

# Public Document Pack



CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

Mr Dylan J. Williams  
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<b>RHYBUDD O GYFARFOD</b>	<b>NOTICE OF MEETING</b>
<b>PWYLLGOR LLYWODRAETHU AC ARCHWILIO</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>DYDD MAWRTH, 3 CHWEFROR am 2:00 y. p.</b>	<b>TUESDAY, 3 FEBRUARY 2026 at 2.00 pm</b>
<b>YSTAFELL BWYLLGOR, SWYDDFEYDD Y CYNGOR AC YN RHITHIOL DRWY ZOOM</b>	<b>COMMITTEE ROOM, COUNCIL OFFICES AND VIRTUALLY VIA ZOOM</b>
<b>Swyddog Pwyllgor</b>	<b>Ann Holmes 01248 752518 Committee Officer</b>

## **AELODAU / MEMBERS**

Cynghorwyr / Councillors:-

## **PLAID CYMRU / THE PARTY OF WALES**

Geraint Bebb, Euryrn Morris (*Deputy Chair*), Margaret M. Roberts, *Sedd Wag/Vacant Seat*

## **Y GRWP ANNIBYNNOL / THE INDEPENDENT GROUP**

Gwilym O. Jones

## **LLAFUR CYMRU/WELSH LABOUR**

Keith Roberts

## **ANNIBYNNWYR MÔN / ANGLESEY INDEPENDENTS**

Paul Ellis, Kenneth Hughes

## **AELODAU LLEYG / LAY MEMBERS**

Dilwyn Evans (*Chair*), Dr Geraint Jones, William Maund, William Parry

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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 - 10)

To present the minutes of the previous meeting of the Governance and Audit Committee held on 4 December 2025.

**3     GOVERNANCE AND AUDIT COMMITTEE ACTION LOG** (Pages 11 - 16)

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

**4     AMENDMENT TO THE CONSTITUTION:FINAL APPROVAL OF THE COUNCIL'S ANNUAL GOVERNANCE STATEMENT** (Pages 17 - 22)

To present the report of the Director of Function (Council Business)/ Monitoring Officer.

**5     ANGLESEY SCHOOLS ANNUAL INFORMATION GOVERNANCE ASSURANCE REPORT 2025** (Pages 23 - 28)

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

**6     TREASURY MANAGEMENT STRATEGY STATEMENT 2026/27** (Pages 29 - 66)

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

**7     INTERNAL AUDIT UPDATE** (Pages 67 - 72)

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

**8     STRATEGIC RISK REGISTER UPDATE** (Pages 73 - 84)

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

**9     PROGRESS UPDATE AGAINST THE IDENTIFIED SELF-ASSESSMENT AND AGS IMPROVEMENT ACTIONS FOR 2024/25** (Pages 85 - 92)

To present the report of the Head of Digital, Performance and Modernisation.

**10    EXTERNAL AUDIT: ISLE OF ANGLESEY COUNTY COUNCIL ANNUAL AUDIT SUMMARY 2025** (Pages 93 - 106)

To present the report of Audit Wales.

**11    REVIEW OF FORWARD WORK PROGRAMME** (Pages 107 - 116)

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

## GOVERNANCE AND AUDIT COMMITTEE

### Minutes of the meeting held in the Committee Room and on Zoom on 4 December, 2025

- PRESENT:** Mr Dilwyn Evans (Lay Member) (Chair)  
Councillor Euryrn Morris (Deputy Chair)
- Councillors Kenneth Hughes, Keith Roberts, Margaret Roberts.
- Lay Members: Dr Geraint Jones, William Maund, William Parry.
- IN ATTENDANCE:** Director of Function (Resources)/Section 151 Officer  
Director of Function (Council Business)/Monitoring Officer (for items 5, 6 and 7)  
Director of Education, Skills and Young People (for item 8)  
Head of Highways, Waste and Property (for item 5)  
Head of Internal Audit & Risk (MP)  
Strategic Performance and Projects Manager (GP)  
Committee Officer (ATH)  
Webcasting Officer) (FT)
- APOLOGIES:** Councillors Geraint Bebb, Gwilym O. Jones
- ALSO PRESENT:** Councillor Robin Williams (Deputy Leader & Portfolio Member for Finance and Housing), Carwyn Rees (Performance Audit Manager – Audit Wales), Lora Williams (Audit Wales)( Principal Auditor (IoACC) (NW)
- 

The Chair expressed sadness at the recent death of Councillor Trefor Lloyd Hughes, MBE, a member of the committee, and noted that he would be greatly missed. On behalf of the committee's members he offered deepest condolences to Councillor Hughes's family and friends. The Chair also noted the appointment of Councillor Gwilym O. Jones who was rejoining the committee. Although unable to be present due to prior commitments, Councillor Gwilym O. Jones was welcomed back as member of the committee.

#### 1. APOLOGIES

The apologies for absence were presented and were noted.

#### 2. DECLARATION OF INTEREST

No declaration of interest was received.

#### 3. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meetings of the Governance and Audit Committee held on the following dates were presented and were confirmed as correct:-

- 30 September 2025
- 13 October 2025 (extraordinary)

#### **4. GOVERNANCE AND AUDIT COMMITTEE ACTION LOG**

The report of the Head of Audit and Risk incorporating the committee action log was presented for consideration. The report updated the Committee on the status and progress of the actions and decisions it had agreed upon.

The Head of Audit and Risk confirmed that actions 16, 19, 20, 25, 28, 30, 31 and 32 had been completed. She provided an update on the position with regard to action 30 as recorded in the log.

**It was resolved to note the actions detailed in the action log table and to confirm that the Committee is content that the actions have been implemented to its satisfaction.**

#### **5. COMPLAINTS AND WHISTLEBLOWING 2024/25 INCORPORATING THE PSOW'S ANNUAL LETTER 2024/25**

The report of the Director of Function (Council Business)/Monitoring Officer providing information on service complaints for the period 1 April 2024 to 31 March 2025 was presented for the committee's consideration. The report also included reference to Whistleblowing disclosures and Code of Conduct complaints during the period and incorporated the Public Services Ombudsman for Wales's (PSOW) Annual Letter for 2024/25.

The Director of Function (Council Business)/Monitoring Officer presented an overview of the report and highlighted the key points. Services agreed with the data presented and accepted the analysis. Training for Complaints Officers was delivered with the PSOW during the year and the Council's Complaints Policy was updated to clarify the Stage 1 and Stage 2 process and remove the "concerns" element.

The Highways and Property Service had experienced an increase in complaints with likely underreporting in quarters 1 and 2. While Housing Services had seen a reduction in complaint numbers, a high proportion were upheld and underreporting was again likely in first two quarters. In the Leisure Service, 93% of complaints were upheld, which is attributed to service requests being recorded as stage 1 complaints. The Head of Service has accepted this and staff have received additional training. Planning and Waste services recorded a high level of performance, with no concerns in any service regarding late responses.

Complaints against the Council to the PSOW reduced in 2024/25 and included a significant reduction in issues relating to complaints handling. The PSOW's Annual Letter highlighted the need to notify the PSOW when implementing PSOW recommendations and to do so within the timescale set by the PSOW. Failure to do so in two cases in 2024/25 involving six recommendations resulted in recommendations which were actioned being recorded as non-compliance.

The Head of Highways, Waste and Property reported with regard to the increase in complaints against the Highways and Property Services. He noted that many were business as usual enquiries escalated as complaints when the response was not accepted. Given the operational nature of the service, a high volume of such cases is expected. He advised that staff require further CRM training, as use of the system has led to increased reporting and highlighted the need to distinguish between complaints and business as usual enquiries. He referred to the most common areas of complaint for the service and outlined the mitigating circumstances. He noted that improved CRM use will support timely and consistent logging of complaints, differentiation between complaints and routine enquiries along with more effective monitoring by managers. He confirmed that the issues identified are being

considered at the service's corporate team meetings which oversee complaint trends and response times.

**It was resolved to endorse the recommendations of the report, namely –**

- **To implement as soon as possible –**
  - **The introduction of the Power BI dashboard for Heads of Service and Directors in relation to complaints about their service**
  - **Training for complaints officers, and their deputies on customer care and qualities/diversity**
  - **Update guidance on effective complaint handling**
- **Having considered the Annual Letter from the Public Services Ombudsman for Wales (PSOW) 2024/25, to require that current performance data on service complaints become a standing item in the routine meetings between Heads of Service/Directors and their Executive lead (Portfolio Holder).**
- **To instruct the Monitoring Officer to remind services of the requirement to –**
  - **Action any recommendations from the PSOW, and report completion to the PSOW within the timeframe set**
  - **Routinely record any lessons learnt from complaints, identifying any patterns and implementing suitable mitigation measures.**
- **To instruct the Monitoring Officer to respond to the PSOW's Annual Letter 2024/25, as required in the penultimate paragraph of the said Letter.**

#### **6. INFORMATION GOVERNANCE: ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER (SIRO) 2024/25**

The report of the Director of Function (Council Business)/Monitoring Officer which provided the Senior Information Risk Owner's view of the main Information Governance issues for the period 1 April 2024 to 31 March 2025 and current risks was presented for the committee's consideration.

The Director of Function (Council Business)/Monitoring Officer presented an overview of the report and highlighted the key points. The overall figures for data breaches remains consistently low which may indicate a lack of awareness of what constitutes a data breach resulting in matters that should be reported to the Interim Data Protection Officer being overlooked. Training needs to be refreshed and policies updated.

Although there are areas of good practice, the Council's overall Freedom of Information Act request compliance rates remain low and always below the minimum requirements expected by the Information Commissioner (target 90%). This may be linked to an absence of current publication schemes within services. Regular publication of information can reduce the burden of FOI requests on services by allowing exemptions to be applied for material that is already publicly available.

The level of corporate support for information governance is low compared to that in other local authorities. The Corporate Data Protection Officer role has remained vacant for an extended period despite several recruitment attempts, and it continues to be filled on an interim basis. The current interim officer has reviewed the Council's position and produced a draft work programme. While full delivery of the programme depends on capacity, priority actions have been identified and are reflected in the report's recommendations. An

application for funding for a paralegal post has been submitted to allow the Corporate Data Protection Officer to focus on policy, strategy and training.

The FOIA related CRM project has finished, and a new broader project has commenced which will still allow use of the documentation already created along with several work streams in a more comprehensive information governance system.

In reviewing the report, the committee noted the position with regard to FOIA compliance and the failure over a 10 year period to meet the Information Commissioner's 90% target. Members requested clarification of the process for dealing with FOIA requests within services.

The Director of Function (Council Business)/Monitoring Officer explained that capacity is an issue and is limited because FOIA and data management officers within services also deal with complaints alongside their day to day duties, with only one central corporate officer post supporting all services. Further work with services will help identify barriers and target intervention and training, but each service will need to determine whether it has the resources to support the work.

She further advised the committee that following discussion with the Chief Executive, she wished to offer an amendment to recommendation 2.3 of the report to read "that the quarterly Key Performance Indicators figures are amended so that they include compliance rates of individual services and this data is reported quarterly to the Leadership Team so that the Chief Executive can meet with any services that are under-performing in order to improve statutory compliance."

**Following discussion it was resolved to note the recommendations of the report as follows –**

- **That focused data breach training be delivered to Freedom of Information Act Officers (FOIA Officers) to improve their awareness of what constitutes a data breach, how to report a data breach, and the mitigation measures that need to be taken in the event that a data breach is discovered.**
- **That the Personal Data Security Incidents Policy and supporting Guidance be reviewed and updated before being relaunched internally with FOIA Officers. Such relaunch to be accompanied by specific training on the revised Policy and Guidance.**
- **That the quarterly Key Performance Indicators figures are amended so that they include compliance rates of individual services and this data is reported quarterly to the Leadership Team so that the Chief Executive can meet with any services that are under-performing in order to improve statutory compliance**
- **That services be requested to conduct an assessment of their publication schemes with a view to increasing reliance on s20 and s21 of the FOI (i.e. information which is intended for future publication or information which is already available).**
- **That FOIA training be provided for FOIA Officers to include the appropriate application of exemptions.**

## **7. AMENDMENT TO THE CONSTITUTION:FINAL APPROVAL OF THE COUNCIL'S ANNUAL ACCOUNTS**

The report of the Director of Function (Council Business)/Monitoring Officer which sought the committee's view on the proposed amendment to the Council's Constitution to provide for the final approval of the Council's Annual Accounts by the Governance and Audit Committee in place of the Council was presented for consideration.

The Director of Function (Council Business)/Monitoring Officer presented the report and outlined the rationale for the proposal which was to improve efficiency, to support Audit Wales's intention to bring forward the 2025/26 audit timetable for local government to 30 September 2026; to avoid the need to reschedule the September Full Council meeting or convene an extraordinary meeting if approval was to remain with the Council, and to align the Council's arrangements with those of principal councils in Wales. It was confirmed that no party would be disadvantaged by the proposed change.

Members sought assurance that the committee would receive the final accounts in sufficient time for review if it became the approving body. A query was also raised regarding whether the change would apply to the Annual Governance Statement (AGS).

The Director of Function (Resources)/Section 151 Officer confirmed that the committee would continue to review the draft accounts in July and that removing the Full Council from the final stage will create additional time to present the final accounts to the committee. Assurance was given that the Finance service would endeavour to present the final accounts in a timely manner.

The Director of Function (Council Business)/Monitoring Officer advised that instructions regarding the AGS were received after the report had been drafted and midway in the consultation on the proposed change. As the AGS has a different process and justification, any change to its approval arrangements would require a separate report to Full Council. The Interim Deputy Monitoring Officer will seek instructions on this matter should the Full Council approve the proposed change to the accounts approval process.

Carwyn Rees, Audit Wales Performance Audit Manager noted that approval of the final accounts by the Governance and Audit Committee is now a common practice among councils in Wales. He added that publication of the draft accounts in June provides sufficient time for elected members and members of the public to raise any issues before final approval in September.

**It was resolved to support the proposed amendment to the Council's Constitution to provide for the final approval of the Council's Annual Accounts by the Governance and Audit Committee in place of the Council.**

## **8. INTERNAL AUDIT UPDATE**

The report of the Head of Audit and Risk providing an update as at 21 November, 2025 on the audits completed since the previous update as at 30 September 2025 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 assurance reports finalised in the period in relation to Performance Management (Reasonable Assurance) and Secondary Schools ICT Security (Limited Assurance).

The Head of Audit and Risk presented the report and summarised the two assurance reviews completed in the period, highlighting the issues identified. In relation to the Limited Assurance review, she reported that the Council has launched several initiatives and established a project team to address the risks raised. An action plan has been agreed with management and schools. All actions are scheduled for completion by July 2026 with Internal Audit to conduct a follow-up review in April 2026 and report progress to the committee's July 2026 meeting. Due to the nature of the concerns raised by the audit, the limited assurance report will need to be discussed in private session, subject to the appropriate public interest test. **The committee agreed that the Secondary Schools ICT Security (Limited Assurance) report and action plan be considered in detail at the July**

**2026 meeting following Internal Audit's progress review and requested that the Council's Chief Digital Officer attend.**

The Director of Education, Skills and Young People confirmed that work to implement the audit recommendations is ongoing in partnership between the Learning Service, the ICT service and secondary schools, with several actions already completed. A fuller update will be provided to the committee's July 2026 meeting as agreed.

In the subsequent discussion the committee raised the following matters –

- Members questioned whether the Council's performance management framework could be considered effective and proactive given the audit findings, particularly the limited assurance in relation to data quality at both service and corporate levels, posing risks to the accuracy of reported outcomes.

The Head of Audit and Risk reaffirmed that internal audit views the framework as effective overall and well embedded across the organisation with the main issue being the inconsistency of performance management across services.

The Strategic Performance and Projects Manager added that the audit supports this view stating that the Performance Management team works closely with services on business planning and monitoring. The Corporate Scorecard has been reviewed for 2025/26 to better align with the Council's strategic objectives and is monitored regularly. Accepting that improvements can be made in data management and analysis, he considered the core processes to be thorough and sound.

- Members also asked whether the number of major and moderate issues identified in the Performance Management and Secondary Schools ICT Security audits should be a cause for concern, and whether any of the schools ICT security issues might be critical.

The Head of Audit and Risk explained that one critical issue had initially been identified in the secondary schools ICT review but was de-escalated to major following remedial work. She explained that each audit is assessed independently and that the number of issues raised does not determine the assurance level. She confirmed that given the small number of limited assurance reports issued overall, she had no broader concerns. Where limited assurance reports are issued, internal audit gives them high prominence and ensures they are formally followed up in accordance with internal audit's protocol.

**It was resolved to note the outcome of Internal Audit's engagements, the assurance provided and its priorities going forward.**

**9. REVIEW OF RISK MANAGEMENT FRAMEWORK AND STRATEGIC RISK REGISTER UPDATE**

The report of the Head of Audit and Risk incorporating the Council's Risk Management Policy Statement and Risk Management Guidance updated as of December 2025 was presented for the committee's consideration.

The Head of Audit and Risk outlined the proposed changes to the Council's risk management framework and updated the committee on ongoing work with Zurich Risk Solutions, who have been commissioned to work with the Council on a wholesale review of its approach to managing risk. She highlighted the amendments to the Risk Management Policy Statement and Guidance and confirmed that the updated strategic risk register will be presented to the committee in February, 2026.

**It was resolved to note the work currently being undertaken as part of the wholesale review of the risk management framework and the strategic risk register.**

#### **10. TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2025/26**

The report of the Director of Function (Resources)/Section 151 Officer which set out the Council's performance in relation to the 2025/26 treasury management strategy at the mid-year point was presented for the committee's consideration.

