Pecyn Dogfennau Cyhoeddus

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Am unrhyw ymholiad yn ymwneud â'r agenda hwn cysylltwch â Emma Sullivan
(Rhif Ffôn: 01443 864420 Ebost: sullie@caerphilly.gov.uk)

Dyddiad: Dydd Gwener, 17 Chwefror 2023

Bydd y cyfarfod hwn yn cael ei ffrydio'n fyw ac yn cael ei recordio a bydd ar gael i'w weld ar wefan y Cyngor, ac eithrio trafodaethau sy'n ymwneud ag eitemau cyfrinachol neu eithriedig. Felly, bydd delweddau/sain yr unigolion sy'n siarad ar gael yn gyhoeddus i bawb trwy'r recordiad ar wefan y Cyngor: www.caerffili.gov.uk

Mae croeso i chi ddefnyddio'r Gymraeg yn y cyfarfod, mae angen o leiaf 3 diwrnod gwaith o rybudd os byddwch chi'n dymuno gwneud hynny. Bydd gwasanaeth cyfieithu ar y pryd yn cael ei ddarparu ar gais.

I bwy bynnag a fynno wybod,

Bydd cyfarfod y **Cyngor** yn cael ei gynnal yn y Siambr, Tŷ Penallta a thrwy Microsoft Teams ar **Dydd Iau, 23ain Chwefror, 2023** am **5.00 pm** i ystyried materion a gynhwysir yn yr agenda canlynol. Gall aelodau'r Cyhoedd neu'r Wasg fynychu'n bersonol yn Nhŷ Penallta neu gallant weld y cyfarfod yn fyw drwy'r ddolen ganlynol: https://civico.net/caerphilly

Yr eiddoch yn gywir,

Christina Harrhy
PRIF WEITHREDWR

A G E N D A

Tudalennau

1 I dderbyn ymddiheuriadau am absenoldeb

2 Datganiadau o Ddiddordeb.

Atgoffi'r Cynghorwyr a Swyddogion o'u cyfrifoldeb personol i ddatgan unrhyw fuddiannau personol a/neu niweidiol mewn perthynas ag unrhyw eitem o fusnes ar yr agenda hwn yn unol â Deddf Llywodraeth Leol 2000, Cyfansoddiad y Cyngor a'r Cod Ymddygiad ar gyfer Cynghorwyr a Swyddogion.

I dderbyn ac ystyried yr adroddiad(au) canlynol:-

Cylchrediad:
Pob Aelod a Swyddog Priodol

SUT FYDDWN YN DEFNYDDIO EICH GWYBODAETH

Bydd yr unigolion hynny sy'n mynychu cyfarfodydd pwyllgor i siarad/roi tystiolaeth yn cael eu henwi yng nghofnodion y cyfarfod hynny, weithiau bydd hyn yn cynnwys eu man gweithio neu fusnes a'r barnau a fynegir. Bydd cofnodion o'r cyfarfod gan gynnwys manylion y siaradwyr ar gael i'r cyhoedd ar wefan y Cyngor ar www.caerffili.gov.uk. ac eithrio am drafodaethau sy'n ymwneud ag eitemau cyfrinachol neu eithriedig.

Mae gennych nifer o hawliau mewn perthynas â'r wybodaeth, gan gynnwys yr hawl i gael mynediad at wybodaeth sydd gennym amdanoch a'r hawl i gwyno os ydych yn anhapus gyda'r modd y mae eich gwybodaeth yn cael ei brosesu.

Am wybodaeth bellach ar sut rydym yn prosesu eich gwybodaeth a'ch hawliau, ewch i'r Hysbysiad Preifatrwydd Cyfarfodydd Pwyllgor Llawn ar ein gwefan neu cysylltwch â Gwasanaethau Cyfreithiol drwy e-bostio griffd2@caerffili.gov.uk neu ffoniwch 01443 863028.

CAERPHILLY COUNTY BOROUGH COUNCIL
CYNGOR BWRDEISTREF SIROL CAERFFILI

SPECIAL COUNCIL – 23RD FEBRUARY 2023

SUBJECT: **CAPITAL STRATEGY REPORT 2023/2024**

REPORT BY: **CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

1. PURPOSE OF REPORT

1.1 To submit for approval the Authority's Capital Strategy report for the 2023/24 financial year in accordance with the Prudential Code that was introduced by the Local Government Act 2003.

1.2 The report cross-references to the report by the Chief Executive on Revenue and Capital Budgets ["the budget report"]; and the Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy Report for 2023/2024.

2. SUMMARY

2.1 The Capital Strategy outlines the principles and framework at the very high level that shape the Authority's capital investment proposals. The principal aim is to deliver an affordable programme of capital consistent with the financial strategy that contributes to the achievement of the Council's priorities and objectives as set out in the Authority's Corporate Plan; consider associated risks; recognise financial constraints over the longer term; and represent value for money.

2.2 The Strategy defines at the highest level how the capital programme decision making identifies the issues and options that influence capital spending and sets out how the resources and capital programme will be managed. In addition, the Capital Strategy should comply with the Prudential Code for local authority capital investment introduced through the Local Government Act 2003. The key objectives of the Code are to ensure that capital investment plans are affordable, prudent, and sustainable.

2.3 The Capital Strategy sets out the framework for capital investment decisions. The strategy for funding this investment is underpinned by the Prudential Code for Local Authority investment, which was introduced by The Local Government Act 2003. The Prudential Code has the following key objectives:

- That capital investment plans are affordable, prudent, and sustainable;
- That treasury management decisions are taken in accordance with good professional practice;
- That local strategic planning, asset management and proper option appraisal are supported.

3. RECOMMENDATIONS

3.1 That the annual Capital Strategy Report be approved.

4. REASONS FOR THE RECOMMENDATIONS

4.1 The Annual Capital Strategy report is a requirement of the CIPFA's Prudential Code.

4.2 The Prudential Code was first introduced through the Local Government Act 2003. Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003.

5. THE REPORT

5.1 Corporate Priorities

5.1.1 Underlying the capital strategy is the recognition that the financial resources available to meet corporate and departmental priorities are constrained in the current economic climate. Therefore, the Authority must rely more on internal resources and seek ways in which investment decisions can be no less than self-sustaining or generate positive returns both in terms of meeting corporate objectives and producing revenue savings.

5.1.2 The Authority's corporate priorities and well-being objectives are set out in its Corporate Plan, which is published on the Council's website:

Link to Corporate Plan

5.2 Capital Expenditure and Financing

5.2.1 Capital expenditure is defined as costs incurred by the Authority in acquiring new property, plant, and equipment (PPE) that will be used for more than one year; or costs incurred by enhancing the existing PPE asset base. Capital expenditure can also be incurred in instances where the asset is owned by a third party, but the Authority has provided the third party with a loan or grant. In such instances the expenditure is recorded as if incurred directly by the Authority.

5.2.2 In accordance with accounting definitions, expenditure can be capitalised when it relates to:

- The acquisition or creation of a new fixed asset - capitalisation will depend on the creation of rights to future economic benefits controlled by the Authority;

- The enhancement of an existing fixed asset - capitalisation will depend on the works substantially increasing the value of the asset, extending its useful life, or increasing its use in service provision.

5.2.3 The Authority has a de-minimus limit for capital expenditure of £10,000. Capital expenditure that is below this de-minimus limit, irrespective of meeting the definition set out in paragraph 5.2.2, is charged to a revenue budget with the exception being the purchase of vehicles which are always capitalised.

5.2.4 The Authority's core capital programme is approved by Council annually as part of the Budget Report and is funded from the General Capital Grant and Supported Borrowing Approvals. Both of these funding streams are confirmed annually by Welsh government as part of the Local Government Finance Settlement.

5.2.5 The Authority's three year core capital programme from 2023/24 is summarised below:

	2023/24 budget	**2024/25 budget**	**2025/26 budget**
	£000s	£000s	£000s
Council Fund	11,636	9,668	9,599
Housing Revenue Account	64,865	54,519	19,568
TOTAL	**76,501**	**64,187**	**29,167**

Table 1: Prudential Indicator: Estimates of Capital Expenditure

5.2.6 Further details of the 2023/24 – 2025/26 core capital programme and the funding of the programme can be found in the Budget Report.

5.2.7 In addition to the core capital budget that is approved by Full Council, the Authority's capital programme is also funded from slippage (previous years unspent capital budget that is carried forward); external grants and contributions; section 106 funding; and virement of revenue budgets (revenue contribution to capital outlay {RCCO}).

5.2.8 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not get subsidised, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded and funded separately and includes building 400 affordable homes over the next 5 years, and the implementation of the Post Asset Management Programme which is designed to maintain the Council Housing Stock to the WHQS standard over the next 30 years.

5.2.9 The HRA Budget is an indicative figure and the final budget will be as per the HRA Business Plan 23/24 which will be approved by full Council prior to the 31st March 2023.

5.2.10 **Governance:** the core capital budget is approved annually by Full Council as part of the revenue budget setting process. All other capital projects / capital works that do not form part of the core capital programme will require a cabinet report prior to commencement of the capital scheme. Capital projects / works that require to be funded by prudential borrowing will need a decision by full Council. The Cabinet report will need to include the following:

- A link to Corporate Priorities and how the capital project would seek to fulfil such priorities.
- Full option appraisal of the project to demonstrate value for money;
- That capital investment plans are affordable, prudent and sustainable;
- Where prudential borrowing is considered that treasury management decisions are taken in accordance with good professional practice;
- That local strategic planning and asset management plans are supported.

5.2.11 All capital expenditure must be financed, either from external sources (government grants and other contributions); the Authority's own resources (revenue contribution, reserves and capital receipts); or debt (borrowing {supported and unsupported}; leasing; and Private Finance Initiative).

