1/2/3)		
Treasury Management (3.4.8.5)			Annual Report 2022-23 (3.4.8.5.1/2/3/4)	~~Mid-year Report (3.4.8.5.3)~~	**Mid-Year Report (3.4.8.5.3)**	

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Core Function	29 June 2023	27 July 2023	21 September 2023	07 December 2023	08 February 2024	18 April 2024
					Strategy and Prudential Indicators 2024-25 (3.4.8.5.3/4)	
Assurance Framework (3.4.8.7)	Annual Insurance Report 2022-23 (3.4.8.7.1/2) Climate Change Update (3.4.8.7.1/2)		~~Annual Information Governance Report 2022-23 (3.4.8.7.1/2)~~ ~~Annual ICT Security Report 2022-23 (3.4.8.7.1/2)~~ ~~Annual Health & Safety Report 2022-23 (3.4.8.7.1/2)~~	Annual Information Governance in Schools Report 2022-23 (3.4.8.7.1/2) ~~**Annual Information Governance (SIRO) Report 2022-23 (3.4.8.7.1/2)**~~ ~~**Annual ICT Security Report 2022-23 (3.4.8.7.1/2)**~~	**Annual Health & Safety Report 2022-23 (3.4.8.7.1/2)** **Annual Information Governance (SIRO) Report 2022-23 (3.4.8.7.1/2)** **Annual ICT Security Report 2022-23 (3.4.8.7.1/2)** **Outcome of the Information Commissioner's Office's Investigation into the Cyber Incident in June 2021 (3.4.8.7.1/2)**	
Risk Management (3.4.8.8)			~~Strategic Risk Register Update (3.4.8.7.1/2) (3.4.8.8.1)~~	**Strategic Risk Register Update (3.4.8.7.1/2) (3.4.8.8.1)**	~~Strategic Risk Register Update (3.4.8.7.1/2) (3.4.8.8.1)~~	Annual Review of Risk Management Framework (3.4.8.7.1/2) (3.4.8.8.1)

Core Function	29 June 2023	27 July 2023	21 September 2023	07 December 2023	08 February 2024	18 April 2024
					Risk Management Health Check (Zurich Municipal Risk Engineering) (3.4.8.8.1)	**Strategic Risk Register Update (3.4.8.7.1/2) (3.4.8.8.1)**
Countering Fraud and Corruption (3.4.8.9)			~~Annual Counter Fraud, Bribery and Corruption Report 2022-23 (3.4.8.9.4)~~ *Annual Concerns, Complaints & Whistleblowing Report 2022-23 (3.4.8.9.1)*	~~Annual Review of Counter Fraud, Bribery and Corruption Strategy 2023-26 (3.4.8.9.2/3)~~ **Annual Counter Fraud, Bribery and Corruption Report 2022-23 (3.4.8.9.4)**	**~~Annual Review of Counter Fraud, Bribery and Corruption Strategy 2023-26 (3.4.8.9.2/3)~~**	**Annual Review of Counter Fraud, Bribery and Corruption Strategy 2024-26 (3.4.8.9.2/3)**
Internal Audit (3.4.8.10)	Annual Internal Audit Report 2022-23 (3.4.8.10.6/7/8/9/12/14/15) (3.4.8.6) External Quality Assessment of Conformance with the Public Sector Internal Audit Standards (3.4.8.10.1/2/9/12/14)		Internal Audit Update Report (3.4.8.10.10/ 11) (3.4.8.6) Outstanding Issues/Risks (3.4.8.10.11)	Internal Audit Update Report (3.4.8.10.10/ 11) (3.4.8.6) ~~Review of Internal Audit Charter (3.4.8.10.3/13)~~	Internal Audit Update Report (3.4.8.10.10/ 11) (3.4.8.6)	Internal Audit Update Report (3.4.8.10.10 / 11) (3.4.8.6) Outstanding Issues/Risks (3.4.8.10.11) Annual Internal Audit Strategy 2024-25 (3.4.8.10.1/2/5/6)

Core Function	29 June 2023	27 July 2023	21 September 2023	07 December 2023	08 February 2024	18 April 2024
						Review of Internal Audit Charter (3.4.8.10.3/13)
External Audit (3.4.8.11)	Work Programme and Timetable – Quarterly Update (Q4 2022) (3.4.8.11.3) Outline Annual Audit Plan 2023 (3.4.8.11.1/3)	Detailed Annual Audit Plan 2023 (3.4.8.11.1/3)	Review of Development Control and Planning Enforcement • national report (for information) • local report in relation to the Isle of Anglesey County Council • organisational response (3.4.8.11.3) Work Programme and Timetable – Quarterly Update (Q1 2023) (3.4.8.11.3)	Audit of Accounts Report (3.4.8.11.2) (3.4.8.12.3) Work Programme and Timetable – Quarterly Update (Q2 2023) (3.4.8.11.3)	Annual Audit Summary 2023 (3.4.8.11.3) **Digital Strategy (3.4.8.11.3)** **Using Performance Information (3.4.8.11.3)**	
Financial Reporting (3.4.8.12)		Draft Statement of Accounts 2022-23 (3.4.8.12.1/2)		Final Statement of Accounts 2022-23 (3.4.8.12.1/2)		
Other regulators and inspectors (3.4.8.13)				~~National Reviews and their Related Recommendations (3.4.8.13.1)~~	**~~National Reviews and their Related Recommendations (3.4.8.13.1)~~**	**National Reviews and their Related Recommendations (3.4.8.13.1)**