The Director of Function provided an overview of the report which included progress on the capital budget for 2025/26, the Council's borrowing position and forecast to March 2026 and investment income as of 30 September 2025 with the projected position for 2025/26. Table 5 of the report outlined the current forecasted position against the treasury management indicators and limits. It was confirmed that the Council's treasury management performance remains consistent with the Council's low risk, low return investment strategy and a planned approach to borrowing designed to minimise interest charges. A minor technical breach of treasury management practice was noted at paragraph 8 of the report when a call account briefly exceeded the limits set by the treasury management strategy due to interest being credited to the account. The issue was corrected with no loss to the Council.

In response to a question about the likelihood of fully spending the capital budget by year end with 33% of the annual budget spent at the halfway point, the Section 151 Officer advised that forecasts are based on assessments provided by project officers responsible for each scheme. He noted that progress and expenditure can be affected by various factors and confirmed that the Council will seek to ensure sufficient expenditure to meet grant conditions or otherwise request approval to carry funding forward into the next financial year.

**It was resolved to note the contents of the Treasury Management Mid-Year Review report 2025/26 and to forward the report to the Executive without further comment.**

#### **11. EXTERNAL AUDIT MONITORING REPORT**

The report of the Head of Profession (HR) and Transformation which summarised the Council's response to external audit reports and associated recommendations published by regulators was presented for the committee's consideration. The report also provided updates on the work the Council has undertaken since the last monitoring report was presented to the committee in December 2024.

The Strategic Performance and Projects Manager confirmed that the majority of recommendations have been implemented or are on track, with an explanation and progress update provided where a delay has occurred. In response to a previous suggestion that timelines be attached to recommendations, he advised that this would be difficult as many of the recommendations are national and authorities may choose to implement only those that are relevant to local circumstances, some of which may already be in operation within services.

**It was resolved to note the report and to accept the responses and updates as an accurate reflection of the Council's work against the related recommendations.**

#### **12. EXTERNAL AUDIT: NATIONAL FRAUD INITIATIVE 2024/25 – UPDATE FOR ISLE OF ANGLESEY COUNTY COUNCIL**

A briefing note by Audit Wales which provided an update on the latest NFI 2024/25 exercise at national level as of 31 July 2025 was presented for the committee's consideration. The briefing note also included local information about the number of data matches identified for

the Isle of Anglesey County Council with further analysis of these data matches by fraud risk score set out in Appendix 2.

The Head of Audit and Risk presented the report highlighting the main points and noting that Audit Wales encourages those charged with governance to seek further local detail from lead officers. This information was provided to the committee through the NFI Outcomes report 2024/25 presented at the 30 September 2025 meeting which found that the systems of internal control in place particularly around housing tenants/waiting lists, payroll and procurement are robust. A managed, bulk review of Council Tax Single Person Discounts (CTSPD) is planned before the end of 2025/26, using an external provider.

The committee queried the classification of all 5,000 plus CTSPD 5,000 data matches as high risk, given that single occupancy status is dynamic and can change daily. Members also asked about the success rate in recovering discounts claimed fraudulently or in error.

Carwyn Rees Audit Wales Performance Audit Manager explained that CTSPD is considered a high risk area based on historical findings although not all matches indicate an issue.

The Director of Function (Resources)/Section 151 Officer outlined the mechanisms available to the Council to recover ineligible or fraudulent discounts and emphasised that many of the matches will be genuine. He also noted that the report reflects the position at a particular point in time and that the data is reviewed and updated daily. He confirmed that the Council is in the process of engaging a third party to review CTSPDs, although some factors have delayed progress.

In response to a further question by the committee regarding the value of the report in identifying financial loss, Carwyn Rees, Audit Wales stated that its purpose is to raise awareness and prompt further investigation. A national report drawing on all local findings will be issued in autumn 2026.

**It was resolved to note the Audit Wales briefing note and to take assurance that the Council, taking account of the need to prioritise its resources, is seeking to actively embrace opportunities provided by the NFI to use data analytics to strengthen both the prevention and detection of fraud.**

### **13. EXTERNAL AUDIT: STRATEGIC MANAGEMENT OF BALANCES AND RESERVES – ISLE OF ANGLESEY COUNTY COUNCIL**

The report of Audit Wales on the findings of its examination of how well the Council manages its reserves and balances was presented for the committee's consideration.

Carwyn Rees, Audit Wales Performance Audit Manager confirmed that the report was positive concluding that the Council manages its reserves effectively and reviews them regularly. However, the Council would benefit from establishing formal protocols for their use and replenishment as well as criteria to determine when and how reserves should be established. One recommendation is made to strengthen these arrangements. Management has accepted the recommendation and confirms planned actions and a timetable for implementation.

**It was resolved to note the report and to take assurance that the management response form confirms the steps taken by the Council to address the recommendations.**

#### **14. EXTERNAL AUDIT: ARRANGEMENTS FOR COMMISSIONING SERVICES – ISLE OF ANGLESEY COUNTY COUNCIL**

The report of Audit Wales on the findings of its examination of the Council's arrangements for commissioning services was presented for the committee's consideration.

The Strategic Performance and Projects Manager presented the Audit Wales report which concludes that overall, the Council is not able to demonstrate that it routinely secures value for money through its commissioned services. Three services where the Council has taken the decision to commission services externally were reviewed as part of the audit – waste management and street cleaning, young people's homelessness service, and school transport (buses). Those services disagreed with the audit findings stating that processes are in place to review arrangements and monitor contracts regularly to ensure value for money. Although feedback was provided to Audit Wales, the comments were not accepted.

Lora Williams, Audit Wales confirmed that all feedback from local authorities on draft reports is considered by Audit Wales. The review was undertaken at each council in Wales and a summary of national findings will be available in January 2026.

During discussion, the committee's members raised concerns that the audit's evidence base was insufficient to support an overall conclusion on the Council's commissioning arrangements and that the three services selected were not representative of the Council's wider range of contracts. Some members therefore felt unable to accept the findings. Concern was also expressed that the Council's feedback had not been incorporated in the report.

Lora Williams noted that only two local authorities had commented on the size of the sample. She explained that the audit assessed corporate commissioning arrangements; therefore even with a larger sample, if one service followed local service standards rather than corporate ones the overall conclusion would remain that the council does not have corporate commissioning arrangements that are recognised as best practice and ensure value for money. She added that the three services were selected in consultation with the Council and that Audit Wales follows international auditing standards in conducting its audits which require consideration, but not acceptance of the audited body's views.

The committee asked whether any internal audit processes could provide assurance. The Head of Audit and Risk advised that although the 2025/26 internal audit plan does not include a review of commissioning arrangements, such an audit could be considered for the 2026/27 plan if requested.

The Director of Function (Resources)/Section 151 Officer noted that despite disagreement about the sample size, management has considered the report and recommendations, provided a response and is progressing the associated actions. He outlined the current procurement position and confirmed that a procurement strategy has been adopted but a permanent procurement manager is yet to be appointed with the post currently being filled on an interim basis. The vacancy has been advertised, and once in post, the manager will develop a process to evaluate the Council's compliance with procurement legislation with the findings to be reported to the committee for assurance.

While the committee was unable to accept the conclusions of the Audit Wales report, it noted and accepted that the Council will continue to implement the action plan in response to the recommendations.

**It was resolved to note the report, and to note and accept that Management will implement the actions set out in the management response form.**

*(Councillors Euryyn Morris and Margaret M. Roberts abstained from voting)*

## **15. REVIEW OF FORWARD WORK PROGRAMME**

The report of the Head of Audit and Risk incorporating the committee's Forward Work Programme for 2025/26 updated to reflect the most recent changes, was presented for the committee's consideration.

**It was resolved to confirm the Forward Work Programme for 2025/26 as meeting the committee's responsibilities in accordance with its terms of reference.**

**Mr Dilwyn Evans  
(Chair)**

DRAFT

ISLE OF ANGLESEY COUNTY COUNCIL	
<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	3 February 2026
<b>Subject:</b>	Governance and Audit Committee Action Log
<b>Head of Service:</b>	Marc Jones Director of Function (Resources) and Section 151 Officer <a href="mailto:MarcJones@anglesey.gov.wales">MarcJones@anglesey.gov.wales</a>
<b>Report Author:</b>	Marion Pryor Head of Audit and Risk <a href="mailto:MarionPryor@anglesey.gov.wales">MarionPryor@anglesey.gov.wales</a>
<b>Nature and Reason for Reporting:</b> This report informs the members of the Governance and Audit Committee about the status of the actions / decisions it has agreed upon.	

## 1. Introduction

- 1.1. This action log is updated prior to each meeting to enable the committee to monitor the progress and completion of the actions/decisions it has agreed upon.

## 2. Recommendation

- 2.1. That the Governance and Audit Committee notes the actions detailed in the following table and is content that the actions have been implemented to its satisfaction.

## Governance and Audit Committee Action Log

No.	Date of Meeting	Agenda Item	Action	Action Owner	Action Taken	Status
10	<a href="#">27/06/24</a>	9	Monitoring the number of people in economic inactivity be included as part of the Council's population trends dataset.	Strategic Performance and Projects Manager	The Council has completed a socio – economic analysis of the island's population, this includes economic inactivity, a report for the north Anglesey region was presented to the <a href="#">Executive in July 2024</a> .  A report for the whole island is also in progress and will be published shortly.	Complete.
	<a href="#">05/12/24</a>	3			UPDATE: At its meeting of the 5 December 2024 (Item 3), the Strategic Performance and Projects Manager agreed to provide the committee with a link to access the Quod Anglesey socio-economic analysis and impact report when published.	
	<a href="#">08/05/25</a>	3			UPDATE: At its meeting of 8 May 2025, Head of Audit and Risk provided an update from the Strategic Performance and Projects Manager that the Quod Anglesey socio-economic analysis and impact report has been completed but has yet to be published.	
	<a href="#">26/06/25</a>	4			UPDATE: Leadership Team is considering how to communicate and share the report.	
	n/a	n/a			The Head of Audit and Risk circulated the Quod summary report on behalf of the Strategic Performance and Projects Manager on 26/01/26.	

No.	Date of Meeting	Agenda Item	Action	Action Owner	Action Taken	Status
20	<a href="#">05/12/24</a>	11	For future external audit and regulator monitoring reports, updates on the progress of responses to recommendations be accompanied by a timescale for the completion of the work.	Strategic Performance and Projects Manager	The external audit and regulator monitoring report now includes an indication of the progress against the target completion date.	Complete.
24	<a href="#">08/05/25</a>	9	The Director of Function (Resources)/Section 151 Officer to raise the issue of policy guidance on AI usage within the council with the Leadership Team.	Director of Function (Resources) / Section 151 Officer	A policy has been drafted, and recently updated following comments made by the Data Protection Officer. Leadership Team will consider and adopt when they can allocate a slot.	In progress.
	<a href="#">26/06/25</a>	4			UPDATE: Leadership Team considered the draft policy at its meeting of 17/06/25 and have asked for it to be further reviewed.	
26	<a href="#">16/07/25</a>	5	The committee to be provided with an update on progress against the governance matters identified through the 2024/25 assessment process at its December 2025 meeting.	Strategic Performance and Projects Manager	The Strategic Performance and Projects Manager has requested postponement until the committee's February 2026 meeting. Item included on the agenda on 03/02/26.	Complete.

No.	Date of Meeting	Agenda Item	Action	Action Owner	Action Taken	Status
27	<a href="#">16/07/25</a>	5	The committee's members to be provided with an analysis of the staff attrition rate, including a breakdown of internal movements as opposed to external exits.	Strategic Performance and Projects Manager	<p>The Strategic Performance and Projects Manager has explored this with colleagues in HR. Unfortunately, the HR system does not allow movement of staff between services to be easily tracked. Officers are looking into this and hope to provide an update by next meeting.</p> <p>UPDATE 04/12/25:</p> <ul style="list-style-type: none"> <li>• 490 posts filled</li> <li>• 195 appointed internally, which equates 40% internal / 60% external</li> <li>• Of the 195 internal, 15 moved from one service to another, which equals 8% internal turnover / 92% appointed within the same service.</li> </ul>	Complete.
29	30/09/25	5	The Chief Public Protection Officer to bring the completed three-year Corporate Health and Safety strategic plan, incorporating SMART actions, to a future meeting of the committee.	Chief Public Protection Officer		

No.	Date of Meeting	Agenda Item	Action	Action Owner	Action Taken	Status
33	04/12/25	8	The committee agreed that the Secondary Schools ICT Security (Limited Assurance) report and action plan be considered in detail at the July 2026 meeting following Internal Audit's progress review and requested that the Council's Chief Digital Officer attend.	Head of Audit and Risk / Chief Digital Officer		

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## Isle of Anglesey County Council

Report to:	Governance and Audit Committee Executive Council
Dates:	3 February 2026 24 February 2026 5 March 2026
Subject:	Amendment to the Constitution – Final Approval of the Council's Annual Governance Statement
Portfolio holder(s):	
Head of service / director:	Lynn Ball, Director of Function (Council Business)/Monitoring Officer
Report author:	Lisa Lord, Interim Legal Services Manager and Deputy Monitoring Officer
Local members:	All

### A – Recommendation(s) and reasons

#### **Recommendations**

##### **Executive**

For the Executive to express a view on the proposed amendment to the Constitution to provide for the final approval of the Council's Annual Governance Statement by the Governance and Audit Committee, in place of the Council.

##### **Governance and Audit Committee**

For the Committee to express a view on the proposed amendment to the Constitution to provide for the final approval of the Council's Annual Governance Statement by the Governance and Audit Committee, in place of the Council.

##### **Council**

For Council to approve the proposed amendment to the Constitution to provide for the final approval of the Council's Annual Governance Statement by the Governance and Audit Committee, in place of the Council.

#### **Reasons**

- The main stages of the preparation and approval process for the Council's Annual Governance Statement are currently as follows:
  1. Internal process (preparation and review)

- A multi disciplinary Governance Group has been reintroduced to support the production of the Annual Governance Statement to be reviewed May.
- Draft submission to Leadership Team May/June.
- Draft published online end June. At this stage details will be sent to all councillors and comments will be invited.

2. Review by Governance and Audit Committee July.

3. Approval, currently by full Council (in sufficient time for publication by no later than 30 September 2026)

- The Annual Governance Statement forms part of the Council's Annual Accounts to meet the requirement to publish a Statement on Internal Control. Council recently approved a change to the Constitution, to delegate approval of the Council's Annual Accounts to Governance and Audit Committee.
- This change was introduced in line with Audit Wales' Annual Plan reflecting the clear goal to bring forward the audit timetable for local government. The authorisation date for 2025/26, is 30/09/2026, which is a month earlier than 2024/25.
- Welsh Government recommends the Statement on Internal Control (which, for this Council is the Annual Governance Statement) is published at the time the unaudited annual accounts are signed and dated by the responsible financial officer.
- This compresses the time available to respond to any matters raised by the Governance and Audit Committee, and to produce an amended, accurate and bilingual version at a time when there are also pressures on production of the Council's Annual Accounts.
- If approval remains with full Council, the 09/2026 meeting will need to be moved or an extraordinary meeting of full Council will be required.
- Delegating authority to the Governance and Audit Committee is a more efficient approval process and keeps the Annual Governance Statement on the same approvals timeline as the Council's Annual Accounts. There is no disadvantage to any councillor, nor to the public, as the reports will still be available in the usual way and at the stage when the draft Annual Governance Statement is published (planned to be end June), a copy will be sent to all councillors inviting comment.
- Against this background, the amendment sought is to paragraph 3.4.8.4.2 – *"The Committee will review and approve the Annual Governance Statement (AGS) prior to full council approval and consider taking into account whether it properly reflects the risk environment and supporting assurances, including the Head of Audit and Risk's annual opinion. ~~It will consider~~ The Committee will determine whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives."*
- Under paragraph 2.15.2.1 of the Constitution "...changes to the Constitution will only be approved by the full Council after consideration of the proposal by the Executive".

- A report will also be taken to the Governance and Audit Committee, on 3 February 2026, in order to seek the view of that committee on the change proposed.

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

Approval remaining with full Council. This was rejected as the status quo is having a negative impact on the efficiency of the process while the proposed change does not disadvantage any party.

C – Why is this a decision for the Executive?

This is not an Executive decision, and the decision will be made by full Council. However under paragraph 2.15.2.1 of the Constitution there is a requirement to provide the Executive with an opportunity to comment on any proposed changes to the Constitution.

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

Changes to the Constitution (not falling within 3.5.3.6.6 and 3.4.12.6.3) require approval of full Council

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

There are no budgetary impacts

Dd – Assessment of potential impacts (if relevant)

1. How does this decision affect our long-term needs as an island?

The proposed change supports efficient decision making in relation to documentation required as part of the Council's statutory accounts.

2. Is this a decision that is anticipated to prevent future costs/dependencies on the Council? If so, how?

Not to any significant extent but will obviate the need for an extraordinary meeting of the Council.

3. Have we collaborated with other organisations to come to this decision? If so, with whom?

CIPFA

4. Have the citizens of Anglesey played a part in drafting this way forward, including those directly affected by the decision? Explain how.

No

5. Note any potential impact this decision would have on the protected groups under the Equality Act 2010.

No impact

6. If this is a strategic decision, note any potential impacts the decision would have on those experiencing socio-economic disadvantage.

No impact

7. Please note any potential effects that this decision would have on opportunities for people to use Welsh and not treat the language less favourably than English.