5.2.12 Debt (including leases) is a source of finance that can be used to fund a capital scheme. However, debt is repayable over time. The Authority sets aside a Minimum Revenue Provision (MRP) every year for the repayment of existing debt. MRP forms part of the debt management budget and is monitored by Corporate Finance. As part of the annual Treasury Management Strategy, which is approved by Full Council in February (along with the Revenue Budget and the Capital Programme), a MRP statement is presented as an appendix to the Strategy annually, and sets out the MRP Policy that is to be adopted by the Authority at the start of the new financial year. The full MRP statement is set out in Appendix 8 of the Treasury Management Annual Strategy.

5.2.13 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The Authority's estimated CFR is set out in Appendix 6 of the Treasury Management Annual Strategy.

5.3 Asset management

5.3.1 Asset management is about using assets (property, plant & equipment) to deliver value and achieve the organisation's business objectives. To ensure that capital assets continue to be of long-term use, the Authority has an asset management strategy in place.

5.3.2 The Authority's asset management strategy can be found on its website:

Link to Asset Management Strategy

5.3.3 As at 31st March 2022 the Authority's fixed assets (property, plant, and equipment) had a net book value of £1.241bn. The net book valuation is an accounting valuation, which does not translate to market value. Further details can be found in Note 24 to the Authority's 2021/22 Statement of Accounts:

Link to Statement of Accounts

5.3.4 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on acquiring new assets; enhancing the existing asset base; or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts.

5.4 Treasury Management

5.4.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) defines treasury management as "The management of the organisation'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".

5.4.2 Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. Investment balances tend to be high at the start of the financial year as revenue income is received before it is spent but reduce in the long-term as capital expenditure is incurred before being financed.

5.4.3 Due to decisions taken in the past, the Authority currently has £310.2m nominal debt outstanding as at 31 March 2022, at an average interest rate of 4.36% and £195.9m nominal treasury investments at an average income rate of return of 1.12%.

5.4.4 The Annual Treasury Management Strategy is approved by Full Council every February and sets out the Authority's Borrowing Strategy; Investment Strategy; and respective prudential indicators.

5.5 Investments for Service Purposes

5.5.1 The Authority provides capital grants to local businesses and the voluntary sector for the purpose of economic regeneration (Caerphilly Enterprise Fund – 2022/23 core capital budget of £50k). Such grants are awarded on application and criteria basis.

5.5.2 **Governance:** Decisions to award local businesses and the voluntary sector capital grants are undertaken by the relevant service manager in consultation with the Head of Service. The Caerphilly Enterprise Fund grant applications are assessed by the Business Enterprise Renewal Team, the Cabinet Member for Prosperity, Regeneration & Climate Change, and a Grant Officer from Finance. The final decision to award is undertaken by the Head of Regeneration and Planning. In either case the award decision is posted on the intranet.

5.5.3 The decision to make a loan or to purchase share capital will be referred to the Head of Financial Services and S151 Officer, who will in turn make a recommendation to Cabinet and Full Council once an appraisal exercise has been undertaken. The decision to award will need to be funded from the capital programme and will be subject to a robust business case in the first instance.

5.6 Commercial Activities

5.6.1 A number of local authorities in England are investing in commercial property, in order to generate enhanced treasury returns above the rate of inflation. The returns generated from this type of investment are supporting revenue budgets in an environment when central government revenue support funding in real terms has been declining year on year.

5.6.2 In the event of the Authority purchasing a commercial investment, the Authority may seek to finance the purchase through borrowing (for debt to yield purchases the Authority will not be able to borrow from the PWLB). In any such case arising the Authority will prepare a detailed report for Council that includes a full option appraisal and risk assessment of the investment. The report will highlight the rationale for the commercial investment.

5.6.3 With financial return being the main objective, the Authority would accept higher risk on a commercial investment than with treasury investments. The principal risk exposures include a decline in the property market; volatility in the capital value of property; capital being tied up in the medium/long-term horizon and active management of properties when purchased directly.

5.6.4 In recognition of the risks stipulated in the above paragraph, the Authority will adopt a policy whereas any surplus generated over and above the amount required to support the base budget and frontline services will be ringfenced in an earmarked reserve to offset any fall in capital values or capital income; or fund any other associated cost. Periodic reviews will take place at least once a year to review this policy. The Head of Financial Services and S151 Officer would recommend changes to the policy, if appropriate, at any time by way of a report to Cabinet.

5.6.5 **Governance:** Treasury management decisions on commercial investments are made in accordance with the approved Treasury management Strategy. Non treasury investments will be referred to the Head of Financial Services and S151 Officer and the Corporate Management Team to consider with further referral to Cabinet and Full Council for the final decision. Monitoring of the commercial investments (treasury management related) will be included within the treasury management monitoring reports (or other Council reports) that are presented to the Policy and Resources Committee. Non-treasury management commercial investments will be reported separately by the Head of Financial Services and S151 Officer.

5.6.6 The Authority will seek expert independent and external advice whenever a commercial investment opportunity arises prior to investing. Legal advice will also be sought from within the Authority, and where necessary externally.

5.7 Revenue Budget Implications

5.7.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP repayments are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

5.7.2 Further details on the revenue implications of capital expenditure are set out in Appendix 6 of the Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy report for 2023/2024.

5.7.3 **Sustainability**: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years.

5.8 Knowledge and Skills

5.8.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

5.8.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.

5.8.3 The Council will employ, where necessary, consultants and other professional experts to advise upon technical issues relating to non-treasury management commercial investments.

5.8.4 **Training:** Key relevant staff will undertake training as and when opportunities arise or whenever there are changes in regulations. The contract for Treasury Consultancy Services includes requirements for Member and Officer training to be provided during any year. Officers will look to schedule treasury management training for Members for Spring 2023. Further Member training will be undertaken as and when required.

6. ASSUMPTIONS

6.1 The details set out in the report are based on information collected from Heads of Service for the delivery of capital works.

6.2 It has been assumed that the Authority will fund a proportion of its capital programme through supported borrowing.

6.3 It has been assumed that the HRA's borrowing needs are based on the current Business Plan at the time of writing this report.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1 The Capital Strategy report is a requirement of the CIPFA's Prudential code and provides a high-level framework in which the Council can operate. This does not impact on any individuals or any protected characteristic groups as defined in the Council's Strategic Equality Plan 2020-2024 and as a result an Integrated Impact Assessment is not required.

8. FINANCIAL IMPLICATIONS

8.1 There are no financial implications arising from this report.

9. PERSONNEL IMPLICATIONS

9.1 There are no personnel implications.

10. CONSULTATION

10.1 The report was presented to the Policy and Resources Scrutiny Committee on 23 January 2023 for consideration. The Scrutiny Committee made the following comments: -

- A Member sought clarification on spending, and the measures that had been taken to ensure the capital programme was completed on schedule. Members were advised that regular budget monitoring meetings are held with Heads of Service to review expenditure against capital budgets. Members were also informed that in future, capital budget monitoring reports would cover a 3-year period, which would be more informative for members.

- A Member also sought clarification on the purchase of council vehicles, and members were advised that the purchase of vehicles is capital expenditure, and the leasing of vehicles is revenue expenditure.

- A Member queried whether there were any future plans for commercial activities by the Council. Members were advised that a Commercial Manager had recently been appointed and there were plans for commercial activities.

- Having considered the content of the report, the Policy and Resources Scrutiny Committee noted the report prior to Council approval.

10.2 No external consultation is required for the purposes of the report. However, advice has been sought from the Authority's current Treasury Management Advisor (Arlingclose).

11. STATUTORY POWER

11.1 Local Government Act 1972

Author: Rhiann Williams – Group Accountant -Treasury Management and Capital

Consultees: Policy and Resources Scrutiny Committee
Stephen Harris – Head of Financial Services and S151 Officer
Christina Harry – Chief Executive
Andrew Southcombe – Finance Manager, Corporate Finance
Robert Tranter- Head of Legal Services and Monitoring Officer
Cllr E. Stenner – Cabinet Member for Finance and Performance

Gadewir y dudalen hon yn wag yn fwriadol

SPECIAL COUNCIL - 23RD FEBRUARY 2023

SUBJECT: **TREASURY MANAGEMENT ANNUAL STRATEGY, CAPITAL FINANCE PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY FOR 2023/2024**

REPORT BY: **CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

1. PURPOSE OF REPORT

1.1 To submit for approval the Authority's Annual Strategy for Treasury Management.

1.2 To submit for approval a dataset of Prudential Indicators relevant to Treasury Management and Capital Finance. The report also cross-references to the report by the Chief Executive on Revenue and Capital Budgets ["the budget report"] also considered in this meeting.

1.3 To seek approval of the Minimum Revenue Provision (MRP) policy to be adopted by the Authority for 2023/2024.

2. SUMMARY

2.1 The revised (2021) "Code of Practice for Treasury Management in the Public Services" provides that an Annual Strategy be submitted to Members on or before the start of a financial year to outline the activities planned within the parameters of the Treasury Management Policy Statement and the Treasury Management Practices.

2.2 The Local Government Act 2003 (the '2003 Act') also requires the Authority to set out its Treasury Management Strategy for borrowing for the forthcoming year and to prepare an Annual Investment Strategy, which sets out the policies for managing its investments, giving priority to the security and liquidity of those investments.

2.3 Under Section 15 of the '2003 Act', the Welsh Government (WG) issued guidance on local government investments which is incorporated within the report. Definitions of Local Government investments are given in ***Appendix 1***.

2.4 Under the provisions of the Local Government Act 2003, The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 and subsequent amendments [The Capital Regulations], and the CIPFA's "The Prudential Code for Capital Finance in Local Authorities" [the Code], the Authority is obliged to approve and publish a number of indicators relevant to Capital Finance and Treasury Management.