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Core Function	29 June 2023	27 July 2023	21 September 2023	07 December 2023	08 February 2024	18 April 2024
Complaints Handling (3.4.8.14)			Annual Concerns, Complaints & Whistleblowing Report 2022-23 (3.4.8.14.1/2) Annual Letter of the Public Services Ombudsman for Wales 2022-23 (3.4.8.14.1/2)			
Self-assessment (3.4.8.15)	Review of the Draft Annual Corporate Self-assessment report (3.4.8.15.1/2/3)					
Performance Panel Assessment (3.4.8.16)[1]						

[1] At least once during an electoral cycle a panel performance assessment will take place in the period between ordinary elections of councillors to the council. The council may choose to commission more than one panel assessment in an electoral cycle, but it is not a requirement of the legislation. (The Local Government and Elections (Wales) Act 2021). The council must make a draft of its response to the panel performance assessment available to its Governance and Audit committee, which must then review the draft response and may make recommendations for changes to the response to the panel assessment.

Appendix B – Training Programme

Committee-specific training

Area	Medium	Provider	Date Provided / Scheduled	Attendance
Understanding Local Authority Accounts for Councillors	Virtual	Chartered Institute of Public Finance and Accountancy (CIPFA)	22 June 2023 24 August 2023	Dilwyn Evans Michael Wilson Cllr Geraint Bebb
Treasury Management	Virtual	Richard Bason, Treasury Management Advisor, Link Group	15 September 2023	Dilwyn Evans Michael Wilson Cllr Euryn Morris Cllr Margaret M. Roberts
Effective Chairing Skills	Virtual	Welsh Local Government Association (WLGA)	11 October 2023 17 October 2023	Michael Wilson Cllr Euryn Morris Dilwyn Evans Sharon Warnes William Parry
Countering Fraud and Corruption	Face to Face	Paul Stratton, 'The Fraud Nerd'	4 December 2023	Dilwyn Evans Sharon Warnes Michael Wilson Cllr Keith Roberts Cllr Margaret M. Roberts Cllr Geraint Bebb Cllr Ieuan Williams
Risk Management	Virtual	Welsh Local Government Association (WLGA)	13/03/24 (16:00 – 17:30) 19/03/24 (16:00 – 17:30)	

Mandatory training

Area	Medium	Provider	Date Provided / Scheduled	Completed
General Data Protection Regulations (GDPR)	eLearning	Internal	Available any time	
Cyber Ninjas for Councillors	eLearning	Internal	Available any time	
Basic Safeguarding Awareness (Group A)	eLearning	Internal	Available any time	
Violence Against Women, Domestic Abuse and Sexual Violence (optional for lay members)	eLearning	Internal	Available any time	
Prevent (optional for lay members)	eLearning	Internal	Available any time	
Modern Slavery (optional for lay members)	eLearning	Internal	Available any time	

DDIM I'W GYHOEDDI
NOT FOR PUBLICATION

Adroddiad Blynyddol Diogelwch Seiber 2023/24
Annual Cyber Security Report 2023/24

PRAWF BUDD Y CYHOEDD
PUBLIC INTEREST TEST

Paragraff(au) Paragraph(s)	Atodlen 12A Deddf Llywodraeth Leol 1972 Schedule 12A Local Government Act 1972
14: Information relating to the financial or business affairs of any particular person (including the authority holding that information). 18: Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.	
Y PRAWF – THE TEST	
Mae yna fudd y cyhoedd wrth ddatgan oherwydd / There is a public interest in disclosure as:- Information relating to the effectiveness of the Council's cyber security arrangements indirectly relates to the security of the public's personal and confidential data. There is a public interest in access to the information as the public may be considered to be stakeholders in the Council's cyber security.	Y budd y cyhoedd wrth beidio datgelu yw / The public interest in not disclosing is:- Mae'r mater yn cyfeirio at materion busnes y Cyngor a all niweidio buddiannau'r Cyngor yn fasnachol, ariannol ac yn gyfreithlon. Gall hefyd ddatgelu gwybodaeth sy'n ymwneud â chamau gweithredu'r Cyngor a gymerwyd mewn cysylltiad ag atal troseddu. Placing information about the Council's cyber security arrangements into the public domain would be likely to increase the risk to the security of the Council's network and the integrity of its data. The information could be exploited by criminals and other parties who seek to undermine the Council's security measures. The likelihood of harm to the business affairs of the Council, arising from disclosure is high resulting in prejudice to the commercial and financial interests of the Council. The public interest in ensuring the security of data holdings is strong.
Argymhelliad: *Mae budd y cyhoedd wrth gadw'r eithriad yn fwy o bwys/~~llai o bwys~~ na budd y cyhoedd wrth ddatgelu'r wybodaeth [* dilewch y geiriau nad ydynt yn berthnasol] Recommendation: *The public interest in maintaining the exemption outweighs/~~does not outweigh~~ the public interest in disclosing the information. [*delete as appropriate]	

By virtue of paragraph(s) 14, 18 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 14

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