No impact

**E – Who did you consult with and what were their comments?**

1. Chief Executive / Leadership Team (mandatory)	Leadership Team are supportive of the proposal (20 January 2026)
2. Finance / 151 Officer	Supportive of the proposal which would bring the approval process in line with the Annual Statement of Accounts approval process
3. Legal / Monitoring Officer (mandatory)	No objection to the recommendation
4. HR	N/A
5. Property	N/A
6. IT	N/A
7. Procurement	N/A
8. Scrutiny	N/A
9. Local members	Consultation with the Governance and Audit Committee will take place on 3 February 2026

**F – Appendices**

**Ff – Background papers (contact the report author for more information)**

CIPFA, Delivering good governance in local government: framework addendum (May 2025)  
[Delivering Good Governance in Local Government Addendum](#)  
[Annual Governance Statement](#)

<b>1. ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	3 February 2026
<b>Subject:</b>	Information Governance in Schools 2024-25
<b>Head of Service:</b>	Aaron Evans Director of Education, Skills and Young People aaronevans@ynysmon.llyw.cymru
<b>Report Author:</b>	Caryl Lewis Temporary Schools Data Protection Officer post@celyn.cymru
<b>Nature and Reason for Reporting:</b> The Governance and Audit Committee’s terms of reference has an explicit requirement for the committee to consider the council’s assurance framework and ensure that it adequately addresses the risks and priorities of the Council (3.4.8.7.1). The committee will ensure there is clarity of what assurance is provided, that there is a clear allocation of responsibility for providing assurance and duplication is avoided (3.4.8.7.2). To this end, the committee will receive annual assurance reports, including a report regarding Information Governance in Schools (3.4.8.7.3).	

## 1. Introduction

1.1 This report provides the Governance and Audit Committee with annual assurance on the effectiveness of information governance and data protection in maintained schools. It offers a proportionate, risk-based update, highlights key issues and controls, and informs the Council’s SIRO Annual Report

## 2. Recommendation

2.1 That the Governance and Audit Committee notes the assurance provided by the Temporary Schools Data Protection Officer.

## **1. Purpose of the Report**

This report provides the Governance and Audit Committee with an annual assurance statement on the effectiveness of information governance and data protection arrangements across maintained schools.

The report is intended to:

- provide a proportionate, risk-based assurance update,
- highlight key issues and controls, and
- inform the Council's Senior Information Risk Owner (SIRO) Annual Report.

## **2. Context and Temporary DPO Arrangements**

During the reporting period, the Schools Data Protection Officer role has been covered on a temporary basis, on average one day per week (more when required), during the long-term absence of the substantive postholder.

The focus of the Temporary Schools DPO role has been to:

- maintain statutory compliance,
- manage live risks and incidents,
- provide continuity of advice and support to schools, and
- act as a central escalation and assurance point.

Given the limited capacity, work has been risk-prioritised, with emphasis on statutory duties, incidents, and high-risk issues rather than proactive audit or development activity.

## **3. Scope of Assurance**

This report covers:

- maintained primary, secondary and special schools receiving Schools DPO support,
- compliance with the UK GDPR and Data Protection Act 2018,
- information rights handling, incident management and risk escalation, and
- the effectiveness of controls operating at school level.

## **4. Overall Assurance Opinion**

### **Assurance Level: Reasonable Assurance**

Based on work undertaken during the reporting period, the Temporary Schools DPO provides Reasonable Assurance that:

- schools generally have appropriate data protection policies and procedures in place,
- day-to-day information handling practices are largely sound,

- reported incidents, breaches and information rights requests are being identified and managed appropriately, and
- escalation routes to corporate services and the SIRO are operating effectively.

However, further improvement is required to strengthen assurance in relation to:

- consistency of refresher training and training records,
- schools' ability to evidence ongoing compliance and self-monitoring, and
- completion and maintenance of formal documentation such as Records of Processing Activities (ROPA) and Data Protection Impact Assessments (DPIAs).

## **5. Key Activities and Outputs**

Despite limited DPO capacity, the following core activities were maintained to support compliance and risk management:

### **Advice, guidance and point of contact**

- The Temporary Schools DPO responded to day-to-day enquiries from schools relating to:
  - Subject Access Requests (SARs) and education records requests,
  - general data protection and information governance queries,
  - reported data breaches and potential data breaches.
- Support focused on lawful processing, appropriate redaction, statutory timescales and proportionate risk management.

### **Incident and risk management**

- Schools were supported to assess, contain and manage data breaches and near-miss incidents.
- Advice was provided on ICO reporting thresholds and remedial actions, with escalation where required.

### **Training and awareness**

- A data protection training session was delivered during a scheduled school training day, reinforcing staff responsibilities and common risk areas.
- Schools were reminded of the importance of refresher training and maintaining records of attendance for accountability purposes.

### **Communication and reminders**

- Regular input was provided into the weekly schools bulletin to:
  - remind schools of their statutory data protection responsibilities,
  - highlight recurring issues arising from incidents and enquiries, and
  - promote good information governance practice.

These activities helped ensure continuity of compliance and encouraged early engagement with the DPO function during the absence of the substantive postholder.

## 6. Key Risks Identified

The following strategic risks are highlighted for the Committee’s awareness:

<b>Risk</b>	<b>Summary</b>
<b>Training coverage</b>	Refresher training is inconsistent and not always formally evidenced across schools.
<b>Evidence of compliance</b>	Some schools lack clear documentation to demonstrate regular monitoring and compliance activity.
<b>Documentation maturity</b>	ROPA, DPIAs and asset registers are at varying stages of completion and review.
<b>Capacity constraints</b>	Limited temporary DPO capacity restricts proactive audit and development activity.

These risks are recognised and are being managed proportionately, with escalation where appropriate.

## 7. Control Environment and Mitigations

Key controls currently in place include:

- a centralised DPO advice and escalation route,
- established policies, templates and guidance for schools,
- training materials and awareness activity,
- prioritisation of live risks, incidents and statutory obligations.

Together, these controls support continued compliance but would benefit from further strengthening.

## 8. Forward and Priorities

The following priorities are recommended for the next reporting period:

- a) Stabilisation of Schools DPO capacity to support proactive assurance activity.
- b) Improved training oversight, including refresher coverage and training records.
- c) Stronger evidence of compliance through proportionate self-assessment or targeted audit.
- d) Continued readiness for legislative change in data protection.

## 9. Conclusion

Within the constraints of a temporary and limited arrangement, the schools DPO function has:

- maintained statutory compliance,

- supported schools effectively with live risks and incidents, and
- provided reasonable assurance on information governance arrangements.

The issues identified are consistent with previous reporting and are manageable with sustained focus and appropriate resourcing.

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>REPORT TO:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>3 FEBRUARY 2026</b>
<b>SUBJECT:</b>	<b>TREASURY MANAGEMENT STRATEGY STATEMENT 2026/27</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>CLLR ROBIN WILLIAMS – DEPUTY LEADER &amp; PORTFOLIO HOLDER – FINANCE &amp; CORPORATE BUSINESS AND CUSTOMER EXPERIENCE</b>
<b>LEAD OFFICER(S):</b>	<b>R MARC JONES, DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER</b>
<b>CONTACT OFFICER(S):</b> Email	<b>CLAIRE KLIMASZEWSKI</b> ClaireKlimaszewski@ynysmon.llyw.cymru
<p><b>Nature and reason for reporting</b></p> <p>To comply with regulations issued under the Local Government Act 2003, CIPFA's Prudential and Treasury Management Codes, the Council is required to produce and publish an annual Treasury Management Strategy Statement (TMSS) before the start of each financial year.</p> <p>The TMSS 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 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.</p> <p>Under the Terms of Reference of the Governance and Audit Committee, the Committee has been nominated by the full Council to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. The TMSS will then be considered by the Executive, prior to its approval by the full Council in March 2026.</p> <p>The Governance &amp; Audit Committee is requested to:-</p> <ol style="list-style-type: none"> <li>1. Review the draft TMSS for 2026/27.</li> <li>2. To forward any comments in respect of the report to the Executive meeting on 24 February 2026, where the report will be discussed.</li> </ol>	

## TREASURY MANAGEMENT STRATEGY STATEMENT

### ANNUAL INVESTMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND TREASURY MANAGEMENT POLICY STATEMENT 2026/27

#### 1. INTRODUCTION

- 1.1 The Treasury Management Strategy Statement (TMSS) 2026/27 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 Codes, 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 2026/30 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 (BoE) base rate forecasts, inflation and PWLB rates provided by MUFG Corporate Markets:-

**Table 1 – Forecast Bank Base Rate, Inflation and PWLB Rates  
March 2026 to December 2027**

	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
	2026	2026	2026	2026	2027	2027	2027	2027
Bank Rate (%)	3.75%	3.50%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%
Inflation (BoE – Feb 2026)	3.10%	3.00%	2.70%	2.50%	2.20%	2.00%	2.00%	2.00%
5yr PWLB rate (%)	4.60%	4.50%	4.30%	4.20%	4.10%	4.10%	4.10%	4.10%
10yr PWLB rate (%)	5.20%	5.00%	4.90%	4.80%	4.80%	4.70%	4.70%	4.70%
25yr PWLB rate (%)	5.80%	5.70%	5.60%	5.50%	5.50%	5.40%	5.30%	5.30%
50yr PWLB rate (%)	5.60%	5.50%	5.40%	5.30%	5.30%	5.20%	5.10%	5.10%

**4.2** The BoE’s target inflation, set by the Government, is 2%. During 2025, Consumer Price Index (CPI) rose from its lowest point of 2.7% in September 2024, reaching a peak of 3.8% in September 2025, before falling back to 3.2% in November 2025. The fall in inflation is expected to continue to fall during 2026, reaching the BoE’s target level of 2% by late 2026.

**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 BoE 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%. The rate of 5.25% remained unchanged until 1 August 2024, when the base rate was reduced for the first time since 2020, to 5%, which was also the rate at 30 September 2024. The base rate has since reduced to 3.75%, with further cuts expected during 2026.

**4.4** The Council benefits from a higher base rate for investment of surplus cash, and is forecast to generate around £900k in investment income in 2025/26. However, loans to the Council are more expensive, and the Council has followed a strategy of delaying external borrowing for as long as possible and using Council balances to fund capital expenditure (internal borrowing). However, as the Council has used its reserves to balance the revenue budget and to fund capital expenditure on the Housing Revenue Account (HRA), the level of surplus cash is now reaching a point where internal borrowing can no longer be maintained, and borrowing will need to be externalised.

## 5. THE COUNCIL'S CURRENT BORROWING POSITION

- 5.1 The current position in respect of Public Works Loans Board (PWLB) loans is shown in Table 2 below:-

**Table 2  
PWLB Loans Outstanding**

	<b>Maturity Loans</b>	<b>EIP / Annuity Loans</b>	<b>Total</b>
Balance as at 1 April 2025	£117.546m	£0.144m	£117.690m
Balance as at 31 December 2025	£117.546m	£0.128m	£117.674m
Estimated Loan Balance at 31 March 2026	£117.546m	£0.118m	£117.664m
Average Time to Repayment as at 31 March 2026	18.2 years	4.4 years	14.4 years
Average Interest Rate	5.1%	9.4%	6.3%

- 5.3 Borrowing Salix – Salix is a Welsh Government (WG) 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 Council had £4.393m of interest free loans outstanding with Salix at 31 December 2024. 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.

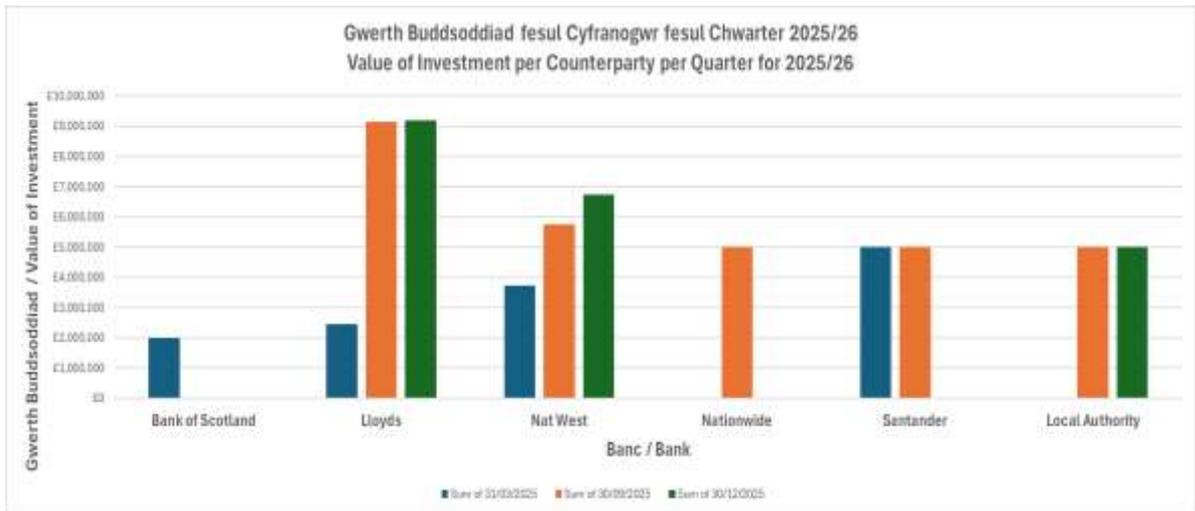
**Table 3 – Salix Loans Outstanding**

	<b>Salix Loans</b>
Balance as at 1 April 2025	£4.393m
Balance as at 31 December 2025	£4.037m
Estimated Loan Balance at 31 March 2026	£3.702m
Average Time to Repayment as at 31 March 2026	4.6 years
Average Interest Rate	0.00%

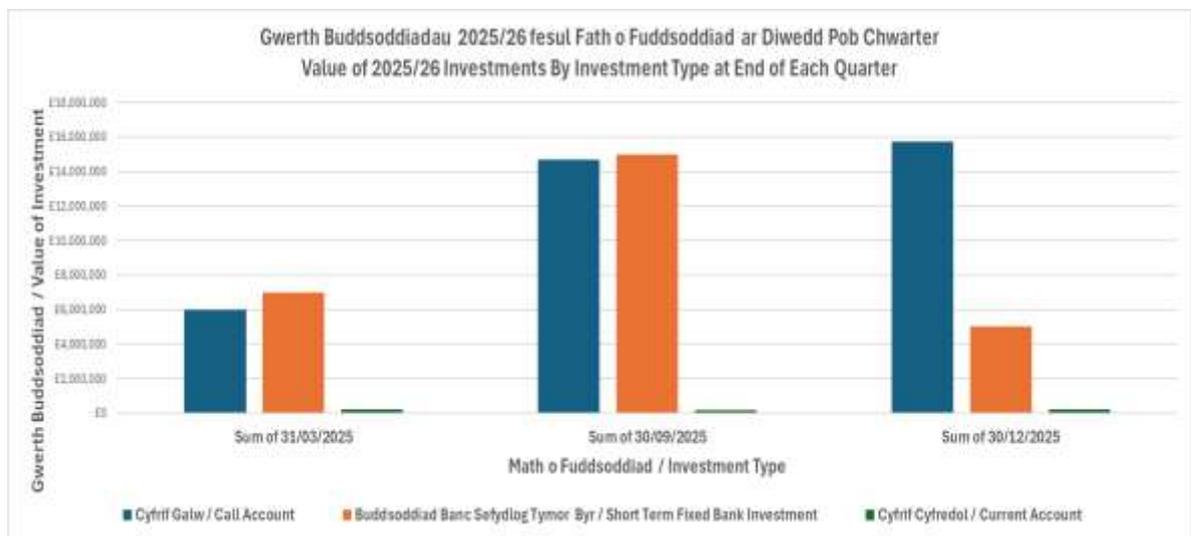
## 6. THE COUNCIL'S INVESTMENT BALANCES AS AT 31 DECEMBER 2025

- 6.1 The total balance of investments at 31 December 2025 was £20.993m, as shown in Chart 1 and 2 below. The yield from these investments from 1 April 2025 to 31 December 2025 was £0.770m, with the total interest receivable on the below listed investments expected to be £0.893m for 2025/26. The interest receivable will be shared on the appropriate basis between the Council Fund, the HRA, schools and external bodies the Council holds funds for, including the Trusts.

**Chart 1 – Investments by Counterparty**



**Chart 2 – Investment by Type**



**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 2025/26 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:-

**Base case** – this is based on the funding that is currently secured and requires little or no unsupported borrowing, apart from that required for committed schemes.

**Ambitious** – this is a sum based on the base case plus an element of unsupported borrowing, which is considered reasonable and affordable, and allows existing assets to be maintained to an acceptable level to guarantee ongoing future use and to allow the Council’s Plan to be implemented.

**Ideal** - this the sum required to upgrade the Council’s assets to the highest standard and allows all elements of the Council Plan to be implemented. This requires a substantial increase in borrowing, which may not be affordable to the Council.