2.5 With effect from 1st April 2008, WG introduced the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 [the "Amendment Regulations"] which requires the Authority to prepare an Annual Minimum Revenue Provision Policy Statement. This report sets out what the Authority needs to do in order to comply with this requirement.

3. RECOMMENDATIONS

3.1 That the Annual Strategy for Treasury Management 2023/24 be approved.

3.2 That the strategy be reviewed quarterly within the Treasury Management monitoring reports presented to Policy & Resources Scrutiny Committee and any changes recommended be referred to Cabinet, in the first instance, and to Council for a decision. The Authority will also prepare a half-yearly report on Treasury Management activities

3.3 That the Prudential Indicators for Treasury Management be approved as per Appendix 5.

3.4 That the Prudential Indicators for Capital Financing be approved as per Appendices 6 & 7.

3.5 That Members adopt the MRP policy as set out in Appendix 8.

3.6 The continuation of the 2022/23 investment strategy and the lending to financial institutions and Corporates in accordance with the minimum credit rating criteria disclosed within this report.

3.7 That the Authority has approval to borrow £46.8m for the General Fund to support the 2023/24 capital programme and £45.0m for the HRA WHQS and Affordable Homes programme.

3.8 That the Authority continues to adopt the investment grade scale as a minimum credit rating criterion to assess the credit worthiness of suitable counterparties when placing investments.

3.9 That the Authority adopts the monetary and investment duration limits as set in Appendix 3 of the report.

4. REASONS FOR THE RECOMMENDATIONS

4.1 The Annual Strategy report is a requirement of the CIPFA "Code of Practice for Treasury Management in the Public Services".

4.2 The Investment Strategy is a requirement of the Local Government Act 2003.

4.3 To comply with the legislative framework and requirements as indicated in paragraphs 2.1 to 2.5.

5. THE TREASURY MANAGEMENT REPORT

5.1 Economic Background

5.1.1 The Authority uses Arlingclose Limited as its Treasury Management Adviser and part of their service is to assist the Authority to formulate a view on interest rates and the Economic Outlook.

5.1.2 The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.

5.1.3 The Monetary Policy Committee [MPC] increased Bank Rate in December 22 to 3.5%. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 as the Bank of England attempts to subdue inflation.

5.1.4 Consumer price inflation is expected to have peaked at around 11% in the last calendar quarter of 2022. It is forecasted to fall sharply to 1.4%, below the 2% target, in 2 years time. The most recent labour market data showed the unemployment rate was 3.7% however looking forward the unemployment rate is expected to rise to around 6.5% in 2025 in response to the deteriorating outlook for growth. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%.

5.1.5 The UK economy contracted by 0.3% between July and September 2022 and the Bank of England forecasts GDP will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is expected to continue to fall throughout 2023 and the first half of 2024.

5.1.6 Gilt yields are expected to remain broadly at the current levels over the medium-term with the 5, 10 and 20 year gilt yields expected to average around 3.5%, 3.5% and 3.85% respectively. The risks around the gilt yield forecasts are judged to be broadly balanced in the near-term and to the downside over the remainder of the forecast horizon, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

5.1.7 Arlingclose interest rate forecasts are shown in ***Appendix 2***.

5.2 Credit Outlook

5.2.1 Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-10 pandemic.

5.2.2 The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from negative to stable.

5.2.3 The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of bank's assets, while higher interest rates provide a boost to net income and profitability. The institutions on Arlingclose's counterparty list remain well-capitalised and their advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

5.3 External Debt - Capital Borrowings and Borrowing Portfolio Strategy

5.3.1 The Authority's primary objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

5.3.2 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

5.3.3 The difference between current long-term borrowing rates and short-term investment rates has resulted in a "cost of carry" scenario, indicating that it is more advantageous to use internal funding in lieu of borrowing. The Authority, having adopted the policy of internal borrowing from the latter half of 2008/09, has an internal borrowing position of £49.5m (as at 31st March 2022) from which capital expenditure has been funded. Unless the policy is prudent, the Authority will no longer adopt the policy of internal borrowing. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.

5.3.4 It is unlikely that the total borrowing requirement of £46.8m will need to be taken up in 2023/24 for the General Fund to support the capital programme, provision has been made in the budget to fund an element of this borrowing. Much of this borrowing has been deferred from previous financial years. The HRA will borrow £45.0m in 2023/24, though some of the HRA borrowing may be deferred to future years subject to the Business Plan revisions.

5.3.5 Therefore, the total potential 2023/24 borrowing requirement will be £91.8m comprising of

- 2023/24 supported borrowing approvals - £4.8m
- 2022/23 supported borrowing approvals - £4.8m
- 2021/22 supported borrowing approvals - £4.9m
- 2020/21 supported borrowing approvals - £4.9m
- 2019/20 supported borrowing approvals - £4.9m
- 2018/19 supported borrowing approvals - £4.9m
- 2017/18 supported borrowing approvals - £5.0m
- 2016/17 supported borrowing approvals - £5.0m
- 21st Century Schools LGBI- £4.2m
- 21st Century Schools prudential borrowing (Band A) - £3.4m
- HRA - £45.0m*

The LGBI borrowing is funded by WG contributions to support the 21st Century Schools Band A capital programme. The borrowing approvals relate to previous financial years whereby the borrowing had been deferred and subsequently these are now being rolled forward until the Authority raises such loans. Capital expenditure in the relevant financial year that would have been funded by the borrowing approvals was subsequently funded from internal borrowing. Retrospectively borrowing these approvals will replenish the internal borrowing.

The HRA borrowing approval includes £17.9m deferred borrowing from 2019/20. As above, this has been funded from internal borrowing and retrospectively borrowing these approvals will replenish the internal borrowing.

The HRA currently has a borrowing cap of £90m which was approved last year. This is likely to be increased as part of the 2023/24 Business Plan, which will be reported to members for approval prior to being submitted to the Welsh Government by the 31st March 2023, to cover future years borrowing.

5.3.6 Whilst PWLB interest rates have been included in Appendix 2, it is possible that loans may be taken from other sources if interest rates are more advantageous. It is suggested that the target rate for new borrowing be set at 5.70% for a 25-year period loan. However, other periods will be considered if the rates are favourable.

5.3.7 Current PWLB forecasts suggest interest rates are likely to rise during the early part of 2023. The use of internal borrowing to fund the 2023/24 capital programme or the decision to defer borrowing as set out in paragraph 5.3.4 could expose the Authority to rising interest rates thus making it expensive to borrow at a later date. The 'cost of carry' and breakeven analysis will be monitored closely and a decision taken in consultation with our Treasury Advisors at the optimum time to take out borrowing.

5.3.8 Any short-term funding would need to be in line with the 'Upper Limit for Variable Rates' as defined in the prudential indicators in ***Appendix 5*** (30% of Net Debt Outstanding) within the CIPFA "Prudential Code for Capital Expenditure in Local Government".

5.3.9 Officers, in conjunction with the Treasury Management Adviser, will continue to monitor both the prevailing rates and the market forecasts, responding to changes when necessary. The following borrowing sources will be considered by the Authority to fund short-term and long-term borrowing (and in no particular order):

- Internal reserves
- Public Works Loan Board (PWLB)
- UK Infrastructure Bank
- Local Authorities
- European Investment Bank (NB the EIB will only lend up to 50% towards the funding of a specific project and needs to meet the EIB's specific criteria. The project cost must also be at least €10m)
- Leasing
- Capital market bond investors
- Other commercial and not for profit sources
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds
- UK Municipal Bonds Agency and other special purpose companies created to enable local authority bond issues
- Any counterparty approved for investments

5.3.10 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

5.3.11 The Authority may borrow short-term loans (up to twelve months) to cover unexpected cashflow shortages.

5.3.12 The Authority may arrange forward starting loans during 2023/24, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period as well as mitigate against the risk of rising borrowing interest rates.

5.3.13 **Municipal Bond Agency:** The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a guarantee over the very small risk that other local authority borrowers default on their loans; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet.

5.4 Authorised Limit for External Debt (The Authorised Limit)

5.4.1 As a consequence of 5.3.1 to 5.3.13 above**,** the Authorised Limit will be the upper limit of the Authority's borrowing, based on a realistic assessment of risks. It will be established at a level that will allow the Authority to borrow sums, in excess of those needed for normal capital expenditure purposes in the event that an exceptional situation arises and would allow for take-up of supported borrowing. It is not a limit that the Authority would expect to borrow up to on a regular basis.

5.4.2 The limit will include borrowing and other long-term liabilities such as leases, private finance schemes and deferred purchase schemes.

5.5 The Operational Boundary

5.5.1 This is based on the maximum level of external debt anticipated to be outstanding at any time in each year. It will be consistent with the assumptions made in calculating the borrowing requirements of the capital programme, but will also include an estimate of any borrowing for short term purposes, such as temporary shortfalls in incomes or to support active treasury management which would seek to take advantage of beneficial interest rate movements. It also allows for other long-term liabilities such as leases, private finance schemes and deferred purchase schemes.

5.5.2 The Operational Boundary should be set at a level which allows some flexibility but should be sufficiently below the Authorised Limit so that any breach of the operational boundary provides an early warning indicator of a potential breach of the Authorised Limit, allowing corrective action to be taken.

5.6 Interest Rate Exposure

5.6.1 The Authority's borrowing policy makes use of both fixed and variable rate opportunities. Whilst fixed rate borrowing and investment provides certainty with regard to future interest rate fluctuations, the flexibility gained by the use of variable interest rate instruments can aid performance. It allows the Treasury Manager to respond more quickly to changes in the market and to short term fluctuations in cash flow without incurring the penalties that would result from the recall of fixed rate investments.

5.7 Maturity Structure of Borrowing

5.7.1 Whilst the periods of loans are dictated by the interest rates prevalent at the time, it is important to be mindful of the maturity profile of outstanding debt. Large 'peaks' are to be avoided, as it is possible for substantial loans to reach maturity at times when prevailing interest rates are high, and conversely, when interest rates are low, windows of opportunity may be lost.

5.7.2 As a result, it is necessary to determine both an upper and lower limit for borrowings which will mature in any one year.

5.7.3 Over the course of the medium-term financial plan and future years, a number of high interest rate PWLB loans will mature resulting in a saving to the Authority as the interest rate on replacement loans are likely to be lower in comparison.

5.7.4 Historically, the Authority has favoured PWLB loans with a twenty-five year loan maturity profile, however the Authority will also consider shorter dated loans (including local authority borrowing) to fund capital expenditure. Periods in excess of 25 years should also be considered in the event interest rates become advantageous.

5.7.5 The Authority has £30m of LOBO loans (Lender's Option Borrower's option). A LOBO is called at its contract review date when the Lender is able to amend the interest rate on the loan at which point the Borrower can accept the new terms or reject and repay the loan. Any LOBOs called will be discussed with the Treasury Management Adviser prior to acceptance of any revised terms. Depending on the advice received, the Authority will consider, in the event of a repayment, the use of its cash investments balances or raising new debt to repay the loan.

5.8 Gross Debt and the Capital Financing Requirement

5.8.1 A further requirement of the revised Prudential Code is to ensure that over the medium term debt will only be for a capital purpose, the Authority will ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

5.9 Debt Rescheduling

5.9.1 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to renegotiate premature redemption terms. The Authority may take advantage of this , where this is expected to lead to an overall cost saving or reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

5.10 Policy on Borrowing In advance of Need

5.10.1 Whilst the Authority is able to borrow in advance of need, it is a requirement of the Code that any instance of pre-funding must be supported by a clear business case setting out the reasons for such activity. The Authority will prepare a business case whenever there is need to borrow in advance of need.

5.11 Annual Investment Strategy

5.11.1 The CIPFA Code and the Welsh Government Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.11.2 **Current strategy (2022/23)** - At present the Authority lends to financial institutions, corporates and the UK Government using a range of financial instruments to diversify risk. These include unsecured corporate bonds; covered bonds (secured); fixed term deposits; certificate of deposits (CDs); T-Bills; the DMADF (DMO) money market funds and call accounts. The Authority has also invested in pooled funds (property funds; equity funds; multi-asset funds) and for the purpose of enhancing returns. Pooled funds will be held for minimum of five years to offset any premature exit costs. A lesser period would be considered only if it is cost neutral to the Authority.

5.11.3 **The 2023/24 Investment Strategy** will continue with the lending approach as set out in the 2022/23 Strategy.

5.11.4 This Strategy (2023/24), in line with the Welsh Government guidance, sets out the Authority's policies for (and in order of priority) the security, liquidity and yield of its investments. It will have regard to credit ratings and determine the periods for which funds may be prudently invested, whilst aiming to achieve, or better a target rate for investments of **3.50% (the base rate).** Creditworthiness approach, investment periods and the rationale for the target rate are explained in ***Appendix 3.*** The Authority's objective when investing cash is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.11.5 The strategy sets out which investments the Authority may use for the prudent management of its balances during the financial year within the areas of 'specified' and 'non-specified' investments, and provides the appropriate authorisation for the in-house investment team to manage such investments. These are listed in ***Appendix 4.***

5.11.6 The Authority will continue to diversify into more secure and/or higher yielding asset classes during 2023/24 in order to mitigate the risk stemming from regulations associated with Bank Bail-In; political uncertainty; and the risk of zero or negative Bank Rate. Short-term cash that is required for liquidity management will be deposited with local authorities (secured), Government securities (secured), money market funds (unsecured) and bank and building society investments (unsecured). Up to £60m will be made available for long-term investments.

5.11.7 In view of the ongoing volatility in the economy, and bank bail in risk, it is recommended that investments (both new and maturing) be placed with the most secure institutions as well as the most secure instruments (subject to liquidity requirements) as detailed in ***Appendix 3***. Currently this would be AAA rated covered bonds, the Government (Debt Management Account Facility and Treasury Bills and Gilts), other Local Authorities and Public Bodies, such as Police and Fire Authorities, Repos, Registered Landlords, AAA Money Market Funds, and highly credit rated banks (subject to the creditworthiness limits referred to in the appendix 3). In light of Statutory and regulatory changes adopted by the Bank of England and Regulators with respect to Bail-In, it is recommended that the Authority moves away from unsecured lending (where possible and subject to liquidity requirements) to secured investments.

5.11.8 With respect to Repo agreements, Repo/Reverse Repo is accepted as a form of securitised lending and should be based on the GMRA 2000 (Global Master Repo Agreement). Should the counterparty not meet our senior unsecured rating then a 102% collateralisation would be required. The acceptable collateral can be anyone or combination of the following securities:

- Index linked Gilts
- Conventional Gilts
- UK Treasury bills
- DBV (Delivery By Value)
- Corporate bonds

5.11.9 The Welsh Government maintains that the borrowing of monies for the purposes of investing or on-lending to benefit from differences in interest rates is unlawful. This Authority will not engage in such activity.

5.11.10 Under the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2004 regulation 12(b), the acquisition of share or loan capital in any corporate body would not be defined as capital expenditure as long as it is an investment for the purposes of the prudent management of the Authority's financial affairs. Due to the high risk of capital loss involved with such instruments, this Authority will not engage in such activity.

5.11.11 A loan or grant to another body for capital expenditure by that body is also deemed by the 2003 Regulations to be capital expenditure by the Authority. This Authority will only engage in such activity with the approval of Council.

5.11.12 In the event that any existing investment appears to be at risk of loss, the Authority will make proper revenue provision of an appropriate amount in accordance with the relevant Accounting Regulations.

5.11.13 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing. The Authority does not currently have an ESG policy which includes ESG scoring at an investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

5.11.14 At the end of the financial year, the Authority will prepare a report on its investment activity as part of its Annual Treasury Management Strategy Report. This report will be supported throughout the year by quarterly monitoring reports to the Policy & Resources Scrutiny Committee (the responsible body for scrutiny of Treasury Management activities as required by the Code), which will include a review of the current strategy. A report to Council will also be prepared on a half-yearly basis.

5.11.15 It is a fundamental requirement of the Code that officers engaged in Treasury Management follow all Treasury Management policies and procedures and all activities must comply with the Annual Strategy.

5.11.16 The Welsh Government has reservations regarding borrowing in advance of need on the grounds that more money than is strictly necessary is likely to be put at risk in the investment market. As a result, Officers must report any investment made as a result of borrowing in advance and must set out the maximum period for which the funds can be prudently committed. In the event that this Authority decides to take up such borrowing, it is suggested that any deposit made with these funds be limited to a maturity period of up to twelve months and pro-rata to coincide with the profiling of capital expenditure.

5.12 Policy on Use of Financial Derivatives

5.12.1 The Localism Act 2011 includes a general power of competence that removes the uncertain legal position over English local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). Although this change does not apply to Wales, the latest CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the Annual Treasury Management Strategy.

5.12.2 In the absence of any legislative power, the Authority's policy is not to enter into standalone financial derivatives transactions such as swaps, forwards, futures, and options. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall risk management strategy.

5.13 Non-Treasury Investments

5.13.1 Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the WG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes. Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy. As a result of a change in PWLB terms, PWLB loans are no longer available to local authorities planning on buying investment assets primarily for yield.

5.14 Treasury Management Adviser

5.14.1 The Authority has appointed Arlingclose Limited as its external Treasury Management Adviser and receives a number of services including specific advice on investment, debt and capital finance issues; counterparty advice; economic forecasts and commentary; workshops, training and seminar events; and technical advice (including accountancy).

5.15 Treasury Management Training

5.15.1 The revised CIPFA Code, adopted by the Authority in January 2012, requires that Local Authorities must ensure that all staff and those Members with responsibility for Treasury Management receive the appropriate training. To this end the following will be observed:

- The contract for Treasury Consultancy Services includes requirements for Member and Officer training to be provided during any year.
- Officers will attend any courses/seminars that are appropriate especially where new

regulations are to be discussed.

- Officers will update Members during the financial year by way of seminars/workshops/reports.
- Officers will utilise online access to the CIPFA Treasury Forum and the CIPFA Technical Information Service.
- Relevant staff are encouraged to study professional qualifications from CIPFA; the Association of Corporate Treasurers; and other relevant organisations.

5.15.2 Officers will look to schedule Member training for Spring 2023 Further training will be undertaken as and when required.

5.16 PRUDENTIAL INDICATORS

5.17 Capital Financing Requirement

5.17.1 The Capital Financing Requirement (CFR) measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, the authority does not associate borrowing with particular items or types of expenditure. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years.

5.17.2 The capital financing requirement is below the authorised borrowing limits in order to allow scope for short-term cash flow borrowing and provision for unforeseen contingencies.