**7.2** Tables 4a – 4ch, below, shows estimated expenditure and funding for the period 2024/25 to 2029/30 for the 3 scenarios:-

**Table 4a – Actual Capital Expenditure and Funding 2024/25 & Estimated 2025/26**

	Actual 2024/25 £'m	Estimated 2025/26 £'m
Council Fund - excluding Investment Properties	37.258	24.171
HRA	27.468	22.056
Investment Properties	0.000	8.940
<b>Total Expenditure</b>	<b>64.726</b>	<b>55.167</b>
Capital Grants	45.883	34.692
Capital Receipts	1.173	0.497
Reserves & Revenue Contributions	10.817	13.876
Supported Borrowing	4.243	3.797
Unsupported Borrowing	2.491	1.445
Salix Loans	0.119	0.860
<b>Total funding</b>	<b>64.726</b>	<b>55.167</b>

**Table 4b Base Case Expenditure and Funding 2026/27 to 2030/31**

	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	2030/31 £'m
Council Fund - excluding Investment Properties	14.122	8.845	7.965	7.920	6.547
HRA	41.555	30.337	10.259	9.328	9.792
Investment Properties	10.652	2.000	0.000	0.000	0.000
<b>Total Expenditure</b>	<b>66.329</b>	<b>41.182</b>	<b>18.224</b>	<b>17.248</b>	<b>16.339</b>
Capital Grants	34.839	14.847	5.481	5.481	5.481
Capital Receipts	0.000	0.000	0.000	0.000	0.000
Reserves & Revenue Contributions	15.268	10.121	9.588	9.416	8.404
Supported Borrowing	3.603	2.151	2.151	2.151	2.151
Unsupported Borrowing	12.619	14.063	1.004	0.200	0.303
Salix Loans	0.000	0.000	0.000	0.000	0.000
<b>Total funding</b>	<b>66.329</b>	<b>41.182</b>	<b>18.224</b>	<b>17.248</b>	<b>16.339</b>

**Table 4c – Ambitious Case Expenditure and Funding 2026/27 to 2030/31**

	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	2030/31 £'m
Council Fund - excluding Investment Properties	16.689	16.351	52.016	55.102	41.431
HRA	45.950	35.819	27.569	26.893	23.294
Investment Properties	10.652	2.200	0.200	0.200	0.200
<b>Total Expenditure</b>	<b>73.291</b>	<b>54.370</b>	<b>79.785</b>	<b>82.195</b>	<b>64.925</b>
Capital Grants	34.865	18.178	22.413	20.271	16.239
Capital Receipts	0.000	0.200	0.200	0.200	0.200
Reserves & Revenue Contributions	14.107	8.929	34.696	34.404	31.222
Supported Borrowing	3.603	3.372	4.764	4.329	4.329
Unsupported Borrowing	20.716	23.691	17.712	22.992	12.936
Salix Loans	0.000	0.000	0.000	0.000	0.000
<b>Total funding</b>	<b>73.291</b>	<b>54.370</b>	<b>79.785</b>	<b>82.195</b>	<b>64.925</b>

**Table 4ch – Ideal Case Expenditure and Funding 2026/27 to 2030/31**

	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	2030/31 £'m
Council Fund - excluding Investment Properties	22.357	34.470	62.904	77.873	44.776
HRA	45.369	40.040	28.173	27.363	23.647
Investment Properties	10.882	2.330	2.330	2.330	2.330
<b>Total Expenditure</b>	<b>78.608</b>	<b>76.840</b>	<b>93.407</b>	<b>107.567</b>	<b>70.753</b>
Capital Grants	38.665	31.490	28.507	35.878	16.189
Capital Receipts	0.000	0.200	0.200	0.200	0.200
Reserves & Revenue Contributions	14.015	9.406	34.704	34.985	30.890
Supported Borrowing	3.603	3.372	4.764	4.329	4.329
Unsupported Borrowing	22.325	32.372	25.232	32.176	19.145
Salix Loans	0.000	0.000	0.000	0.000	0.000
<b>Total funding</b>	<b>78.608</b>	<b>76.840</b>	<b>93.407</b>	<b>107.567</b>	<b>70.753</b>

**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. Table 5, below, shows the CFR for both the Council Fund and the HRA under the 3 scenarios:-

**Table 5 – Capital Financing Requirement**

Base Case	Actual 2024/25 £'m	Estimated 2025/26 £'m	Estimated 2026/27 £'m	Estimated 2027/28 £'m	Estimated 2028/29 £'m	Estimated 2029/30 £'m	Estimated 2030/31 £'m
CFR - Council Fund	114.391	119.486	125.567	127.905	128.727	128.613	129.573
CFR - HRA	37.998	36.895	35.744	47.116	59.834	59.332	57.863
<b>Total CFR</b>	<b>152.389</b>	<b>156.381</b>	<b>161.311</b>	<b>175.021</b>	<b>188.561</b>	<b>187.945</b>	<b>187.436</b>
<b>Net movement in CFR</b>		<b>+ 5.992</b>	<b>+ 4.930</b>	<b>+ 13.710</b>	<b>+ 13.540</b>	<b>-0.616</b>	<b>-0.509</b>
Ambitious Case	Actual 2024/25 £'m	Estimated 2025/26 £'m	Estimated 2026/27 £'m	Estimated 2027/28 £'m	Estimated 2028/29 £'m	Estimated 2029/30 £'m	Estimated 2030/31 £'m
CFR - Council Fund	114.391	119.486	125.567	130.114	134.741	142.620	155.016
CFR - HRA	37.998	36.895	35.744	52.784	72.145	82.313	93.340
<b>Total CFR</b>	<b>152.389</b>	<b>156.381</b>	<b>161.311</b>	<b>182.898</b>	<b>206.886</b>	<b>224.934</b>	<b>248.356</b>
<b>Net movement in CFR</b>		<b>+ 5.992</b>	<b>+ 4.930</b>	<b>+ 21.587</b>	<b>+ 23.988</b>	<b>+18.048</b>	<b>+23.422</b>
Ideal Case	Actual 2024/25 £'000	Estimated 2025/26 £'000	Estimated 2026/27 £'000	Estimated 2027/28 £'000	Estimated 2028/29 £'000	Estimated 2029/30 £'000	Estimated 2030/31 £'000
CFR - Council Fund	114.391	119.486	125.567	132.033	142.649	157.143	177.766
CFR - HRA	37.998	36.895	35.744	52.441	74.331	85.096	96.583
<b>Total CFR</b>	<b>152.389</b>	<b>156.381</b>	<b>161.311</b>	<b>184.473</b>	<b>216.980</b>	<b>242.239</b>	<b>274.349</b>
<b>Net movement in CFR</b>		<b>+ 5.992</b>	<b>+ 4.930</b>	<b>+23.162</b>	<b>+32.507</b>	<b>+25.259</b>	<b>+32.110</b>

7.4 The 3 scenarios detailed above will increase the Council's borrowing with a level of internal borrowing continuing, but the majority of the additional borrowing will be externalised, through the PWLB. The estimated borrowing requirement is shown in Table 6, below:-

**Table 6**  
**External Borrowing 2024/25 to 2030/31**

	Base Case £'m	Ambitious Case £'m	Ideal Case £'m
2024/25 Actual	122.082	122.082	122.082
2025/26 Estimated	131.710	131.710	131.710
2026/27 Estimated	134.235	134.235	134.235
2027/28 Estimated	149.075	157.173	158.781
2028/29 Estimated	163.125	182.070	192.360
2029/30 Estimated	166.003	204.268	222.078
2030/31 Estimated	166.785	230.019	257.013

7.5 Additional borrowing results in additional expenditure charged to the revenue account in the form of additional Minimum Revenue Provision (MRP) charges and additional interest cost. It is, therefore, important to assess the impact of additional borrowing on the revenue account to ensure that the revenue costs remain affordable. The best measure of affordability is to express the capital financing costs as a percentage of the net revenue budget. These are shown in Tables 7a and 7b, below:-

**Table 7a**  
**Revenue Implications of Capital Expenditure and Borrowing – General Fund**

	Net Revenue Expenditure (NRE) £'m	Base Case		Ambitious Case		Ideal Case	
		Estimated MRP & Interest £'m	MRP & Interest to NRE %	Estimated MRP & Interest £'m	MRP & Interest to NRE %	Estimated MRP & Interest £'m	MRP & Interest to NRE %
2026/27	207.02	6.55	3.17	6.55	3.17	6.55	3.17
2027/28	212.20	6.74	3.18	6.90	3.25	7.04	3.32
2028/29	216.44	6.89	3.18	7.30	3.37	7.85	3.63
2029/30	220.77	6.95	3.15	7.87	3.56	8.87	4.02
2030/31	225.19	7.09	3.15	8.69	3.86	10.23	4.54

**Table 7b**  
**Revenue Implications of Capital Expenditure and Borrowing – HRA**

	Net Rental Income (NRI) £'m	Base Case		Ambitious Case		Ideal Case	
		Estimated MRP & Interest £'m	MRP & Interest to NRI %	Estimated MRP & Interest £'m	MRP & Interest to NRI %	Estimated MRP & Interest £'m	MRP & Interest to NRI %
2026/27	24.06	2.38	9.88	2.38	9.88	2.38	9.88
2027/28	25.22	3.10	12.28	3.58	14.17	3.55	14.04
2028/29	26.75	3.85	14.40	4.78	17.68	4.88	18.00
2029/30	27.31	3.94	14.42	5.49	19.70	5.63	20.12
2030/31	28.41	3.99	14.03	6.23	21.28	6.38	21.74

## 8. BORROWING STRATEGY

8.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the CFR) 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 2026/27 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and will 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.
- MUFG'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 externalised 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 2026/27, 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.

**8.2.4** Additionally, the cash flow implications of internalising borrowing require regular review and will limit the potential extent of internalising borrowing. The level of the Council's reserves have fallen during 2025/26, as general fund reserves and school balances have been used to fund revenue budgets, and the HRA reserve has been used to fund capital expenditure. The scope to continue to maintain a high level of internalised borrowing is reducing and is likely to reduce in future years.

## **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 CFR 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 WG 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;
- Corporate Bonds;
- 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. The Council aims 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.

9.2 Table 8, below, shows the present value of the future loan repayments discounted at the value of future long term interest rates of 3%:-

**Table 8 – Maturity Profile of PWLB Loans, 31 December 2025**

Number of Years until Loan Matures	Principal £'m	Present Value of Principal £'m	Cumulative %
<1	0.00	0.00	0.00
1 to 3	4.01	3.81	3.29
4 to 6	5.41	4.66	7.74
7 to 10	4.67	3.60	11.58
11 to 14	6.41	4.30	16.84
15 to 22	17.99	10.37	31.62
23 to 33	50.25	21.69	72.91
34 to 50	32.96	9.86	100.00
<b>TOTAL</b>	<b>121.71</b>	<b>58.29</b>	

## 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 Council aims to have an agile investment strategy 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. 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 MUFG.
- 10.3.3** The MUFG 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 MUFG 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 counterparties in other countries. For example, in the event of UK banks losing their creditworthiness and failing the specific Council's counterparties 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 Human Resources 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 MUFG Corporate Markets (formerly called Link Group) 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 2025, with an option to extend for a further two years.
- 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 policies, estimates and actuals:-
- 1.** Treasury Management Strategy Statement - 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).
  - 2.** Capital Strategy – this sets out the planned strategy for capital investment for the forthcoming 5 years and highlights the planned outputs, the planned expenditure and how the expenditure is to be funded.

3. Quarter 1 and 3 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. These reports are accepted by the Portfolio Holder for Finance under delegated authority from the Executive.
4. A mid-year treasury management monitoring report – this is similar to the two quarterly reports but is considered by the Governance & Audit Committee and the Executive, prior to being accepted by the full Council.
5. 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. This report is also considered by the Governance & Audit Committee and the Executive, prior to being accepted by the full Council

## **15. CONCLUSION**

- 15.1 In summary, the Treasury Management Strategy Statement for 2026/27 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, the continued use of reserves to contribute to fund the revenue budget and the use of the HRA 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.

## The CIPFA Treasury Management in the Public Services: Code of Practice – provided by MUFG Corporate Markets (formerly Link Group)

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 they are 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.

## Economics and Interest Rate update -produced by MUFG Corporate Markets (formerly Link Group)

### 1. Economics update

- The third quarter of 2025/26 saw:-
  - A -0.1% m/m change in real Gross Domestic Produce (GDP) in October, leaving the economy no bigger than at the start of April.
  - The 3myr rate of average earnings growth excluding bonuses fall to 4.6% in October, having been as high as 5.5% earlier in the financial year.
  - Consumer Price Index (CPI) inflation fall sharply from 3.6% to 3.2% in November, with core CPI inflation easing to 3.2%.
  - The Bank of England cut interest rates from 4.00% to 3.75% in December, after holding in November.
  - The 10-year gilt yield fluctuate between 4.4% and 4.7%, ending the quarter at 4.5%.
- From a GDP perspective, the financial year got off to a bumpy start, with the 0.3% m/m fall in real GDP in April, as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q (subsequently revised down to 0.2% q/q). Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern (0.1% q/q). October's disappointing -0.1% m/m change in real GDP suggests that growth slowed to around 1.4% in 2025 as a whole.
- Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK rose from 51.2 in November to 52.1 in December, suggesting the economy may be benefitting somewhat from pre-Budget uncertainty fading. This may also reflect a diminishing drag from weak overseas demand. While the services PMI rose from 51.3 to 52.1, the improvement in the manufacturing output balance from 50.3 to 51.8 was larger. Indeed, the manufacturing sector has been more exposed to the recent weakness of external demand and has lagged the services sector since the end of last year.
- Turning to retail sales volumes, and the 1.5% year-on-year rise in September, accelerating from a 0.7% increase in August, marked the highest gain since April. Nonetheless, the 0.1% m/m fall in retail sales volumes in November built on the 0.9% m/m drop in October, suggesting the longer-lasting effects of weak employment and slowing wage growth are impacting. Moreover, the decline in the GfK measure of consumer confidence from -17 in October to -19 in November suggests that consumers are not that optimistic at present.
- Prior to the November Budget, the public finances position looked weak. The £20.2 billion borrowed in September was slightly above the £20.1 billion forecast by the Office for Budget Responsibility (OBR). For the year to date, the £99.8 billion borrowed is the second highest for the April to September period since records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions.
- Following the 26 November Budget, the OBR calculated the net tightening in fiscal policy as £11.7bn (0.3% of GDP) in 2029/30, smaller than the consensus forecast of £25bn. It did downgrade productivity growth by 0.3%, from 1.3% to 1.0%, but a lot of that influence was offset by upgrades to its near-term wage and inflation forecasts. Accordingly, the OBR judged the Chancellor was going to achieve her objectives, with £4.2bn to spare. The Chancellor then chose to expand that headroom to £21.7bn, up from £9.9bn previously.
- Moreover, the Chancellor also chose to raise spending by a net £11.3bn in 2029/30. To pay for that and the increase in her headroom, she raised taxes by £26.1bn in 2029/30. The biggest revenue-raisers were the freeze in income tax thresholds from 2028/29 (+£7.8bn) and the rise in National Insurance contributions (NICs) on salary-sacrifice pension contributions (+£4.8bn). The increase in council tax for properties worth more than £2.0m will generate £0.4bn.

- After the Budget, public net sector borrowing of £11.7bn in November was comfortably below last November's figure of £13.6bn, and was the lowest November borrowing figure since 2021, mainly due to tax receipts being £5.4bn higher, largely because of the hike in employer NICs in April 2025. Cumulative borrowing in the first eight months of 2025/26 was still £10bn above last year's total. However, lower inflation and a disposal of assets ahead of the Budget should mean borrowing in 2025/26 comes in below last year's total.
- The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began, and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, the 38,000 fall in payroll employment in November was the tenth monthly decline in the past 13 months, causing the annual growth rate to slow further, from -0.5% to -0.6%. The number of job vacancies in the three months to November 2025 stood at 729,000 (the peak was 1.3 million in spring 2022) but the less reliable Labour Force Survey data showed that employment fell by 16,000 in the three months to October, with the unemployment rate rising further, from 5.0% to 5.1%. All this suggests the labour market continues to loosen, albeit at a slow pace.
- A looser labour market is driving softer wage pressures. The 3myy growth rate of average earnings, including bonuses, eased from 4.9% in September to 4.7% in October. And excluding bonuses, the 3myy rate slowed from 4.7% to 4.6%. Regular private sector pay growth continued to slow from 4.2% to 3.9%. That left it broadly on track to meet the Bank's end of December prediction of 3.5%.
- CPI inflation fell sharply in November, easing from 3.6% in October to 3.2%. This was the third consecutive softer-than-expected inflation outturn and suggests that disinflation is well underway. There was a widespread easing in price pressures, with inflation slowing in 10 of the 12 main categories. Core inflation fell from 3.4% to 3.2% and services inflation dipped from 4.5% to 4.4%. However, a great deal will depend on the adjustments to regulated and indexed prices scheduled for next April. Capital Economics forecast CPI inflation to drop from 3.2% in March to 2.0% in April, thereby leaving inflation on track to settle at the 2.0% target, or below, by the end of 2026.
- An ever-present issue throughout recent months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to a high of c4.8%, before ending June at 4.50%.
- More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July, as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points (bps) and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England kept yields elevated over 4.70% although, subsequently, gilt yields fell back after the Budget, supported by a tighter fiscal plan, fewer tax hikes required following a smaller-than-expected downgrade to the OBR's fiscal forecast, and a favourable shift in bond issuance away from long-dated debt. Gilt yields hovered around 4.5% at the end of the quarter.
- The FTSE 100 fell sharply following the "Liberation Day" tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 ended June at 8,761, around 2% higher than its value at the end of March, and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further significant jump in value. The stock market hit new record highs above 9,900 in mid November, driven by a global rebound on hopes of a US government-shutdown resolution, expectations of a December rate-cut, and strong corporate earnings. Despite some jitters around Budget time, the FTSE 100 closed Q4 at 9,931, 5% higher than at the end of September and 22% higher since the start of 2025.

## Monetary Policy Committee (MPC) meetings: 8 May, 19 June, 7 August, 18 September, 6 November, 18 December 2025

- There were six MPC meetings held between April and December. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.
- In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the MPC, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but, with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.
- With wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction). Moreover, the Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.
- At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4%, but hinting strongly that a further rate cut was imminent if data supported such a move. By 18 December, with November CPI inflation having fallen to 3.2%, and with Q2 GDP revised down from 0.3% q/q to only 0.2% q/q, and Q3 GDP stalling at 0.1%, the MPC voted by 5-4 to cut rates further to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect Bank Rate to next be cut in April.

## 2. Interest rate forecasts

The Authority has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. MUFG Corporate Markets provided the following forecasts and commentary on 22 December 2025. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
<b>BANK RATE</b>	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
<b>3 month ave earnings</b>	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
<b>6 month ave earnings</b>	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
<b>12 month ave earnings</b>	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
<b>5 yr PWLB</b>	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
<b>10 yr PWLB</b>	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
<b>25 yr PWLB</b>	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
<b>50 yr PWLB</b>	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

- *Our last interest rate forecast update was undertaken on 11 August. Since then, a combination of tepid growth (0.2% q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.2%), and a November Budget that will place more pressure on the majority of households' income, has provided an opportunity for the Bank of England's Monetary Policy Committee to further reduce Bank Rate from 4% to 3.75% on 18 December.*
- *Surprisingly to most market commentators, the recent steep fall in CPI inflation in one month, from 3.6% to 3.2%, did not persuade most "dissenters" from the November vote (Lombardelli, Greene, Mann and Pill) to switch to the rate-cutting side of the Committee. Instead, it was left to Bank Governor, Andrew Bailey, to use his deciding vote to force a rate cut through by the slimmest of margins, 5-4.*
- *Given the wafer-thin majority for a rate cut, it was not unexpected to hear that, although rates would continue on a "gradual downward path", suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming*

evidence on labour market activity and wage growth. Indeed, with annual wage growth still over 4.5%, the MPC reiterated that the case for further rate cuts would be “a closer call”, and Governor Bailey observed there is “limited space as Bank Rate approaches a neutral level”.

- Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.
- As in August, nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer / Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party. If so, how will gilt markets react to these variables...and will there be additional geo-political factors to also bake in, particularly the Fed’s monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.
- Accordingly, our updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and we have marginally brought forward the timing of the next rate cut(s). But, for the 10-, 25- and 50-years part of the curve, the level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a “given” and, additionally, the inflation outlook and political factors domestically and, crucially, in the US, are also likely to hold sway. Matters should be clearer by June in the UK, but the US mid-term elections are scheduled for November.
- Our revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026. Hopefully, there will be a further extension to this discounted rate announced in January.
- Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

### Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are generally to the upsides. Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB borrowing	Current borrowing rates as at 22.12.25 p.m.	Target borrowing rate now (end of Q4 2027)	Target borrowing rate previous (end of Q4 2027)
	%	%	%
5 years	4.81	4.10	4.20
10 years	5.39	4.70	4.70
25 years	6.01	5.30	5.30
50 years	5.78	5.10	5.10

**Borrowing advice:** Our long-term (beyond 10 years) forecast for the neutral level of Bank Rate remains at 3.5%. As all PWLB certainty rates are still above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve (<5 years PWLB maturity / <10 years PWLB EIP) and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

Our suggested **budgeted earnings rates for investments** up to about three months' duration in each financial year are set out below:-

<b>Average earnings in each year</b>	<b>Now</b>	<b>Previously</b>
	<b>%</b>	<b>%</b>
<b>2025/26 (residual)</b>	3.80	3.90
<b>2026/27</b>	3.40	3.60
<b>2027/28</b>	3.30	3.30
<b>2028/29</b>	3.30	3.50
<b>2029/30</b>	3.50	3.50
<b>Years 6-10</b>	3.50	3.50
<b>Years 10+</b>	3.50	3.50

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report, but will consider our position on an ad-hoc basis as required.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

## PWLB Loans Repayment Dates at 31 December 2025

Financial Year	Maturity	Rate	Total
2026/27	01/04/2026	3.67	527,601
	30/09/2026	8.63	853,800
<b>2026/27 Total</b>			<b>1,381,401</b>
2027/28	01/04/2027	3.73	490,601
	19/08/2027	5.20	1,000,000
	30/09/2027	7.00	674,502
<b>2027/28 Total</b>			<b>2,165,103</b>
2028/29	01/03/2029	9.50	13,920
	01/04/2028	3.80	262,440
<b>2028/29 Total</b>			<b>276,360</b>
2029/30	01/04/2029	3.85	684,697
	01/09/2029	9.25	5,182
	06/06/2029	9.13	800
		9.25	4,087
		9.38	4,132
	06/12/2029	9.25	9,126
	09/05/2029	9.25	2,724
	30/09/2029	8.63	853,800
<b>2029/30 Total</b>			<b>1,564,547</b>
2030/31	01/03/2031	9.25	6,295
	01/04/2030	3.91	450,706
	01/09/2030	9.25	4,382
		9.75	6,838
	06/12/2030	9.63	1,675
		9.75	6,222
	09/05/2030	9.38	6,755
	09/11/2030	9.75	3,799
<b>2030/31 Total</b>			<b>486,672</b>
2031/32	01/04/2031	3.96	660,449
	30/09/2031	8.63	1,280,700
<b>2031/32 Total</b>			<b>1,941,149</b>
2032/33	01/03/2033	9.88	1,074
	01/04/2032	4.01	314,886
	06/06/2032	9.25	22,319
	06/12/2032	9.50	28,420
<b>2032/33 Total</b>			<b>366,700</b>
2033/34	01/04/2033	4.05	636,565
<b>2033/34 Total</b>			<b>636,565</b>
2034/35	01/04/2034	4.09	623,834
<b>2034/35 Total</b>			<b>623,834</b>
2035/36	01/04/2035	4.13	611,357
<b>2035/36 Total</b>			<b>611,357</b>
2036/37	01/04/2036	4.16	599,130
<b>2036/37 Total</b>			<b>599,130</b>

Financial Year	Maturity	Rate	Total
2037/38	01/04/2037	4.18	587,147
<b>2037/38 Total</b>			<b>587,147</b>
2038/39	01/04/2038	4.20	225,467
<b>2038/39 Total</b>			<b>225,467</b>
2039/40	15/04/2039	4.95	5,000,000
<b>2039/40 Total</b>			<b>5,000,000</b>
2040/41	15/04/2040	4.95	3,500,000
<b>2040/41 Total</b>			<b>3,500,000</b>
2042/43	01/04/2042	4.25	999,781
<b>2042/43 Total</b>			<b>999,781</b>
2043/44	01/04/2043	4.25	1,020,120
<b>2043/44 Total</b>			<b>1,020,120</b>
2044/45	01/04/2044	4.25	1,009,718
<b>2044/45 Total</b>			<b>1,009,718</b>
2045/46	01/04/2045	4.25	11,464,215
<b>2045/46 Total</b>			<b>11,464,215</b>
2050/51	16/01/2051	4.15	2,000,000
<b>2050/51 Total</b>			<b>2,000,000</b>
2052/53	09/11/2052	4.55	6,138,400
	11/12/2052	4.25	6,000,000
	12/10/2052	4.55	4,300,000
	19/05/2052	4.05	5,000,000
	20/11/2052	4.20	6,800,000
<b>2052/53 Total</b>			<b>28,238,400</b>
2054/55	06/05/2054	8.38	3,000,000
<b>2054/55 Total</b>			<b>3,000,000</b>
2055/56	15/11/2055	8.00	1,500,000
	15/12/2055	7.88	2,000,000
<b>2055/56 Total</b>			<b>3,500,000</b>
2056/57	10/10/2056	7.88	2,000,000
	15/04/2056	7.13	3,000,000
<b>2056/57 Total</b>			<b>5,000,000</b>
2057/58	15/04/2057	6.88	3,000,000
		7.13	3,000,000
	15/10/2057	6.50	2,512,854
<b>2057/58 Total</b>			<b>8,512,854</b>
2059/60	22/06/2059	4.25	1,763,308
<b>2059/60 Total</b>			<b>1,763,308</b>
2064/65	25/03/2065	2.24	10,000,000
<b>2064/65 Total</b>			<b>10,000,000</b>
2066/67	30/03/2067	2.20	6,200,000
<b>2066/67 Total</b>			<b>6,200,000</b>
2068/69	16/01/2069	2.49	15,000,000
<b>2068/69 Total</b>			<b>15,000,000</b>
<b>Grand Total</b>			<b>117,673,828</b>

**Salix Loans Repayment Dates**

<b>Financial year</b>	<b>Salix Loan Repayments £000</b>
2026/27	658
2027/28	658
2028/29	658
2029/30	580
2030/31	568
2031/32	568
2032/33	347
<b>Total</b>	<b>4,037</b>

## Minimum Revenue Provision (MRP) Policy Statement 2026/27

The Council is required to pay off an element of the accumulated Council Fund and HRA capital spend funded by borrowing, each year (the Capital Financing Requirement - CFR) through a revenue charge (the Minimum Revenue Provision, MRP).

The Welsh Government (WG) 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 Policy Statement:-

From 1st April 2022, for all Council Fund and HRA 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.

Capital expenditure incurred each year will not be subject to a MRP charge until the following financial year or, in some cases, at the discretion of the Section 151 Officer, the year after the asset becomes operational, where the costs incurred on the asset are £5m or higher.

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 WG 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.

**MRP Overpayments** - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

The Council retains the right to make additional VRP to reduce debt if deemed prudent for the Council Fund and / or the HRA

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

Cumulative VRP overpayments made to date are £0.216m and £12.386m from the over-provision of MRP following the change in MRP policy in 2018, less £1.402m under-provision in 2025/26.

### Leased Assets into the Authority

MRP in respect of right of use assets leased into the Council or private initiative finance (PFI) will, from 1 April 2024, be charged at an amount equal to the principal element of the annual repayment.

### Capitalisation Directive

The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

### Loans to Third Parties

In the exceptionally rare event of the Council providing a loan to a third party. For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments. The capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP. Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

## Specified and Non-Specified Investments

The Welsh Government 'Guidance on Local Government Investments' (the Guidance) (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 2025/26, 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 sets out the investment criteria and limits for the categories of investments intended for use during 2025/26 and, therefore, form the basis for the approved lending list.

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

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

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

\*\*\* Paragraph 6.1 of the 'Guidance' recommends that "the Strategy should set out the authority's approach to assessing the risk of loss of investments, making clear in particular: (a) to what extent, if any, risk assessment is based upon credit ratings issued by one or more credit rating agencies; (b) where credit ratings are used, how frequently credit ratings are monitored and what action is to be taken when ratings change; and (c) what other sources of information on credit risk are used, additional to or instead of credit ratings." The table in Appendix 8 of this strategy sets out what this Council defines as high credit quality and the associated investment criteria and limits and section 7.3 of this strategy sets out the Council's creditworthiness approach.

## Counterparty Criteria – Investments

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 business account and cash manager – when amounts are held in the NatWest as part of operational banking. The following amounts and limits will apply to ensure adequate cash is available to pay bills as they fall due.	n/a	n/a	n/a	n/a	n/a	n/a	£20m to £25m	5 working days
							£15m to £20m	2 months
							£10m to £15m	364 days
							Up to £10m	No limit
UK Central Government (irrespective of credit rating)	n/a	n/a	n/a	n/a	n/a	n/a	No maximum	No limit
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) (based upon the lowest common denominator), and to a maximum of £10m 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-subsidary 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 25 November 2025]**

*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 MUF<sub>G</sub> Corporate Markets' credit worthiness service.*

***Based on lowest available rating***

- AAA
  - Australia
  - Denmark
  - Germany
  - Netherlands
  - Norway
  - Singapore
  - Sweden
  - Switzerland
  
- AA-
  - **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 treasury management which require a decision by the Executive or County Council; and
  - receiving and scrutinising the Treasury Management mid-year report and Treasury Outturn report, 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 Treasury Management Practices (TMPs);
- 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 and affordable 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 (TMP) 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 INDICATORS FOR 2026/27 – 2030/31

		2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
<b>Affordability – Based on the Ambitious Scenario</b>							
	Council Fund	1.52%	3.17%	3.25%	3.37%	3.56%	3.86%
	Housing Revenue Account (inclusive of settlement)	12.61%	9.88%	14.17%	17.68%	19.70%	21.28%
	<b>Total</b>	<b>2.70%</b>	<b>3.86%</b>	<b>4.41%</b>	<b>4.96%</b>	<b>5.37%</b>	<b>5.87%</b>
<b>Prudence</b>							
<b>3</b>	<b>Gross debt and the Capital Financing Requirement (CFR)</b>						
	<i>Is the gross external debt &lt; the CFR for the preceding year plus the estimates of any additional CFR for the current and the next two financial years?</i>	✓	✓	✓	✓	✓	✓
<b>Capital Expenditure – Based on the Ambitious Scenario</b>							
<b>4,5</b>	<b>Estimates of [or actual] capital expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Council Fund	35,268	27,341	18,551	52,216	55,302	41,631
	Housing Revenue Account	22,056	45,950	35,819	27,569	26,893	23,294
	<b>Total</b>	<b>57,324</b>	<b>73,291</b>	<b>54,370</b>	<b>79,785</b>	<b>82,195</b>	<b>64,925</b>
<b>6,7</b>	<b>Estimates of [or actual] Capital Financing Requirement</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Council Fund	119,486	125,567	130,114	134,741	142,620	155,016
	Housing Revenue Account	36,895	35,744	52,784	72,145	82,313	93,340
	<b>Total</b>	<b>156,381</b>	<b>161,311</b>	<b>182,898</b>	<b>206,886</b>	<b>224,934</b>	<b>248,356</b>
<b>8</b>	<b>Authorised Limit</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	General Borrowing	141,710	144,235	167,173	192,070	214,268	240,019
	Other long term liabilities	5,000	5,000	5,000	5,000	5,000	5,000
	<b>Total</b>	<b>146,710</b>	<b>149,235</b>	<b>172,173</b>	<b>197,070</b>	<b>219,268</b>	<b>245,019</b>
<b>9</b>	<b>Operational Boundary</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	General Borrowing	131,710	134,235	157,173	182,070	204,268	230,019
	Other long term liabilities	5,000	5,000	5,000	5,000	5,000	5,000
	<b>Total</b>	<b>136,710</b>	<b>139,235</b>	<b>162,173</b>	<b>187,070</b>	<b>209,268</b>	<b>235,019</b>

		£'000	£'000	£'000	£'000	£'000	£'000
10	Actual External Debt	131,710	124,235	147,173	172,119	194,367	220,168
<b>Treasury Management</b>		<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>
		<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
11	The limit for total principal sums invested for periods longer than 364 days	15,000	15,000	15,000	15,000	15,000	15,000
12	The upper limits for the maturity structure of fixed rate borrowing						
	under 12 months	<20%					
	12 months and within 24 months	<20%					
	24 months and within 5 years	<20%					
	5 years and within 10 years	<30%					
	10 years and above	No upper Limit					

## 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 2025/26 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, as set out in the Ambitious Scenario of the Capital Strategy

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 2026/27 to 2030/31, and is based on the Capital Programme for 2026/27 and the Capital Strategy for the subsequent years.

##### 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, 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 asset's 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 schemes 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.

## 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 (CFR)**

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 (RSG)**

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.

ISLE OF ANGLESEY COUNTY COUNCIL	
<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	3 February 2026
<b>Subject:</b>	Internal Audit Update
<b>Head of Service:</b>	Marc Jones Director of Function (Resources) and Section 151 Officer <a href="mailto:MarcJones@anglesey.gov.wales">MarcJones@anglesey.gov.wales</a>
<b>Report Author:</b>	Marion Pryor Head of Audit and Risk <a href="mailto:MarionPryor@anglesey.gov.wales">MarionPryor@anglesey.gov.wales</a>
<p><b>Nature and Reason for Reporting:</b></p> <p>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)</p> <p>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)</p> <p>This report fulfils the requirements of the Global Internal Audit Standards (UK public sector) consisting of the <a href="#">Global Internal Audit Standards</a> (GIAS) of the IIA, the <a href="#">Application Note: Global Internal Audit Standards in the UK public sector</a> and the <a href="#">CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government</a>.</p> <p>It is also consistent with the recommended practices for the oversight of internal audit as determined in <a href="#">CIPFA’s Position Statement: Audit Committees in Local Authorities and Police 2022</a>.</p>	

## 1. Introduction

- 1.1 Standard 11.3 of the Global Internal Audit Standards (GIAS) requires the chief audit executive to communicate the results of internal audit services to the board and senior management periodically and for each engagement. In addition, Standard 15.1 requires the chief audit executive to disseminate the final communication to parties who can ensure that the results are given due consideration.
- 1.2 This report updates the committee, as at 21 January 2026, on the audits completed since the last update as at 21 November 2025, 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 engagements,
  - the assurance provided and
  - our priorities going forward.

# Internal Audit Update

February 2026



Marion Pryor BA MA CMIIA CPFA ACFS

Head of Audit & Risk



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## Summary of Assurance Work Completed Since Last Update

1. This section provides an overview of assurance reports finalised since the meeting in December 2025, including the overall assurance rating and the number of issues/risks/opportunities raised.
2. We have finalised **one** piece of work in the period, summarised below and discussed in more detail later in the report:

Title	Assurance Level	Critical	Major	Moderate
Physical security and environmental control of data centres	<b>Reasonable</b>	0	0	1

## Assurance Ratings

3. It is current practice in public sector internal audit teams to provide a summary opinion and assurance rating in the internal audit report. However, there is no standard definition or terminology, and it is for each head of internal audit to determine an appropriate methodology.
4. As organisations in the public sector increasingly work collaboratively with other public bodies, senior managers and audit committee members across the public sector were finding themselves receiving reports from more than one set of internal auditors. Auditors were being challenged about the consistency of their opinions because of the use of different terminology.
5. This led to CIPFA's Internal Audit Special Interest Group reviewing existing practices and considering the case for a common approach. The group published a briefing in 2020, recommending the case for standardising the terminology and proposed a set of opinions and supporting definitions for internal audit teams to use.
6. The council's assurance ratings mirrored the ratings proposed by the group and the assurance definitions largely reflected the definitions proposed by the group.
7. Members of the Governance and Audit Committee agreed the definitions at a meeting of the committee in [April 2019](#), with minor changes following the publication of the CIPFA briefing in [July 2020](#).
8. For the benefit of the new members of the committee, these assurance rating definitions are detailed to the right. This may help members to understand the levels of assurance applied to each audit and what assurance they may take from the level applied.
9. As discussed in a recent meeting, the level of assurance applied is not formulaic and does not directly equate to the number of issues, risks or opportunities raised.
10. In applying the most appropriate level of opinion, the auditor will use their professional judgement and consider the overall level of risk exposure, including the impact on the organisation as a whole. The ultimate decider is the response to the key question.