5.17.3 The estimated values of Capital Financing Requirement for the period under review are shown in ***Appendix 6*** attached**.**

5.18 Prudential Indicators – "Prudence"

5.18.1 The proposed Prudential Indicators for Treasury Management Strategy are detailed in ***Appendix 5***.

5.19 Prudential Indicators – "Affordability" [*Appendices 6 and 7*]

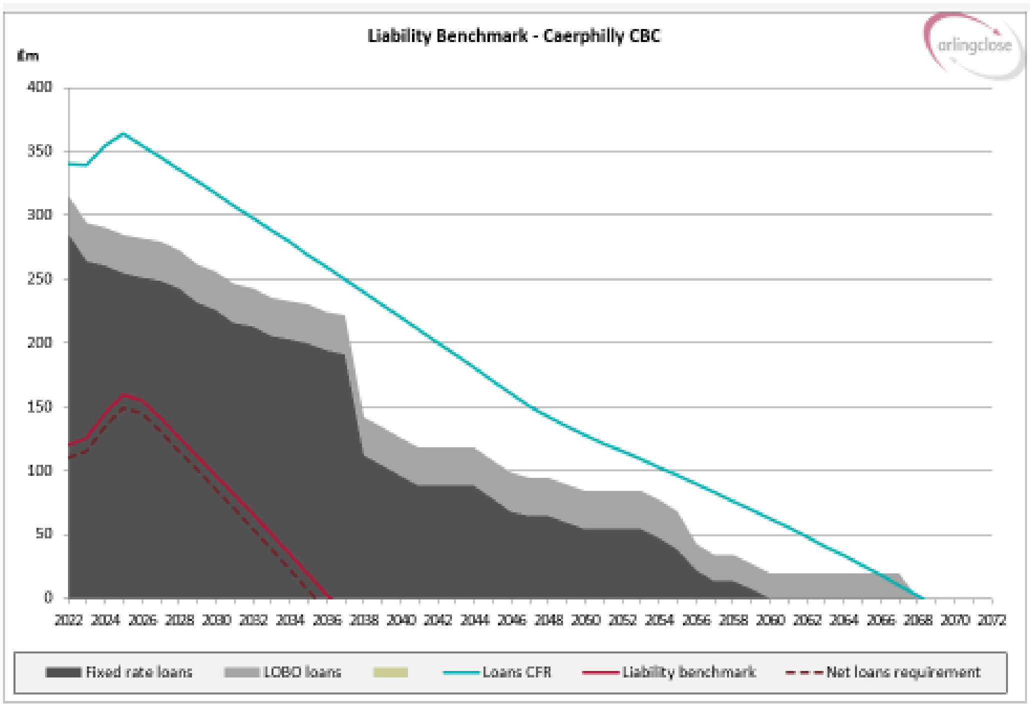
5.19.1 There is a requirement to analyse and report the capital financing costs and express those costs as a percentage of the net revenue streams of the Authority.

5.19.2 The General Fund future revenue streams are based upon the content of "the Budget Report".

5.19.3 Future revenue streams for Housing Revenue Account (H.R.A.) have been projected on the basis of a 1.5% increase applied to the rental income (using 2021/22 as a base), less an adjustment for estimated reduction in housing stock as a result of the "Right to Buy" sales.

5.20 Prudential Indicators –Liability Benchmark [Appendix 7]

5.20.1 This is a new Prudential Indicator that is required and represents the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans whilst keeping treasury investments at the minimum level to manage day-to-day cashflow.



5.21 Capital Expenditure and Funding

5.21.1 The summary Capital Expenditure and funding, as shown in ***Appendix 7*** of this report has been considered in "the Budget Report".

5.21.2 The Revenue Support Grant (RSG) provided by the Welsh Government (WG) includes an element to off-set the costs of borrowing funds for capital purposes. WG has announced supported borrowings of £4.82m in respect of the 2023/24 financial year, together with General Capital Grant funding of £4.95m.

5.21.3 For calculation purposes, it has been assumed that the supporting borrowing element of funding support and the capital grant received will return to 2022/23 levels for 2024/25 and for 2025/26. HRA provisional values for the years 2024-2026 are based on the 2022/23 allocation of the Major Repairs Allowance of £7.30m and assumed to continue at this level for future years.

5.22 Minimum Revenue Provision (MRP)

5.22.1 In accordance with the Amendment Regulations, rather than applying a defined formula, the Authority is now only required to apply a charge that is ‘prudent’. A “prudent” period of time for debt repayment is defined as one which reflects the period over which the associated capital expenditure provides benefits.

5.22.2 The Amendment Regulations also introduced an additional reporting requirement. Authorities are now required to submit to full Council, for approval, an Annual MRP Statement, setting out the policy to be adopted for the year following.

5.22.3 The Authority will continue to apply the revised MRP policy that was agreed by Members on 24th January 2017. MRP on supported borrowings will be charged at 2% over 50 years. MRP on unsupported borrowings will be charged at the PWLB annuity loan rate equivalent to the life of the asset. The MRP policy is detailed in **Appendix 8**.

5.23 Other Local Issues

5.24 The Authority's Banker

5.24.1 The Authority will ensure that its day-to-day banking activity is undertaken with an investment grade bank. If the Authority's Bank is downgraded during the contract period (as specified under the Banking Services Contract) to non-investment grade, reasonable measures will need to be undertaken to mitigate the risk associated with further downgrades, and the risk of losing funds if the Bank was to default.

5.24.2 Reasonable measures will need to include (and not limited to) keeping balances to a minimum; hourly review of bank balances for the Group Accounts and subsequently transferring surplus balances to a Call Account; re-routing material income (maturing investments, grants) to a bank account held outside of the existing bank arrangement; and consideration of contingency banking arrangements with another bank should the risk be severe to the Authority's operational requirements. Cabinet will be kept informed if such risks arise. In the case of negative interest rates, monies may be held in the Authority's main bank account.

5.25 Policy on Apportioning Interest to the HRA

5.25.1 On 1st April 2015 the HRA exited the subsidy mechanism by way of the HRA buyout process. As a result, the Authority will operate a single consolidated pool of debt that will hold all debt (new and old loans), and annually recharge the HRA the interest payable on all loans using the average rate of interest as a recharge rate.

5.26 Markets in Financial Instruments Directive

5.26.1 The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

5.27 IFRS 9 Classification

5.27.1 Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost. Pooled fund investments will be elected to be carried at 'Fair Value through Other Comprehensive Income (FVOCI).

6. ASSUMPTIONS

6.1 The details set out in the report are based on interest rate forecasts provided by the Authority's Treasury Management Adviser.

6.2 It is currently assumed that investment cash balances remain at a minimum of £100m throughout 2023/24 in order to deliver the investment returns stated within this report.

6.3 It has been assumed that the Authority will fund a proportion of its capital programme through supported borrowing.

6.4 It has been assumed that the HRA's borrowing needs are based on the current Business Plan at the time of writing this report.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1 The Treasury Management strategy report is a requirement of the Local Government Act and provides a high-level framework in which the Council can operate. This does not impact on any individuals or any protected characteristic groups as defined in the Council's Strategic Equality Plan 2020-2024 and as a result an Integrated Impact Assessment is not required

8. FINANCIAL IMPLICATIONS

8.1 As detailed throughout the report.

9. PERSONNEL IMPLICATIONS

9.1 There are no personnel implications.

10. CONSULTATION

10.1 The report was presented to the Policy and Resources Committee on 23 January 2023 for consideration. The Scrutiny Committee made the following comments and recommendation to Council: -

- A Member queried the large borrowing figures stated in the report, and sought clarification on this, referring to the amount of money currently in reserves. Members were advised that the Council was not currently borrowing, but that approval for borrowing in the future if needed, had been agreed by Council.

- A Member sought clarification on whether Town and Community Councils could obtain loans that could be used as match funding. Members were advised that loans could be applied for from the PWLB, and information would be circulated to Members following the meeting.

- A Member queried whether there was any charge applicable for internal borrowing within the Council. Members were advised that the cost of internal borrowing is not assigned to particular departments for the General Fund.

- A Member sought further clarification on borrowing at 5.7%, and the money available for long term investments. Members were advised that the Council was unlikely to borrow at 5.7% and is not currently borrowing. Members were also informed that the Council has currently invested £21 million in long- term investments at circa 4% return, and that our total return on investments for 2022/23 is expected to be £2.3 million. There are also no plans to pay off any loans at the present time.

- Having considered the content of the report it was moved and seconded that the recommendations be forwarded to Council for approval. By way of a roll call, (and in noting there were 12 for, 0 against and 1 abstention) this was agreed by the majority present.

10.2 No external consultation is required for the purposes of the report. However, advice has been sought from the Authority's current Treasury Management Adviser.

11. STATUTORY POWER

11.1 Local Government Act 1972

Author:	Rhiann Williams – Group Accountant -Treasury Management and Capital
Consultees:	Stephen Harris – Head of Financial Service and S151 Officer Christina Harrhy – Chief Executive Andrew Southcombe – Finance Manager, Corporate Finance Robert Tranter- Head of Legal Services and Monitoring Officer Cllr E. Stenner – Cabinet Member for Finance and Performance

Appendices:

Appendix 1	Local Government Investments - Definitions
Appendix 2	Interest Rates – Forecasts/Indicative
Appendix 3	Credit Policy, Investment Ratings, Periods and Targets
Appendix 4	Investments to be used and "in house" authorisations
Appendix 5	Treasury Management Strategy Indicators
Appendix 6	Prudential Indicators – Capital Finance
Appendix 7	Capital Expenditure and Funding
Appendix 8	MRP Policy

Gadewir y dudalen hon yn wag yn fwriadol

Appendix 1

Local Government Treasury Management Definitions

- **Investment**

  In the context of a local authority cash deposit, an investment is a monetary asset deposited with a credible institution with the objective of providing income in the future. This is a transaction which relies upon the power in section 12 of the 2003 Act and is recorded in the balance sheet under the heading of investments within current assets or long-term investments.

- **Long-term Investment**

  This is any investment other than one which is contractually committed to be paid within 12 months of the date on which the investment was made.

- **Credit Rating Agency**

  An independent company that provides investors with assessments of an investment's risk and the three most prominent are.