## Assurance Rating Definitions

Level of Assurance	Definition
<b>Substantial Assurance</b>	Arrangements for governance, risk management and internal control are <b>good</b> .  <b>We found no significant or material Risks/Issues.</b>
<b>Reasonable Assurance</b>	Arrangements for governance, risk management and/or internal control are <b>reasonable</b> .  <b>There are minor weaknesses in the management of risks and/or controls but there are no risks to the achievement of objectives. Management and heads of service can address.</b>
<b>Limited Assurance</b>	Arrangements for governance, risk management and internal control are <b>limited</b> .  <b>There are significant weaknesses in the management of risks and/or controls that put the achievement of objectives at risk. Heads of service need to resolve, and Leadership Team may need to be informed.</b>
<b>No Assurance</b>	Arrangements for governance, risk management and internal control are <b>significantly flawed</b> .  <b>There are fundamental weaknesses in the management of risks and/or controls that will lead to a failure to achieve objectives. The immediate attention of Leadership Team is required, with possible Executive intervention.</b>

## Physical and environmental control of data centres

Reasonable Assurance	Issues / Risks / Opportunities	
	0	Critical
	0	Major
	1	Moderate

11. Our review sought to answer the following key question:  
**Does the council have adequate arrangements in place to minimise the key risks associated with physical access and environmental risks within the council's key IT infrastructure?**
12. The audit of the council's two data centres confirmed that physical security and environmental controls are generally effective, with both sites featuring near-identical safeguards to protect IT hardware and minimise risks of data or service loss. Security at the primary site is robust, while the secondary site presents a minor residual risk due to external visibility of servers. CCTV, fire detection, and suppression systems are in place, though external monitoring and resilience against false triggers require attention.
13. Environmental controls, including airflow, temperature, humidity, and power supply arrangements, are functional but limited by insufficient monitoring and unresolved UPS error messages. Water ingress risks are minimal at the primary site but are present at the secondary site due to ground-level server positioning and absence of leak detection sensors.
14. Contingency and disaster recovery arrangements are reasonable but would benefit from formal documentation. As the council advances its 'cloud-first' strategy, physical risks will diminish, shifting focus to third-party contract management.
15. Overall, the outcome of the review was positive, with five recommendations raised by Salford Council IT auditors. When assessed against the council's risk assessment matrix, only one was assessed as moderate with the remainder classified as minor (green).

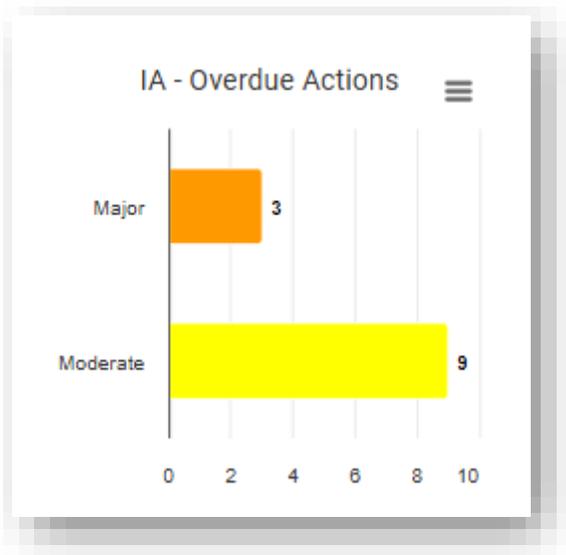
## Work in Progress

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

Area	Reason for Audit	Stage
Regulation and Economic	Investigation	Fieldwork
IT Audit: IT Asset Management	Strategic Risk Register (YM3)	Postponed until 2026-27 at the request of the Chief Digital Officer
Adult Social Care Finance: Financial Assessments – Residential and Nursing Care	First Follow Up	Fieldwork
Managing the Safeguarding Risk: <ul style="list-style-type: none"> <li>Follow Up</li> <li>Supply Teachers</li> </ul>	Strategic Risk Register (YM10 / YM12)	Fieldwork (delayed due to Care Inspectorate Wales visit)
Early Education and Childcare Grant Programmes	First Follow Up	Fieldwork
Financial Management	Strategic Risk Register (YM1)	Fieldwork
Disabled Facilities Grants (DFGs)	Second Follow Up	Fieldwork
Financial Systems – Payroll	IA Strategic Priority 2025-26	Fieldwork
Financial Systems – Creditors	IA Strategic Priority 2025-26	Fieldwork
Financial Systems – Bank Reconciliation	IA Strategic Priority 2025-26	Scoping
Financial Systems – General Ledger	IA Strategic Priority 2025-26	Scoping
Financial Systems – Treasury Management	IA Strategic Priority 2025-26	Scoping

## Outstanding Actions

17. Work is progressing to support services with addressing all 'Issues / Risks / Opportunities' raised and implementing all outstanding actions.
18. As at 19/01/26, there are currently three 'major' actions and nine 'moderate' actions that have reached their target date for completion which have become 'overdue'.



19. These actions relate to two audit reports that are currently being followed up and the outcome of which will be reported to the next meeting:
  - Early Education and Childcare Grant Programmes
  - Adult Social Care Finance: Financial Assessments – Residential and Nursing Care

## Priorities

### Short/Medium Term Priorities

20. Our current workload can be seen in [Work in Progress](#) detailed earlier in this report. Delivery of the Internal Audit Strategy for 2025-26 has progressed well and many audits are nearing completion. Enough work will have been completed by the end of the year to enable the Head of Audit annual audit opinion to be provided.

### Longer Term Priorities

21. Implementation of the requirements of the new Global Internal Audit Standards in the UK Public Sector will continue over the next 18 months.
22. Following their introduction in April 2025, the Global Internal Audit Standards in the UK Public Sector have since been reviewed and amended to include the Institute of Internal Auditors' (IIA) Topical Requirements. These are a mandatory component of the IIA's International Professional Practices Framework (IPPF), but do not automatically apply to internal audit in the UK public sector.
23. The Internal Audit Standards Advisory Board (IASAB), on behalf of the Relevant Internal Audit Standard Setters (RIASS), has determined that the IIA Cybersecurity topical requirement and user guide are fully applicable for the UK public sector from 5 February 2026. In the UK, additional standards are also relevant in this area and UK auditors will also consider the National Cyber Security Centre assessment framework (CAF).

ISLE OF ANGLESEY COUNTY COUNCIL	
<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	3 February 2026
<b>Subject:</b>	Strategic Risk Register Update
<b>Head of Service:</b>	Marc Jones Director of Function (Resources) and Section 151 Officer <a href="mailto:MarcJones@anglesey.gov.wales">MarcJones@anglesey.gov.wales</a>
<b>Report Author:</b>	Marion Pryor Head of Audit and Risk <a href="mailto:MarionPryor@anglesey.gov.wales">MarionPryor@anglesey.gov.wales</a>
<p><b>Nature and Reason for Reporting:</b>                      The Governance and Audit Committee’s terms of reference has an explicit requirement for the committee to review, assess and report on the effective development and operation of risk management arrangements in the council (3.4.8.8.1). As part of this responsibility, it will review the strategic risk register and seek assurance that management appropriately own and manage risks effectively, consider the adequacy and effectiveness in capturing and assessing the strategic risks and evaluate whether planned mitigations are appropriate and effective, making recommendations to the responsible risk owner where appropriate. (3.4.8.8.3)</p>	

## 1. Introduction and Background

- 1.1 This report presents a revised strategic risk register following its comprehensive review last year. This is the most recent version and is continuously being updated (Appendix A refers).
- 1.2 As reported in December 2025, the departure of the Insurance and Risk Manager provided an opportunity to review the structure and responsibilities of officers within the council’s risk management framework, along with a comprehensive review of the strategic risk register. One of the main changes is that responsibility for the maintenance of the strategic risk register was transferred to the Executive Manager (Leadership Team).
- 1.3 As part of our insurance contract with Zurich Municipal (ZM) we are afforded the services of Zurich Risk Solutions (ZRS) who we have commissioned to work with us on a wholesale review of the council’s approach to managing risk.

## 2. Revised Strategic Risk Register

- 2.1 ZRS has worked with the Leadership Team to assist in the review of the strategic risk register. ZRS held a workshop with the Leadership Team which resulted in the strategic risk register being reduced from 16 risks to 11.
- 2.2 The Leadership Team has agreed this more condensed set of strategic risks. This is currently in Microsoft Word format as RSM, the provider of the risk management system (4risk), is currently reconfiguring the structure of the system to better align with the council’s requirements.

2.3 The Executive Manager (Leadership Team) is continuing to work with the Leadership Team on the revised strategic risk register; risk owners have been identified and additional actions are being developed to ensure risks are mitigated to an acceptable level. This will run in parallel with the work commissioned from ZRS to review the council’s risk appetite.

2.4 The fully developed strategic risk register will be brought back to the committee once this work is complete.

### 3. Heat map

3.1 The heat maps below provide a summary of the strategic risks, detailing the number of inherent and residual risks.

**Number of inherent risks**

Almost Certain	5			2	2	2
Likely	4			2	1	
Possible	3			1		1
Unlikely	2					
Rare	1					
		1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic

**Number of residual risks**

Almost Certain	5					
Likely	4			2	2	
Possible	3			3	1	
Unlikely	2			2	1	
Rare	1					
		1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic

3.2 The two red-rated residual risks are: YM2 – IT and cyber-attacks and YM10 – Physical assets.

### 4. Recommendation

4.1 That the Governance and Audit Committee notes the work that has been undertaken to date as part of the wholesale review of the strategic risk register.

## Strategic Risk Register – February 2026

ID	Risk	Risk Owner	Inherent (Impact x Likelihood)	Controls / Existing Controls	Residual (Impact x Likelihood)
YM1	<p><b>Finances and financial management</b></p> <p>Funding that is necessary to provide statutory services and deliver strategic objectives is reduced or not sufficient.</p>	<p>Marc Jones - Director of Function (Resource) and Section 151 Officer</p>	<p>Critical (5:3=15)</p>	<p>Balances of over 5% of the annual budget held in reserve.</p> <p>Medium Term Financial Plan (MTFP) –MTFP for the period 2026/27 to 2028/29 approved.</p> <p>Regular financial monitoring and updates to leadership.</p> <p>Robust budgeting and forecasting processes.</p> <p>Earmarked Reserves Protocol in place December 2025</p> <p>Audit and assurance - regular internal and external audits.</p> <p>Ongoing financial management training for relevant staff.</p> <p>Budgets set and tightly managed to secure reserves to deal with an emergency.</p> <p>Consideration of demographic changes and impacts on services where demand will increase.</p> <p>Lobbying - ongoing engagement with government and funding bodies to secure adequate resources.</p>	<p>Major (4:3=12)</p>
YM2	<p><b>IT and cyber-attacks</b></p> <p>IT failure significantly disrupts business continuity.</p>	<p>Rhys Hughes - Deputy Chief Executive</p>	<p>Critical (5:5=25)</p>	<p>Mandatory cyber security awareness training for all staff.</p> <p>Scheduled phishing simulations.</p>	<p>Critical (4:4=16)</p>

ID	Risk	Risk Owner	Inherent (Impact x Likelihood)	Controls / Existing Controls	Residual (Impact x Likelihood)
		Lynn Ball - Director of Function (Council Business)		<p>A series of software packages and procedures to reduce the risk of a cyber-attack against the council.</p> <p>Regular vulnerability assessments and penetration testing.</p> <p>IT security policies and IT acceptable use policies in place.</p> <p>Backup strategy is aligned to the business continuity requirements of the service who own the system.</p> <p>Service business continuity plans and the whole council business continuity plan in place.</p> <p>Use of Cymru SOC to provide additional oversight and support to cyber incidents.</p> <p>The council's Digital Strategic Plan 2024-2029 provides a structured framework for digital development across the council.</p> <p>The Digital Education Strategic Plan 2026-2031 provides a structured framework for digital development with our schools.</p>	
YM3	<p><b>Safeguarding</b></p> <p>Missed safeguarding due to ineffective processes.</p>	Fôn Roberts - Director of Social Services and Head of Children Services	Critical (4:5=20)	<p>Preventative measure - Trauma informed awareness and Age Friendly initiatives.</p> <p>Ensure that staff, members and the public understand their duty to report safeguarding concerns and are confident in the process to do so.</p>	Moderate (3:3=9)

ID	Risk	Risk Owner	Inherent (Impact x Likelihood)	Controls / Existing Controls	Residual (Impact x Likelihood)
				<p>A Corporate Safeguarding Policy with clear governance arrangements in place for senior level reporting, policies and procedures within the council</p> <p>A training framework that provides a whole council approach to ensuring a workforce that is aware of key areas of safeguarding / exploitation / abuse and through safeguarding training at a level commensurate with their roles and responsibilities.</p> <p>A framework of policies and procedures to ensure a fully recruited and managed workforce that complies with statutory requirements - IACC recruitment and selection policy, DBS policy and safer recruitment policy.</p> <p>Safeguarding Action Plan, that focuses on whole council implementation and key areas where the corporate safeguarding board should keep an overview.</p> <p>Partnerships. Whole council, health, education, and police for co-ordinated interventions. Appropriate representation on statutory regional / sub-regional partnerships / boards.</p> <p>Implement learning from Single Unified Safeguarding Review (SUSR) and implement the process if a serious incident is reported.</p>	
YM4	<b>Recruitment, retention and leadership continuity</b>	Dylan Williams -	Critical (4:5=20)	Workforce planning - plans in place for all services.	Major (3:4=12)

ID	Risk	Risk Owner	Inherent (Impact x Likelihood)	Controls / Existing Controls	Residual (Impact x Likelihood)
	Inability to recruit promptly and a limited talent pipeline may reduce workforce capacity, weaken leadership continuity, and disrupt service delivery.	Chief Executive		<p>Exit interviews and new starter questionnaire in place for feedback to improve recruitment and retention strategies.</p> <p>Dedicated career's microsite that outline's the benefits of working with the council.</p> <p>Social media platforms used to advertise vacancies.</p> <p>Collaboration with schools /colleges / further education to develop and boost the care sector (Denu Talent).</p> <p>Talent pipeline processes in place and internal development programmes, e.g. (Twf &amp; Datblygu) along with a graduate scheme Dyfodol Môn.</p> <p>Services keep job descriptions and person specifications under review to ensure they are realistic and aligned with the labour market.</p> <p>Talent identification. Regular review and identification of future leaders via the annual development discussion.</p> <p>Fforwm Môn - a forum for the council's senior officers to receive, share and discuss.</p>	
YM5	<p><b>Partnership</b></p> <p>Partnerships are ineffective, lack sufficient oversight, and</p>	Susan Owen Jones - Executive Manager (LT)	Major (3:4=12)	Formal partnership agreements with clear roles and responsibilities.	Moderate (3:3=9)

ID	Risk	Risk Owner	Inherent (Impact x Likelihood)	Controls / Existing Controls	Residual (Impact x Likelihood)
	may negatively impact service delivery and value for money.			<p>Clear governance structure - steering groups established as required.</p> <p>Programme of strategic partners attendance at the partnership scrutiny committee in place.</p> <p>Regular performance monitoring and review meetings.</p> <p>Due diligence checks on third parties.</p> <p>Service level agreements (SLAs), MOUs and contract management in place as required.</p> <p>Partnership register is in place and representation revised periodically.</p>	
YM6	<p><b>Supply chain</b></p> <p>Dependence on a limited number of key suppliers within the council's supply chain may result in delays to service delivery and reduced resilience.</p>	Marc Jones - Director of Function (Resource) and Section 151 Officer	<b>Critical (4:4=16)</b>	<p>Supplier diversity and contingency planning.</p> <p>Regular supplier performance reviews and audits to identify key suppliers.</p> <p>Contractual clauses for delivery timelines and penalties.</p> <p>Approved supplier list</p> <p>Framework agreements</p> <p>Business continuity and disaster recovery planning.</p>	<b>Major (4:2=8)</b>

ID	Risk	Risk Owner	Inherent (Impact x Likelihood)	Controls / Existing Controls	Residual (Impact x Likelihood)
				<p>Close monitoring of critical and single points of failure in the supply chain.</p> <p>Ongoing monitoring of activity in relevant sectors of the economy (e.g. construction) supported by a clear process to escalate concerns promptly.</p> <p>Committed to the Welsh Government's code on Ethical Employment in Supply Chains.</p> <p>Procurement Strategic Plan and template documents established.</p>	
YM7	<p><b>Welsh language</b></p> <p>Failure to comply with Welsh language standards and policy, including requirements to promote and facilitate the use of Welsh.</p>	Aaron Evans - Director of Education, Skills and Young People	Major (3:4=12)	<p>Welsh Language Policy</p> <ul style="list-style-type: none"> <li>Maintenance and regular update of the policy aligned with statutory requirements.</li> <li>Learning and policy portals ensure all staff and members are aware of the Welsh language policy and legislation as a mandatory policy.</li> </ul> <p>Staff training - regular training provided for all staff on Welsh language standards, expectations and customer service.</p> <p>Recruitment and support - Welsh language requirements of posts considered and Welsh language skills framework implemented.</p> <p>Welsh Language Promotion Strategy (and annual implementation plan) implemented in partnership with the Fforwm Iaith.</p>	Moderate (3:2=6)

ID	Risk	Risk Owner	Inherent (Impact x Likelihood)	Controls / Existing Controls	Residual (Impact x Likelihood)
				Performance monitoring <ul style="list-style-type: none"> <li>Annual self-assessment survey and annual report prepared.</li> <li>KPIs reported as part of the scorecard.</li> </ul>	
YM8	<b>Future service planning</b>  Uncertainty in national policy and external investment impacting future service planning.	Dylan Williams - Chief Executive	Major (3:5=15)	Regular data reviews. Routine analysis of demographic, economic, and cultural data informs decision-making and Strategic Planning.  Stakeholder engagement - local communities, businesses and partners involved.  Scenario planning - forecasting tools used to anticipate future service needs.	Major (3:4=12)
YM9	<b>Governance and compliance</b>  Weak or ineffective governance may lead to non-compliance with statutory or regulatory requirements, leading to potential penalties and reputational damage.	Lynn Ball - Director of Function (Council Business)	Critical (4:5=20)	A robust governance framework – defined roles, responsibilities, decision making authority and escalation.  Annual Governance Statement and identified improvement actions, which are scrutinised by a multi-disciplinary Governance Group drawn from across the council.  Mandatory training programme –staff’s completion and understanding of mandatory eLearning is tracked and monitored through an eLearning system. Embeds expected behaviours, reduces the risk of non-compliance, and supports consistent adherence to legal and organisational standards.  An effective Internal audit programme provides independent, risk-based assurance over governance, risk management, and internal controls to senior leadership and the Governance and Audit Committee.	Moderate (3:3=9)

ID	Risk	Risk Owner	Inherent (Impact x Likelihood)	Controls / Existing Controls	Residual (Impact x Likelihood)
				<p>Policy updates - up-to-date policies maintained in line with legislation and council needs.</p> <p>Mandatory policies are published to employees via a policy portal which tracks and monitors acknowledgement and understanding through built-in reporting. Provides evidence of compliance with regulatory and legislative obligations.</p> <p>Established organisational controls are in place, including financial procedures, governance and performance management frameworks, project management methodology, strategic planning processes, operational controls, structured staff communications, statutory officer oversight, and an internal audit programme.</p>	
YM10	<p><b>Physical assets</b></p> <p>Council buildings and other assets becoming unusable due to poor condition.</p>	Rhys Hughes - Deputy Chief Executive	Critical (5:5=25)	<p>Asset register. Comprehensive and up-to-date inventory of council assets maintained, excluding housing.</p> <p>Condition surveys. Regular inspections and risk assessment conducted.</p> <p>Servicing, inspection and cyclical maintenance scheduled.</p> <p>Moving towards Net Zero. Working towards Net Zero targets and recognition of climate adaption success.</p> <p>New Property Management system collates building date and informs investment need and prioritisation.</p>	Critical (4:4=16)

ID	Risk	Risk Owner	Inherent (Impact x Likelihood)	Controls / Existing Controls	Residual (Impact x Likelihood)
				The Capital Strategy provides a structured framework for capital expenditure.	
YM11	<p><b>Homes for local people</b></p> <p>Shortage of affordable and suitable accommodation to meet local housing needs.</p>	Marc Jones - Director of Function (Resource) and Section 151 Officer	Moderate (3:3=9)	<p>Housing Strategic Plan - prioritises homes for local residents</p> <p>Housing needs assessment. Local housing market assessment completed 2024-2029.</p> <p>Collaboration. Annual housing prospectus and deliver on the social housing delivery programme to identify and prioritise schemes for housing association and council housing development.</p> <p>The council and other housing associations are working with local builders to increase the social housing stock.</p> <p>Second homes premium generates income to fund projects that will help local residents get a house.</p> <p>Council Tax premium on second houses aims to reduce the number of second homes.</p> <p>Planning policy enforcement - affordable housing.</p>	Moderate (3:2=6)

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	3/2/2026
<b>Subject:</b>	Progress update against the identified Self-assessment and AGS Improvement Actions for 2024/25
<b>Head of Service:</b>	Huw Ynyr Head of Digital, Performance and Modernisation <a href="mailto:HuwYnyr@anglesey.gov.wales">HuwYnyr@anglesey.gov.wales</a>
<b>Report Author:</b>	Gwyndaf Parry Corporate Planning, Performance and Programme Manager <a href="mailto:GwyndafParry@anglesey.gov.wales">GwyndafParry@anglesey.gov.wales</a>  Alwyn Williams Corporate Business and Performance Analyst <a href="mailto:AlwynWilliams@anglesey.gov.wales">AlwynWilliams@anglesey.gov.wales</a>
<b>Nature and Reason for Reporting:</b> The committee is receiving this report in line with section 3.4.8.4 (Governance reporting) and 3.4.8.15 (Self-assessment Report) of the Terms of Reference for the committee.	

## Introduction

1. To demonstrate good governance, this report details the work the council has undertaken against the identified improvement areas within the AGS and the Self-Assessment & Performance (Wellbeing) Reports for 2024/25.
2. Services have provided updates on the actions and progress made since the reports were previously presented to the Committee in September and December 2025.

## Recommendation

3. That the Governance and Audit Committee:
  - a. Considers the report and accepts the responses and updates as an accurate reflection of the Council's work against the identified improvement areas.



CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

# **Self-Assessment and Performance (Wellbeing) Report 2024/25 + Annual Governance Statement**

Progress against identified improvement actions

Page 86

Prepared by – Digital, Performance and Modernisation Service

Publication date: January 2026

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

## Progress against identified improvement actions

This report provides an update on the work carried out against the areas identified as opportunities for improvement and monitoring from the [Self-Assessment and Performance \(Wellbeing\) Report for 2024/25](#).

### 1. The council needs to continue modernising its digital and data infrastructure

**Target Date** – March 2027

Actions identified to address weaknesses	Lead Service(s)	Update	Status <sup>i</sup>
Develop a Data Strategic Plan with the aim of continuing our journey to becoming a data informed Council	Digital, Performance and Modernisation	<ul style="list-style-type: none"> <li>• Business Case submitted to the Leadership Team for additional resources to update our data platform and to appoint a Data Manager.</li> </ul>	On Track
Continue to progress the 4 key priorities of the Digital Strategic Plan	Digital, Performance and Modernisation	<ul style="list-style-type: none"> <li>• The work on the 4 priorities continues, notable achievements include:                             <ul style="list-style-type: none"> <li>○ Library Management System: Coordinated replacement as part of the national upgrade program.</li> <li>○ Democracy platform: Rolled out visual and accessibility improvements.</li> <li>○ Local Development Plan: Delivered digital platform and customer service elements for launch.</li> <li>○ Cyber and email security: Strategically upgraded tools for better functionality and reduced costs.</li> <li>○ Digital forms and workflows: Developed for multiple service areas, both internal and customer facing.</li> <li>○ Civica Property Management: Procured and implemented new system.</li> <li>○ Cloud migration: Completed Pay360 income software and NEC document management migration.</li> <li>○ Translation Memory: Procured and implemented new software for translations.</li> </ul> </li> </ul>	On Track

		<ul style="list-style-type: none"> <li>○ Telephony system: Implemented council telephony, contact centre and Teams calling.</li> <li>○ Car parks webpage: Transformed from static PDF to interactive map integrated with payment app.</li> <li>○ Web analytics: Piloted and launched cookieless statistics for GDPR compliance and reliability.</li> <li>○ GIS Mapping upgrades: Integrated with HM Land Register and maintained Gold status for address and street data.</li> </ul>	
Develop the Chatbot interface to provide an improved customer experience	Digital, Performance and Modernisation	<ul style="list-style-type: none"> <li>● Improvements are being explored with the supplier, a proof of concept is being developed in an alternative technology platform in case the improvements can't be delivered.</li> </ul>	On Track
Review customer contact centres way of working and consider recommendations to improve customer experience.	Digital, Performance and Modernisation	<ul style="list-style-type: none"> <li>● Contractor completed a review of our Customer contact centres during September – October 2025.</li> <li>● The findings have been received and considered by the Project Steering Group who have agreed to prepare a proposal based on the recommendations from the review.</li> <li>● Input is required from the new HoS before the proposal is considered by the Corporate Management Team.</li> </ul>	On Track

## 2. The council must ensure that it meets the requirements of the new Procurement Act 2023

**Target Date** – March 2026

<b>Actions identified to address weaknesses</b>	<b>Lead Service(s)</b>	<b>Update</b>	<b>Status <sup>i</sup></b>
Implement agreed outstanding actions from the Procurement Improvement Plan	Resources	<ul style="list-style-type: none"> <li>● STAR continues to work with the Council on the action plan. The Council has succeeded in appointing a permanent Procurement Manager who will start in April and review the plan.</li> <li>● A new procurement handbook is available on Monitor for staff, to guide them through the procurement process in line with the requirements of the new Act.</li> </ul>	Behind Schedule

3. The financial resilience of the council is under pressure due to the cost-of-living crisis and a decrease in funding

Target Date – March 2026

Actions identified to address weaknesses	Lead Service(s)	Update	Status <sup>i</sup>
Maximise the grants available to the Council	Resources	<ul style="list-style-type: none"> <li>Work continues on bidding for available grants (especially capital). A protocol for authorizing bids for capital grants has been put in place. All grants and spending are monitored to ensure that no grant is lost because the Council has not complied with the grant conditions.</li> </ul>	Complete
Monitor and review the Medium-Term Financial Plan (MTFP)	Resources	<ul style="list-style-type: none"> <li>The Executive Committee adopted a new MTFP in September 2025 and this will be updated once the 26/27 budget is agreed.</li> </ul>	Complete
Identify savings for 2026/27 onwards	Resources	<ul style="list-style-type: none"> <li>£975k of savings has been identified as part of setting the 26/27 revenue budget, which is being reinvested into services.</li> </ul>	Complete
Review and streamline processes to improve efficiency and effectiveness of services and reduce the impact of reduced funding	Resources	<ul style="list-style-type: none"> <li>This is happening and ongoing in the services and reserve funds have been allocated to finance the costs of change. Several examples across the Council include investing in the telephone system, using the CRM, using Call Secure to receive payments over the phone, rolling out Chip &amp; Pin machines to collect income on beaches, and a transport review across the Council. Further examples can be provided by the Services.</li> </ul>	Complete

4. The council needs to manage and rationalise assets to ensure that they are needed, are fit for purpose and if not identify the work required to bring them up to standards

**Target Date** – March 2026

<b>Actions identified to address weaknesses</b>	<b>Lead Service(s)</b>	<b>Update</b>	<b>Status <sup>i</sup></b>
Review and publish a new small holding asset management strategy	Highways, Waste & Property	<ul style="list-style-type: none"> <li>Draft strategic plan will be presented to Scrutiny Committee 18/02/2026 and to The Executive for approval 27/02/2028</li> </ul>	On Track
Continue to implement the new Computer Aided Facilities Management System	Highways, Waste & Property	<ul style="list-style-type: none"> <li>System substantially implemented. Property Help Desk function fully operational. Additional functionality, such as Servicing and Inspecting and Utilities Modules being implemented. The system will continue to grow and become more functional as more information is collected and uploaded. It is foreseen that the system's functionality will continue to grow over a period of years. Discussions to potentially integrate the system with Civica Financials ongoing.</li> </ul>	On Track
Undertake rationalisation of council assets in line with Asset Management Strategic Plan 2024-29	Highways, Waste & Property	<ul style="list-style-type: none"> <li>Rationalisation work has not yet progressed to the implementation stage. As the information held within Civica Property Management system grows and improves, it may be possible to recommend rationalisation options.</li> </ul>	Behind Schedule

5. The council needs to respond to identified workforce planning challenges including its age profile in some services and recruitment and retention problems in others

**Target Date** – March 2026

Actions identified to address weaknesses	Lead Service(s)	Update	Status <sup>i</sup>
Review, revise and implement a recruitment drive for the Provider Unit	HR, Communications and Customer Experience	<ul style="list-style-type: none"> <li>• Forming a part of the Dyfodol Môn Scheme, the Denu Talent Programme (upto 10 weeks paid workplacement over the Summer months) has been implemented over to 2 consecutive years within the Provider Unit. This recruitment drive has successfully achieved its aim, attracting interest from Sixth form, College and University students.</li> <li>• In brief; <ul style="list-style-type: none"> <li>○ 12 young people from Anglesey have taken advantage of the Scheme so far</li> <li>○ 8 have secured employment with the Authority, ether on a full time or relief basis</li> <li>○ 1 other showing interest in the opportunity to qualify as a Social Worker in the future</li> <li>○ 4 have returned to education with a renewed image of the Council as a prospective employer and are inspired in terms of their future career aspirations and want to participate in the Programme again.</li> <li>○ The Learning and Development Team will continue to work closely with the Provider Unit and the wider Social Services Teams to continue this offer in 2026.</li> </ul> </li> </ul>	On Track
Services to reflect and work with HR on making every effort to 'grow your own' staff through training and development opportunities that enhance recruitment and retention	HR, Communications and Customer Experience	<ul style="list-style-type: none"> <li>• HR Team meets 3 times a year with Director/Heads of Service and Business Manager to discuss Workforce Planning, subsequently a report is shared with Leadership Team</li> </ul>	Complete

Actions identified to address weaknesses	Lead Service(s)	Update	Status <sup>i</sup>
Dyfodol Môn graduate scheme– continue with the programme in 25/26 - creating dynamic opportunities for ambitious graduates to develop specialist skills and start a career with the council.	HR, Communication and Customer Experience	<ul style="list-style-type: none"> <li>• 2025 saw the launch of the Dyfodol Môn Graduate offer.</li> <li>• Year 1 saw the successful recruitment of 4 talented graduates</li> <li>• x2 Accountancy Graduates, x1 Electrical Engineering Graduate and x1 Economic Development Graduate</li> <li>• Year 2 placement offers will be released in March 2026.</li> </ul>	On Track

#### 6. The council does not map all sources of assurance

Target Date - March 2026

Actions identified to address weaknesses	Lead Service(s)	Update	Status <sup>i</sup>
Complete a review of how best to review and monitor the 1st and 2nd lines of assurance	Chief Executive Office / Digital, Performance & Modernisation / Resources	<ul style="list-style-type: none"> <li>• A review of the Strategic Risk Register is ongoing.</li> <li>• Following the review, the newly established Governance Group will be reviewing the lines of assurance as part of its ongoing work with the Annual Governance Statement, Local Code of Governance and the Corporate Self-Assessment.</li> </ul>	Behind Schedule
Complete the assurance mapping exercise for the Council	Chief Executive Office / Digital, Performance & Modernisation / Resources	<ul style="list-style-type: none"> <li>• Mapping will be completed by the Governance Group once the Strategic Risk Register has been reviewed.</li> </ul>	Behind Schedule

<sup>i</sup> Green - Completed, Yellow - On Track, Amber - Behind Schedule, Red - Significantly behind schedule and requires management decision

ISLE OF ANGLESEY COUNTY COUNCIL	
<b>Report to</b>	Governance and Audit Committee
<b>Date</b>	3 February 2026
<b>Subject</b>	Annual Audit Summary 2025
<b>Head of Service</b>	Huw Ynyr Head of Digital, Performance and Modernisation
<b>Report Author</b>	Gwyndaf Parry Strategic Performance and Projects Manager
<p><b>Nature and Reason for Reporting</b></p> <p>The Governance and Audit Committee’s Terms of Reference states that (3.4.8.11.2) The Committee will consider the external auditor’s annual report, other relevant reports and the report to ‘those charged with governance’. Also (3.4.8.11.3) the Committee will oversee external audit arrangements, comment on the scope and depth of external audit work and ensure it gives value for money. It will consider external audit reports and will monitor their recommendations.</p>	

## 1.0 INTRODUCTION

- 1.1 The report sets out Audit Wales’ Annual Audit Summary for Isle of Anglesey County Council (the Council).
- 1.2 It summarises the main findings from 2025 audit work undertaken to fulfil Audit Wales’ responsibilities under the Public Audit (Wales) Act 2004 and the Well-Being of Future Generations (Wales) Act 2015.
- 1.3 Audit Wales received the draft accounts in line with the statutory deadline of 30 June 2025. The quality of the draft accounts and working papers was generally good.
- 1.4 The auditor General issued an unqualified opinion on the accounts in advance of the statutory deadline of 31 October There was one uncorrected misstatement in the accounts. There were no other significant issues to report.
- 1.5 Performance audit work found that the Council has positive arrangements for monitoring their reserves but needs to strengthen its commissioning arrangements to improve consistency.
- 1.6 Several recommendations were made to the Council during 2025, focusing on formalising and embedding commissioning arrangements to secure value for money, and strengthening the strategic management and review of financial reserves.

## 2.0 RECOMMENDATION

2.1 That the Governance and Audit Committee:

- Considers the report and receives assurance from its content.

# Isle of Anglesey County Council – Annual Audit Summary 2025

Date issued: January 2026



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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.

# Introduction



**Adrian Crompton**

Auditor General for  
Wales

I am pleased to share my Annual Audit Summary for Isle of Anglesey County Council (the Council). It summarises the main findings from my 2025 audit work undertaken to fulfil my responsibilities under the Public Audit (Wales) Act 2004 and the Well-Being of Future Generations (Wales) Act 2015.

I provided an opinion on whether the accounts were properly prepared and gave a true and fair view, in all material aspects.

My audit team has also assessed whether the Council has made proper arrangements for securing economy, efficiency and effectiveness

in its use of resources, and has acted in line with the sustainable development principle. In doing so, my audit team has reviewed the Council's Strategic Management of Balances and Reserves, and its Arrangements for Commissioning Services. As set out in my audit plan, these reviews have been carried out in line with the [International Organisation of Supreme Audit Institutions \(INTOSAI\) standards](#).

The detailed findings for each of my audits are set out in the respective reports which my audit team have presented throughout the year. The performance audit reports are available on the [Audit Wales website](#) and further links are available in the summary.

The Annual Audit Summary should be shared with those charged with governance. I will then make the summary available to the public on the [Audit Wales website](#).

I would like to extend my gratitude to the Council's officers for their help and cooperation throughout my audit.

## Your audit at a glance



I received the draft accounts in line with the statutory deadline of 30 June 2025. The quality of the draft accounts and working papers was generally good.



I issued an unqualified opinion on the accounts in advance of the statutory deadline of 31 October. There was one uncorrected misstatement in the accounts. There were no other significant issues to report.



My performance audit work found that the Council has positive arrangements for monitoring reserves but needs to strengthen its commissioning arrangements to improve consistency.



My audit team made several recommendations to the Council which focus on formalising and embedding commissioning arrangements to secure value for money, and strengthening the strategic management and review of financial reserves.



My audit team has completed the audit work as set out in my Audit Plans for 2024-25.

# Audit of accounts findings

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Preparing annual accounts is an essential part of demonstrating the stewardship of public money. The accounts show the organisation's financial performance and set out its net assets/reserves, total comprehensive income and expenditure, and cash flows. My annual audit of those accounts provides an opinion on whether the accounts were properly prepared and gave a true and fair view, in all material aspects.