  Standard and Poor's (S & P)
  Moody's Investors Service Limited (Moody's)
  Fitch Ratings Limited (Fitch)

- **Specified Investment**

  An investment is a specified investment if it satisfies the following conditions:

  1. The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.

  2. The investment is not a long-term investment (as defined above).

  3. The investment is not considered to be capital expenditure.

  4. One or both of the following conditions is both:

     - The investment is made with the UK Government or a local authority (as defined in section 23 of the 2003 Act) or local authorities in Scotland and Northern Ireland or a parish or community council.

    - The investment is made with a body or in an investment scheme which has been awarded a high credit rating by a credit rating agency

5. The principal sum to be repaid at maturity is the same as the initial sum invested other than investments in the UK Government.

- **Non-specified Investments**

  These are investments, which do not meet the conditions of specified investments.

Appendix 2 Interest Rate Forecasts

Bank Rate (Forecasts as at January 2023 and subject to change)

	Arlingclose (Central case)
2023/24 Q1	4.00%
2023/24 Q2	4.25%
2023/24 Q3	4.25%
2023/24 Q4	4.25%
2024/25	3.50%
2025/26	3.25%

PWLB (Forecasts as at January 2023 and subject to change- Source Arlingclose (Upside case)

	Q1 – 2023/24	Q2 – 2023/24	Q3 – 2023/24	Q4 – 2023/24
5 Year	5.30%	5.60%	5.70%	5.80%
10 Year	5.20%	5.40%	5.50%	5.60%
20 year	5.55%	5.65%	5.75%	5.85%
50 Year	5.30%	5.40%	5.50%	5.60%

For budget setting and financial planning, the following rates have been assumed.

Budget Period	Investment Returns	Borrowing Rates (PWLB 50 Years)
2023/24	3.00%	5.60%
2024/25	3.00%	5.60%
2025/26	3.00%	5.60%
2026/27	3.00%	5.60%

Gadewir y dudalen hon yn wag yn fwriadol

Appendix 3 Credit Risk Policy

Bank Bail-In

Bail-in legislation has now been fully implemented in the European Union and major economies around the World. In addition, the largest UK banks have ring-fence their retail and investment banking functions into separate legal entities during 2018 and 2019. The impact of the structural change on the banks credit rating was minimal. Bail-In proposals, an approach where retail customers of a failing bank are protected under compensation schemes (up to a threshold) and losses are covered by investor's equity capital in the first instance, followed by junior debt and then senior unsecured debt and deposits. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

A bail-in is likely, although not certain, to happen over the course of a weekend, with much of the preparatory work having been undertaken in advance as the bank continues to fail regulatory conditions. The announcement of a bail-in, including which creditors will be affected, will normally be made by the Bank of England on a Sunday evening before the Asian markets open. Apart from the affected creditors, the bank will open for business as normal on the Monday morning. Where a banking group comprises several UK bank companies, it is likely that all group banks will be bailed-in together. Separately capitalized subsidiaries in other countries might not be bailed-in; that will be a matter for the local regulator. Before a bail-in, the bank's ordinary shareholders will have their shares expropriated and they will therefore no longer be the bank's owners. Building societies, which are mutually owned by their customers, will be converted to banks before bail-in. Hybrid capital instruments that convert to equity in certain circumstances will also be converted. Creditors will then be bailed-in in this order:

- junior or subordinated bonds, in order of increasing seniority;
- senior unsecured bonds issued by the non-operating holding company (if any);
- senior unsecured bonds issued by the operating bank companies;
- Unsecured deposits (money market funds, call accounts and fixed-term deposits with banks and building societies) and certificates of deposit (except interbank deposits of less than seven days original maturity); and
- Insured deposits that are larger than the FSCS £85,000 coverage limit.

Subject to cashflow liquidity requirements, the Authority will manage bail-in risk by way of investing surplus cash in instruments that are considered to be exempt from bail-in and include (and in no particular order) the Government, Corporate bonds, Registered Providers (Housing Associations) and secured bank instruments (Repos, Covered Bonds and other collaterised instruments). These instruments are considered to have a medium to long-term investment horizon, and therefore it is likely that the Authority will hold investment instruments with financial institutions that will not be exempt from the bank bail-in process such as fixed term deposits, call accounts and money market funds. The Authority will look to limit such holdings for the purpose of managing liquidity.

Counterparty Criteria

The Authority considers, in order of priority, security, liquidity and yield when making investment decisions. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk. The intention of the strategy is to provide security of investment and minimisation of risk which will also enable diversification and thus avoidance of concentration risk.

The Authority also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. In accordance with the 2017 Treasury Management Code of Practice, the Authority will use the following key tools to assess credit risk:

- Published credit ratings of the financial institution and its sovereign rating;
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP;
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

The Authority is advised by Arlingclose Limited, who provides counterparty risk management services. Credit rating lists are obtained and monitored by Arlingclose, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made;
- any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn [on the next working day] will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office (unless interest rates are negative) or invested in government treasury bills or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

The Authority defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Due to the ongoing strengthening of bank regulations it is recommended that the Authority adopts the Investment Grade scale as the minimum credit rating criteria. This will enable greater flexibility when placing investments especially during periods of regulatory stress tests where the outcome can result in a downsized counterparty list as a result of the downgrading of credit ratings. Furthermore, the need to hold a diversified investment portfolio and the impact of bank bail-in regulations means that the Authority will need to adopt a more structured credit rating criteria matrix for specific instruments. The table below details maximum monetary and investment duration limits.

Maximum Monetary and Investment Duration Limits						
Credit Rating (Long-Term)	**Banks Unsecured**	**Banks Secured**	**Government**	**Local Authorities**	**Corporates**	**Registered Providers**
UK Govt	-	-	£ Unlimited 50 years	-	-	-
AAA	£20m 5 years	£20m 20 years	£20m 50 years	£20m 50 years	£10m 20 years	£10m 20 years
AA+	£10m 5 years	£20m 10 years	£20m 25 years	£10m 25 years	£10m 10 years	£10m 10 years
AA	£10m 4 years	£20m 5 years	£20m 15 years	£10m 15 years	£10m 5 years	£10m 10 years
AA-	£10m 3 years	£20m 4 years	£20m 10 years	£10m 10 years	£10m 4 years	£10m 10 years
A+	£10m 2 years	£20m 3 years	£10m 5 years	£10m 5 years	£10m 3 years	£10m 5 years
A	£10m 13 months	£20m 2 years	£10m 5 years	£10m 5 years	£10m 2 years	£10m 5 years
A-	£10m 6 months	£20m 13 months	£10m 5 years	£10m 5 years	£10m 13 months	£10m 5 years
BBB+	£10m 100 days	£10m 6 months	£10m 2 years	£10m 2 years	£10m 6 months	£10m 2 years
BBB	£5m next day only	£5m next day only	-	£5m next day only	-	£5m next day only
None Rated	£1m 6 months	-	£5m 25 years		-	£5m 5 years
REITS		£20m per fund				
Pooled funds		£20m per fund				

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured: Call accounts, term deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Authority's current account bank [Barclays Bank Plc] or the Debt Management Office. The use of Banks unsecured instruments will be limited to aid the management of cashflow liquidity. In accordance with advice from the Authority's Treasury Management adviser, International banks will also be considered.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments. Investments placed in conjunction with a Repo Agreement will be classed as a secured investment.

Government: The Debt Management Office, Loans, bonds and bills issued or guaranteed by national governments and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years. Multilateral / Supranational institutions and State Agencies will also be classed as Government institutions as a number of sovereign states are key shareholders.

Local Authorities: Fixed term deposits / bills/ Bonds issued by local and regional authorities who include police and fire authorities. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Local authorities are not rated by credit rating agencies (though a handful of authorities have obtained a credit rating), but it is assumed that local authorities have the same credit rating as the UK Government (AA). Therefore, a limit of £10m and duration of 15 years will be applied.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services; they retain the likelihood of receiving government support if needed. Consideration will also be given to providing liquidity facilities, such as a revolving credit facility, subject to a detailed credit assessment of the Registered Provider.

Pooled Funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. **Money Market Funds** that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts to manage short-term liquidity, while long-term strategic **pooled**

funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity, and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

Investment periods

- **Short-term (up to 365 days)**

  At the time of writing, all short-term investments are managed in-house as a result of day-to-day cash flow management.

  For the purpose of flexibility to respond to day-to-day cash flow demands, the proposed minimum percentage of its overall investments that the Authority will hold in short-term investments is **40%**.

  Members are reminded that once a deposit has been made for a fixed period it can only be withdrawn (repaid early) by mutual consent albeit at a cost and subject to the underlying terms and conditions of the contract.

- **Long-term (one year and over)**

  The Authority will continue to invest in long-term investments. Excluding the UK Government, It is suggested that no more than £20m be placed with any one institution with duration as set out in the table above. The Authority will not have more than £60m deposited in long-term investments (the Upper Limit).

Target Rate

Forecasts of base rate can be quite diverse as illustrated by the table in ***Appendix 2***. In view of the uncertainty inherent in such predictions, it would be imprudent to set a target rate which may be difficult to achieve. In view of the foregoing, it is proposed to set a target rate of return for short-term deposits in 2023/24 of at least **3.00%.**

This rate reflects the forecast of Bank Rate and the relationship between that rate and the rate achievable from the DMADF. If deposits are made with other counterparties as detailed in Section (a) of this Appendix, it is possible that the above rate could be exceeded.

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Appendix 4- Specified and Non-Specified Investments

Investments are categorised as “Specified” or “Non-Specified” within the investment guidance issued by the Welsh Government.

Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the “high credit quality” as determined by the Authority and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.

The Authority’s credit ratings criterion is set out in **Appendix 3** and will be consulted when using the investments set out below. Credit ratings are monitored on a daily basis and the Treasury Management Adviser will advise the Authority on rating changes and appropriate action to be taken.