My responsibilities in auditing the accounts are described in my [Statement of Responsibilities](#) publications, which are available on the [Audit Wales website](#).

The draft accounts were presented for audit on 30 June 2025. This was in line with the deadline of 30 June 2025 set by the Welsh Government. The quality of the draft accounts presented for audit was generally good.

## My audit opinion

I must report issues arising from my work to those charged with governance for consideration before I issue my audit opinion on the accounts. I reported these issues within my Audit of Accounts Report to the Governance and Audit Committee on 23 October 2025.

## Accuracy of preparation

A number of changes were made to the draft accounts arising from my audit work.

There was one uncorrected misstatement remaining in the audited accounts. This related to 32 assets that incorrectly held balances in both the Revaluation Reserve and the Capital Adjustment Account, which is not permitted under proper accounting practices. The error totalled £1.561 million, which is below our materiality threshold and therefore did not affect our ability to issue an unqualified true and fair opinion.

The Council did not amend the accounts during the audit due to the immaterial nature of the misstatement and the limited time available to review supporting records prior to the certification deadline. The Council is currently correcting its records and will adjust this error in its 2025-26 accounts.

There were no other significant issues to report.

Working paper timeliness improved in many areas this year, with several documents prepared in advance of the audit. However, some key working papers were still being finalised during the early weeks of the audit window. In particular, the Valuer's report was not received until mid-August 2025, and the IFRS 16 working papers were not available until mid-October 2025.

Both areas were classified as high-risk due to their complexity, and early audit testing is essential to ensure timely completion, especially where errors may require extended testing and follow-up work.

Whilst these delays did not prevent us from meeting this year's agreed deadline, the audit window will be shorter next year, and similar delays could present a risk to achieving the revised certification deadline of 30 September.

My work did not identify any material weaknesses in internal controls, but I made several recommendations which related to both IT and Financial controls. Progress against these recommendations will be monitored during next year's audit.

The Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements and with my knowledge of the Council.

I concluded that the Council's accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them.

## Audit completion

I issued the certificate confirming that the audit of accounts for 2024-25 was completed on 30 October 2025.

## Whole of Government Accounts

I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with the Council's financial position on 31 March 2025 and the return was prepared in accordance with the Treasury's instructions.

## Other accounts work still underway

In addition to my responsibilities for auditing the Council's accounts, I also have responsibility for the certification of several grant claims and returns.

Our audit work in relation to National Non-Domestic Rates and the Teacher's Pension subsidy have not identified any significant issues. However, we are continuing to address a backlog of Housing Benefit work arising from historic issues, and errors continue to be identified through our testing.

At the time of reporting, the audit of the 2023-24 Housing Benefit Subsidy claim is substantially complete, and audit work on the 2024-25 claim is ongoing.

# Performance audit findings

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## Commissioning Arrangements

My team looked at how the Council's arrangements for commissioning services consider value for money and apply the sustainable development principle. This was a thematic audit carried out at all 22 local authorities.

The audit criteria emphasised that applying commissioning arrangements consistently at a corporate level can strengthen assurance that the Council is securing value for money. The Council was able to demonstrate where some services had applied these criteria, for instance, undertaking a thorough options appraisal for a large long-term commission. However, I found that this was not a consistent corporate approach, as we noted variation across the examples we examined.

I made two recommendations focused on establishing and embedding consistent corporate commissioning arrangements that can be applied proportionately to the scale and significance of the commissioned service.

## Strategic Management of Balances and Reserves

My team looked at how the Council manages its reserves. It focused on governance, risk management, financial reporting, and how reserves are used strategically to make sure public money is well managed to support long-term stability.

I found that the Council effectively manages and reviews reserves regularly but would benefit from establishing formal protocols for their use and replenishment. Clearer criteria on establishing and holding reserves and forward planning their maintenance would improve long-term financial resilience.

I made one recommendation focused on formalising how the Council establishes and uses its reserves.

# Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use three lines of assurance to show how we achieve this. We have set up an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by the Institute of Chartered Accountants in England and Wales and our Chair of the Board, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2024](#).



## Our People

- Selection of right team
- Use of specialists
- Supervisions and review



## Arrangements for achieving audit quality

### Selection of right team

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support



## Independent assurance

- EQRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

## Further information

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Audit Wales has a range of other information to support the scrutiny of Welsh public bodies and to continue to improve the services provided to the people of Wales.

Visit our [website](#) to find:



Our [publications](#) which cover our audit work at public bodies.



Information on our upcoming work and forward work programme for [performance audit](#).



[Data tools](#) to help you better understand public spending trends.



Details of our [Good Practice](#) work and events including the sharing of emerging practice and insights from our audit work.



Our [newsletter](#) which provides you with regular updates on our public service audit work, good practice, and events.



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We welcome correspondence and telephone calls in Welsh and English.

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



ISLE OF ANGLESEY COUNTY COUNCIL	
<b>Report to</b>	Governance and Audit Committee
<b>Date</b>	3 February 2026
<b>Subject</b>	Review of Forward Work Programme for 2025-26 v6
<b>Head of Service</b>	Marc Jones Director of Function (Resources) and Section 151 Officer <a href="mailto:MarcJones@anglesey.gov.wales">MarcJones@anglesey.gov.wales</a>
<b>Report Author</b>	Marion Pryor Head of Audit and Risk <a href="mailto:MarionPryor@anglesey.gov.wales">MarionPryor@anglesey.gov.wales</a>
<b>Nature and Reason for Reporting</b> A Forward Work Programme for 2025-26 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 development 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.

## 2.0 RECOMMENDATION

- 2.1 That the Governance and Audit Committee:
  - considers whether the Forward Work Programme proposed for 2025-26 meets the Committee's responsibilities in accordance with its terms of reference.

## Appendix A – Forward Work Programme 2025-26 v6

Core Function	26 June 2025	16 July 2025	30 September 2025	23 October 2025 <sup>1</sup>	4 December 2025	3 February 2026	14 May 2026 (draft)
Composition and arrangements (3.4.8.2)							Annual Review of Committee's Terms of Reference (3.4.8.2.1)  Private meeting with internal and external audit without officers present (3.4.8.2.6) (3.4.8.10.15) (3.4.8.11.5)
Accountability arrangements (3.4.8.3)	Action Log  Review of Forward Work Programme 2025-26 v2 (3.4.8.3.2)  Annual Chair's Report 2024-25 (3.4.8.3.1/2)	Action Log  Review of Forward Work Programme 2025-26 v3 (3.4.8.3.2)	Action Log  Review of Forward Work Programme 2025-26 v4 (3.4.8.3.2)		Action Log  Review of Forward Work Programme 2025-26 v5 (3.4.8.3.2)	Action Log  Review of Forward Work Programme 2025-26 v6 (3.4.8.3.2)	Action Log  Review of Forward Work Programme 2026-27 (3.4.8.3.2)
Governance (3.4.8.4)	Annual Scrutiny Report 2024-25 (3.4.8.4.4)	Draft Annual Governance Statement 2024-25 (3.4.8.4.1/2/3) (3.4.8.6.1/2/3) (3.4.8.8.2)		Final Annual Governance Statement 2024-25 (3.4.8.4.1/2/3) (3.4.8.6.1/2/3) (3.4.8.8.2)		<b>Update on progress against the governance matters identified through the</b>	

<sup>1</sup> Special meeting

Core Function	26 June 2025	16 July 2025	30 September 2025	23 October 2025 <sup>1</sup>	4 December 2025	3 February 2026	14 May 2026 (draft)
						<b>Annual Governance Statement 2024-25 (3.4.8.4.2)</b>	
Treasury Management (3.4.8.5)		Annual Report 2024-25 (3.4.8.5.1/2/3/4)	<del>Annual Report 2024-25 (3.4.8.5.1/2/3/4)</del>		Mid-year Report (3.4.8.5.3)	Strategy and Prudential Indicators 2026-27 (3.4.8.5.1/3/4)	
Value for money (3.4.8.6)	<i>Annual Internal Audit Report 2024-25 (3.4.8.10.6/7/8/9/12/14/15) (3.4.8.6.3)</i>	<i>Draft Annual Governance Statement 2024-25 (3.4.8.4.1/2/3) (3.4.8.6.1/2/3)</i>  <i>Draft Statement of Accounts 2024-25 (3.4.8.12.1/2) (3.4.8.6.1/2/3)</i>		<i>Final Annual Governance Statement 2024-25 (3.4.8.4.1/2/3) (3.4.8.6.1/2/3)</i>  <i>Final Statement of Accounts 2024-25 (3.4.8.12.1/2) (3.4.8.6.1/2/3)</i>  <i>Audit of Accounts Report (3.4.8.11.2/3) (3.4.8.6.3)</i>		<i>Annual Audit Summary 2025 (3.4.8.11.2/3) (3.4.8.6.3)</i>	
Assurance Framework (3.4.8.7)		<del>Annual Information Governance (SIRO) Report 2024-25 (3.4.8.7.1/2/3)</del>	Annual Health & Safety Report 2024-25 (3.4.8.7.1/2/3)  Annual ICT Security Report 2024-25 (3.4.8.7.1/2/3)		<del>Annual Information Governance in Schools Report 2024-25 (3.4.8.7.1/2/3)</del>  Annual ICT Security Report 2024-25 (3.4.8.7.1/2/3)	<b>Annual Information Governance in Schools Report 2024-25 (3.4.8.7.1/2/3)</b>	

Core Function	26 June 2025	16 July 2025	30 September 2025	23 October 2025 <sup>1</sup>	4 December 2025	3 February 2026	14 May 2026 (draft)
					Annual Information Governance (SIRO) Report 2024-25 (3.4.8.7.1/2/3)		
Risk Management (3.4.8.8)			Annual Review of Risk Management Framework (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)  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)	
Countering Fraud and Corruption (3.4.8.9)		<i>Annual Concerns, Complaints &amp; Whistleblowing Report 2024-25</i> (3.4.8.9.1) (3.4.8.14.2)	Annual Counter Fraud, Bribery and Corruption Report 2024-25 (3.4.8.9.4/5/6)  National Fraud Initiative 2024-26 Outcomes - Progress Report (3.4.8.9.6)  <i>Annual Concerns, Complaints &amp; Whistleblowing</i>		<i>Audit Wales Briefing Note: National Fraud Initiative 2024-25 - update for Isle of Anglesey County Council</i> (3.4.8.9.6) (3.4.8.11.1/2/3)		

Core Function	26 June 2025	16 July 2025	30 September 2025	23 October 2025 <sup>1</sup>	4 December 2025	3 February 2026	14 May 2026 (draft)
			Report 2024-25 (3.4.8.9.1) (3.4.8.14.2)				
Internal Audit (3.4.8.10)	Annual Internal Audit Report 2024-25 (3.4.8.10.5/6/7/8/11/14/15) (3.4.8.6.3)  Internal Assessment of Conformance with the Public Sector Internal Audit Standards 2024-25 (3.4.8.10.1/8/11/13)  Internal Audit Strategy and Annual Plan 2025-26 (3.4.8.10.1/2/4/5)  Review of Internal Audit Charter (3.4.8.10.2/12)	Internal Audit Update Report (3.4.8.10.9/10) (3.4.8.6.3)  Gap analysis of conformance with the Global Internal Audit Standards in the UK Public Sector (3.4.8.10.1/2/8/11/13)	Internal Audit Update Report (3.4.8.10.9/10) (3.4.8.6.3)  Outstanding Issues / Risks / Opportunities (3.4.8.10.9/10)		Internal Audit Update Report (3.4.8.10.9/10) (3.4.8.6.3)	Internal Audit Update Report (3.4.8.10.9/10) (3.4.8.6.3)	Internal Audit Update Report (3.4.8.10.9/10) (3.4.8.6.3)  Outstanding Issues / Risks / Opportunities (3.4.8.10.11)
External Audit (3.4.8.11)	Annual Audit Plan 2025 (3.4.8.11.1/3)		Work Programme and Timetable -	Audit of Accounts Report (3.4.8.11.2/3) (3.4.8.6.3)	<del>Work Programme and Timetable -</del>	Work Programme and Timetable -	Work Programme and Timetable -

Core Function	26 June 2025	16 July 2025	30 September 2025	23 October 2025 <sup>1</sup>	4 December 2025	3 February 2026	14 May 2026 (draft)
			Quarterly Update (Q1 2025) (3.4.8.11.2/3)	(3.4.8.12.4)	<del>Quarterly Update (Q2 2025)</del> (3.4.8.11.2/3)  Arrangements for commissioning services (3.4.8.11.1/2/3)  Management of balances and reserves (3.4.8.11.1/2/3)  Audit Wales Briefing Note: National Fraud Initiative 2024-25 – update for Isle of Anglesey County Council (3.4.8.9.6) (3.4.8.11.1/2/3)	Quarterly Update (Q3 2025) (3.4.8.11.2/3)  Annual Audit Summary 2025 (3.4.8.11.1/2/3) (3.4.8.6.3)	Quarterly Update (Q4 2025) (3.4.8.11.2/3)
Financial Reporting (3.4.8.12)		Draft Statement of Accounts 2024-25 (3.4.8.12.1/2/3/5) (3.4.8.6.1/2/3)		Final Statement of Accounts 2024-25 (3.4.8.12.1/2/3/5) (3.4.8.6.1/2/3)			
Other regulators and inspectors (3.4.8.13)					National Reviews and their Related Recommendation (3.4.8.11.3) (3.4.8.13.1)		

Core Function	26 June 2025	16 July 2025	30 September 2025	23 October 2025 <sup>1</sup>	4 December 2025	3 February 2026	14 May 2026 (draft)
Complaints Handling (3.4.8.14)		Annual Concerns, Complaints & Whistleblowing Report 2024-25 (3.4.8.14.1/2)	Annual Letter of the Public Services Ombudsman for Wales 2024-25 (3.4.8.14.1)  Annual Concerns, Complaints & Whistleblowing Report 2024-25 (3.4.8.14.1/2)		Annual Letter of the Public Services Ombudsman for Wales 2024-25 (3.4.8.14.1)  Annual Concerns, Complaints & Whistleblowing Report 2024-25 (3.4.8.14.1/2)		
Self-assessment (3.4.8.15)		Review of the Draft Annual Corporate Self-assessment report 2024-25 (3.4.8.15.1/2/3)	Review of the Draft Annual Self-assessment report 2024-25 (3.4.8.15.1/2/3)	Annual Self-assessment, Performance and Wellbeing report 2024-25 (3.4.8.15.1/2/3)			
Panel Performance Assessment (3.4.8.16) <sup>2</sup>		Themes for the Panel Performance Assessment to consider (3.4.8.16.1)				<b>Panel Assessment Report</b> (3.4.8.16.1/2/3)	<b>Panel Assessment Report</b> (3.4.8.16.1/2/3)
Auditor General Special Inspection (3.4.8.17) <sup>3</sup>							

<sup>2</sup> 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.

<sup>3</sup> If the Auditor General carries out a special inspection (as it considers the Council is not, or may not, be meeting its performance requirements, and a report is sent to Council, as soon as reasonably practicable after receiving such report, the Council must make it available to the Governance and Audit Committee.

## Appendix B – Development Programme (3.4.8.2.10)

### Committee-specific training

Area	Date last provided	Medium	Provider	Date provided / scheduled
Introduction to Artificial Intelligence and Risk Mitigation	Not applicable	Briefing session	Mathew Henshaw, Chief Digital Officer	11/02/2025
Understanding Local Authority Accounts for Councillors	June 2023 August 2023			
Treasury Management (3.4.8.5.2)	September 2023	Briefing session	To be confirmed	February 2026
Effective Chairing Skills	October 2023			
Countering Fraud and Corruption	December 2023			
Risk Management	March 2024	Briefing session	Zurich Resilience Solutions	04/12/2025

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### Mandatory training

Area	Medium	Provider	Date Provided / Scheduled
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

## Committee-specific briefings

Title	Area	Medium	Provider	Date Provided
Audit Committee Update – Issue 40: New Internal Audit Standards	Forthcoming <a href="#">changes</a> to the internal audit standards and how that will impact on audit committee members.	Briefing note	CIPFA	24/12/24
CIPFA Better Governance Newsletter	Information for audit committees regarding the publication of the CIPFA Code of Practice to support authorities in establishing and maintaining their internal audit arrangements, along with information about the consultation on the Addendum to the 2016 Governance Framework covering the annual review of governance and the annual governance statement.	Newsletter	CIPFA	07/02/25
Audit Committees: effective practices and a positive impact pocket guide	Audit Wales has published a <a href="#">pocket guide</a> which summarises effective practices for audit committees.	Pocket guide	Audit Wales	25/02/25
Audit Committee Update – Issue 42: Governance of Internal Audit	The new <a href="#">Code of Practice</a> on the Governance of Internal Audit that comes into effect from 1 April 2025.	Briefing note	CIPFA	17/04/25
CIPFA Public Finance Article – AI adoption ‘could save English and Welsh councils £8bn a year’	<a href="#">Article</a> which estimates that local authorities in England and Wales could save £8bn annually by integrating artificial intelligence into their operations.	Professional magazine article	CIPFA	15/05/25
CIPFA / Solace Delivering Good Governance in Local Government: Publication of Addendum	Publication of new <a href="#">guidance</a> on the annual review of governance and internal controls and the preparation of the annual governance statement (AGS) that comes into effect for the 2025-26 financial year.	Publication	CIPFA	20/05/25
CIPFA Public Finance Article – Tech rules: the importance of having an AI policy	<a href="#">Article</a> on the importance of organisations having an Artificial Intelligence (AI) policy.	Professional magazine article	CIPFA	15/07/25
North Wales Corporate Joint Committee - FAQs	Information about the role of the North Wales Corporate Joint Committee (NWCJC) and the Governance and Audit Committee sub-committee.	Frequently asked questions	NWCJC	02/12/25

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