The types of investments that will be used by the Authority and whether they are specified or non-specified are listed in the table below.

	Specified	Non-Specified
Government		
Debt Management Account Deposit Facility	✓	✗
Gilts (UK Government)	✓	✓
Treasury Bills (T-Bills- UK Government)	✓	✗
Bonds issued by AAA rated Multilateral Development Banks	✓	✓
Registered Providers (Housing Associations)		
Registered Providers (Housing Associations)	✓	✓
Corporates		
Corporate Bonds (including Floating Rate Notes and Commercial Paper)	✓	✓
Local Authorities		
Term deposits with other UK local authorities	✓	✓
Local Authority Bills / Bonds	✓	✓
Banks- Secured		
Repurchase Agreements (Repos)- Banks & Building Societies	✓	✓
Covered Bonds	✓	✓
Other Collaterised arrangements	✓	✓
Banks- Unsecured		
Term deposits with banks and building societies	✓	✗
Certificates of deposit with banks and building societies	✓	✗
AAA-Rated Money Market Funds	✓	✗
Authority's Banker	✓	✗
Pooled Funds (Variable Net Asset Valuation)		
Other Money Market and Collective Investment Schemes	✗	✓
Pooled Funds (Property; Bonds; Equity; Multi-Asset)	✗	✓
Real Estate Investment Trusts	✗	✓

Authorisation for the in-house team

A. Short-term Investments

Due to the nature of the in-house team's duties, in that they need to respond to cash-flow fluctuations by dealing on the money market generally between 8.00am and 10.00am each day, it is impractical for each decision to be referred to the most senior management levels.

As a result, it is proposed that day-to-day decisions remain the responsibility of the Group Accountant (Treasury Management & Capital) who is the *de facto* Treasury Manager. In the absence of the Group Accountant (Treasury Management & Capital), the responsibility will pass to any of the appropriate line managers.

It is proposed that all Treasury Management decisions that arise from the daily cashflow will be supported by the completion of a pro-forma which will evidence compliance with the strategy.

B. Long-term Investments

It is proposed that decisions regarding long-term investments be referred to the Head of Financial Services & S151 Officer (as Chief Financial Officer) after consultation with the Finance Manager for Corporate Finance.

C. General Authorisations

Whilst it is generally the intention to refer all decisions regarding long-term borrowing to the Head of Financial Services, there are times when to do so will risk the loss of a potentially advantageous deal, due to non-availability. This is particularly relevant to the raising of PWLB loans.

The Authority's Treasury Management Adviser continually monitors the movement of interest rates and can predict the changes in PWLB rates. On occasions it may be necessary to respond to advice from the Adviser to take up PWLB loans (whether as part of the current years funding requirement, or as part of a rescheduling exercise) before interest rates increase and make the necessary application to the PWLB before their cut-off time. In these circumstances, it is not always possible to have access to the Head of Financial Services & S151 Officer, at short notice, for approval.

As a result, it is proposed that, if the Head of Financial Services & S151 Officer is unavailable, the decision be referred to the Finance Manager Corporate Finance. In the absence of both, then the decision will be made by the Group Accountant (Treasury Management and Capital) provided that the reason for the transaction is appropriately documented, falls within the approved Annual Strategy and prudential indicators, and failure to act upon the advice given would result in additional interest charges.

In all the foregoing, it must be remembered that any action taken, based on a view of interest rates, can only be assessed on the data available at the time.

Appendix 5 Treasury Management Strategy Indicators 2023/24-2025/26

	Budget 2023-24	Budget 2024-25	Budget 2025-26
	£000	**£000**	**£000**
Authorised limit for external debt -			
Borrowing	501,210	495,853	461,085
Other long term liabilities	21,989	19,672	17,278
Total	**523,198**	**515,525**	**478,363**
Operational boundary for external debt -			
Borrowing	400,968	396,683	368,868
Other long term liabilities	21,989	19,672	17,278
Total	**422,957**	**416,355**	**386,146**
Capital Financing Requirement	381,503	411,809	412,962
Upper limits for interest rate exposure			
Principal outstanding on borrowing	400,968	396,683	368,868
Principal outstanding on investments	100,000	100,000	100,000
Net principal outstanding	**300,968**	**296,683**	**268,868**
Fixed rate limit – 100%	300,968	296,683	268,868
Variable rate limit – 30%	90,290	89,005	80,660
Upper limit for total invested for over 365 days	**60,000**	**60,000**	**60,000**

Maturity structure of fixed rate borrowing	**Upper Limit**	**Lower Limit**
Under 12 months	**35%**	**0%**
Over 12 months and within 24 months	**40%**	**0%**
Over 2 years and within 5 years	**50%**	**0%**
Over 5 years and within 10 years	**75%**	**0%**
Over 10 years	**100%**	**0%**

Gross Debt and Net Debt	Budget 2023-24	Budget 2024-25	Budget 2025-26
	£000	**£000**	**£000**
Outstanding Borrowing	400,968	396,683	368,868
Other long term liabilities	21,989	19,672	17,278
Gross Debt	**422,957**	**416,355**	**386,146**
Less investments	100,000	100,000	100,000
Net Debt	**322,957**	**316,355**	**286,146**

Gross and The CFR	Budget 2023-24	Budget 2024-25	Budget 2025-26
	£000	**£000**	**£000**
Gross Debt	422,957	416,355	386,146
CFR	381,503	411,809	412,962

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Appendix 6 - Prudential Indicators - Capital Finance

Ratio of Financing costs to net revenue stream	Budget 2023-24	Budget 2024-25	Budget 2025-26
General Fund	**£000**	**£000**	**£000**
Principal repayments	2,943	3,308	3,668
Interest costs	7,881	8,252	8,720
Debt Management costs	42	43	43
Rescheduling discount			
Investment income	(3,343)	(1,443)	(1,443)
Interest applied to internal balances	812	812	812
Total General Fund	**8,336**	**10,972**	**11,801**
Net revenue stream	**422,327**	**435,633**	**442,904**
Total as percentage of net revenue stream	**1.97%**	**2.52%**	**2.66%**
Housing Revenue Account			
Principal repayments	1,864	1,827	1,791
Interest costs	5,930	5,783	5,582
Rescheduling discount			
Debt Management costs	38	39	41
Total HRA	**7,833**	**7,649**	**7,414**
Net revenue stream	**53,075**	**56,940**	**58,332**
Total as percentage of net revenue stream	**14.76%**	**13.43%**	**12.71%**

Capital financing requirement [end of year position]	Budget 2023-24	Budget 2024-25	Budget 2025-26
	£000	**£000**	**£000**
Council Fund	225,469	230,405	235,197
Housing Revenue Account	156,034	181,403	177,766
Total Authority	**381,503**	**411,809**	**412,962**

Liability Benchmark	Budget 2023-24	Budget 2024-25	Budget 2025-26
	£000	**£000**	**£000**
Capital Financing Requirement	381,503	411,809	412,962
Less Balance Sheet Resources	(219,600)	(214,600)	(209,600)
Net Loans Requirement	**161,903**	**197,209**	**203,362**
Plus Liquidity allowance	10,000	10,000	10,000
Liability Benchmark	**171,903**	**207,209**	**213,362**

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Appendix 7 - Capital Expenditure and Funding

Expenditure	Budget 2023-24 £000	Budget 2024-25 £000	Budget 2025-26 £000
Council Fund	11,636	9,668	9,599
Housing Revenue Account	64,865	54,519	19,568
Total	**76,501**	**64,187**	**29,167**
Funding			
Surplus/ (Deficit) Balance b/f	287		
Borrowing - Supported (GF)	4,821	4,829	4,829
General Capital Grant - WG	4,951	3,328	3,328
Internal Borrowing	-	-	-
RCCO Budget	128	128	128
Capital underspends from previous years		-	-
General Fund working balances	-	-	-
One off funding- MRP Review	1,449	1,383	1,314
RCCO- (HRA)	30,469	18,723	12,272
Unsupported Borrowing HRA- WHQS			
Unsupported Borrowing HRA- Affordable Housing	27,100	28,500	
Major Repairs Allowance (HRA)	7,296	7,296	7,296
Total	**76,501**	**64,187**	**29,167**
Surplus C/f			

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Appendix 8 MRP 2022/23 Policy

The Minimum Revenue Provision (MRP) is an amount charged to the revenue account for the repayment of debt, which has been used to finance capital expenditure. The Local Government Act 2003 requires the Authority to have regard to the Welsh Government's Guidance on Minimum Revenue Provision (most recently issued in 2010).

The broad aim of the WG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The WG Guidance requires the Authority to approve an Annual MRP Statement each year. The Authority's MRP policy for 2022/23 is stated below.

Supported Borrowings

MRP on historic debt liability as at the 31st March 2007 and subsequent capital expenditure funded from supported borrowings will be charged to revenue over 50 years.

The MRP charge for supported borrowing will be based on an assumed annuity rate of 2%.

The annuity method results in a lower charge in earlier years and a higher charge in the later years, and takes into consideration the time value of money.

Unsupported Borrowings

The MRP charge for individual assets funded through unsupported borrowing will be based on the estimated life of each asset or 25 years where this cannot be determined.

The MRP charge for unsupported borrowing will be based on the average Public Works Loan Board (PWLB) interest rate for new annuity loans in the year that an asset becomes operational.

Advice on asset life (land and buildings) will be sought from the Council's property valuation team. The first MRP Charge will start in the year after the asset becomes operational.

MRP Charges Relating to Other Capital Expenditure

1 For assets acquired by leases or the Private Finance Initiative [and for the transferred debt from local authorities], MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

2 For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the WG Guidance, it is thought to be a

prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.

3 For schemes whereby capital receipts generated from the sale of assets created from the project are used to finance the capital expenditure on the project, this will be regarded as meeting the requirements of prudent provision and no MRP will be charged.

4 MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

5 The MRP charge for the HRA will be determined by using an interest rate of 2% on the opening capital financing requirement on a reducing balance basis.

6 The Authority has the option to make voluntary overpayments on MRP where possible to reduce the revenue charge in later years.

Capital expenditure incurred during 2023/24 that is financed by debt will not be subject to an MRP charge until 2024/25.

SPECIAL COUNCIL – 23RD FEBRUARY 2023

SUBJECT: **BUDGET PROPOSALS FOR 2023/24**

REPORT BY: **CHIEF EXECUTIVE**

1.1 The attached report is due to be considered by Cabinet at its meeting on 22 February 2023.

1.2 Feedback from the Cabinet meeting will be reported verbally to the Special Meeting of Council on 23 February 2023.

1.3 Subject to consideration of the views of Cabinet, Council is asked: -

1.3.1 To approve the revenue budget proposals for 2023/24 of £438.722m as detailed throughout the report and summarised in Appendix 1.

1.3.2 To approve the proposed budget virements in relation to Additional Learning Needs as detailed in paragraph 5.3.12.

1.3.3 To approve the proposed use of £346k of the LMS Contingency Reserve as a one-off sum to support the Education & Lifelong Learning Directorate's 2023/24 contribution to the 50% repairs and maintenance budget for schools (as detailed in paragraph 5.5.3).

1.3.4 To note the movements on the General Fund in Appendix 5 and the current projected balance as at 31 March 2023 of £13.041m.

1.3.5 To approve the proposed Capital Programme for the period 2023/24 to 2025/26 as set out in Appendix 6.

1.3.6 To approve the proposal to increase Council Tax by 7.9% for the 2023/24 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,353.01).

1.3.7 To note the updated MTFP in Appendix 7 showing an indicative potential savings requirement of £48.335m for the two-year period 2024/25 to 2025/26.

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Appendix Report to Cabinet 22 February 2023

Gadewir y dudalen hon yn wag yn fwriadol

APPENDIX

CABINET – 22ND FEBRUARY 2023

SUBJECT: **BUDGET PROPOSALS FOR 2023/24**

REPORT BY: **CHIEF EXECUTIVE**

1. PURPOSE OF REPORT

1.1 To seek Cabinet endorsement of the 2023/24 budget proposals contained within this report prior to final determination by Council on 23 February 2023.

2. SUMMARY

2.1 At its meeting on 18 January 2023, Cabinet endorsed the 2023/24 Draft Budget Proposals based on the Welsh Government (WG) Provisional Local Government Financial Settlement for 2023/24.

2.2 The report provided details of a range of cost and service pressures that require funding, proposed permanent and temporary savings, the proposed one-off use of reserves, and a proposed increase of 7.9% in Council Tax to enable the Authority to set a balanced budget for the 2023/24 financial year.

2.3 Following a period of consultation this report now presents Final Budget Proposals for the 2023/24 financial year. The report also contains additional information for Cabinet consideration in respect of movements on the General Fund, and the proposed Capital Programme for the three-year period 2023/24 to 2025/26.

2.4 An updated indicative Medium-Term Financial Plan (MTFP) is also appended to the report showing a potential savings requirement of £48.335m for the two-year period 2023/24 to 2024/25.

3. RECOMMENDATIONS

3.1 Prior to consideration and determination at the Council meeting on 23 February 2023, Cabinet is asked: -

3.1.1 To endorse the revenue budget proposals for 2022/23 of £438.722m as detailed throughout the report and summarised in Appendix 1.

3.1.2 To endorse the proposed budget virements in relation to Additional Learning Needs as detailed in paragraph 5.3.12.

3.1.3 To endorse the proposed use of £346k of the LMS Contingency Reserve as a one-off sum to support the Education & Lifelong Learning Directorate's 2023/24 contribution to the 50% repairs and maintenance budget for schools (as detailed in paragraph 5.5.3).

3.1.4 To note the movements on the General Fund in Appendix 5 and the current projected balance as at 31 March 2023 of £13.041m.

3.1.5 To endorse the proposed Capital Programme for the period 2023/24 to 2025/26 as set out in Appendix 6.

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3.1.6 To support the proposal to increase Council Tax by 7.9% for the 2023/24 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,353.01).

3.1.7 To note the updated MTFP in Appendix 7 showing an indicative potential savings requirement of £48.335m for the two-year period 2024/25 to 2025/26.

4. REASONS FOR THE RECOMMENDATIONS

4.1 Council is required annually to approve proposals to set a balanced budget and agree a Council Tax rate.

4.2 Council is required to put in place a sound and prudent financial framework to support service delivery.

5. THE REPORT

5.1 Background and Economic Context

5.1.1 The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, are major influences in determining the 2023/24 Budget Proposals and the medium-term financial outlook.

5.1.2 The Bank of England (BoE) increased the Bank Rate by a further 0.5% to 4% in February 2023. This followed a rise of 0.75% in November 2022 which was the largest single rate hike since 1989, and a rise of 0.5% in December 2022.

5.1.3 The November 2022 quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with Consumer Prices Index (CPI) inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected to remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

5.1.4 The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and Gross Domestic Product (GDP) for quarter 4 of 2022 was 0%, thus narrowly avoiding a recession. Growth is expected to fall throughout 2023 and the first half of 2024.

5.1.5 CPI inflation for January 2023 was 10.1%, but this is now expected to fall sharply to 1.4% in two years' time and to 0% in three years' time. This assumes that the Bank Rate follows the path implied by financial markets at the time of the November 2022 MPR (i.e. a peak of 5.25%). However, the BoE has stated that it considers this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.

5.1.6 The current economic situation means that the Council (along with all others) is faced with unprecedented financial challenges. Due to austerity, between 2008/09 and 2021/22 the Council has already delivered savings of £106m to address reductions in funding and inescapable cost pressures. However, the details set out in this report show a savings requirement of £27.179m for 2023/24 alone, and due to the temporary nature of many of the measures proposed to balance the budget for 2023/24, it is currently anticipated that total permanent savings of £48.335m will be required for the two-year period 2024/25 to 2025/26.

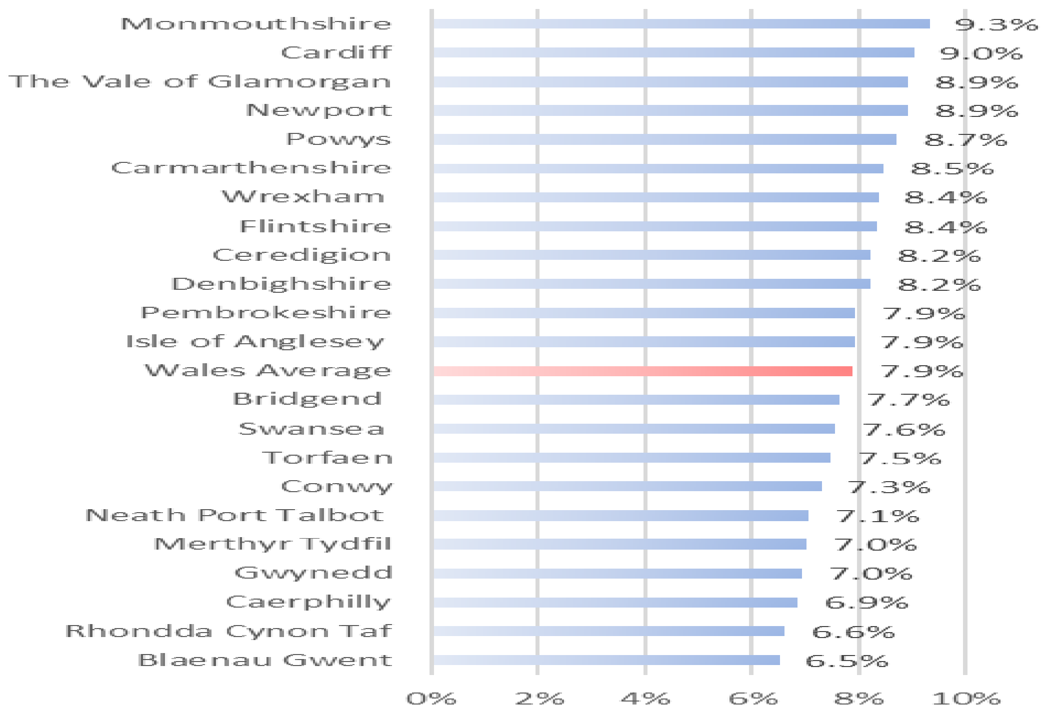
5.1.7 The scale of the challenge facing the Council cannot be underestimated. Clearly, a financial strategy that seeks to continuously salami slice our services and deplete our reserves is not a sustainable or an appropriate approach, especially when the demands upon our services are far higher than ever, as our communities continue to present far greater and increasingly complex needs to us. To ensure we are able to meet the needs of our communities, whilst operating with reduced funding, a whole Council and a whole county borough holistic approach is needed, and it is inevitable that some difficult decisions will need to be made at pace.

5.2 Welsh Government (WG) Provisional Local Government Financial Settlement for 2023/24

5.2.1 The Local Government Financial Settlement received from WG on an annual basis is referred to as Aggregate External Finance (AEF). This consists of a Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates (business rates). Details of the Provisional Local Government Financial Settlement are usually announced by WG in early October each year. However, in recent years due to economic uncertainty the announcement has been delayed until December and details of the Provisional Local Government Financial Settlement for 2023/24 were not released until 14 December 2022.

5.2.2 On an All-Wales basis there is an increase in Aggregate External Finance (AEF) of £403m or 7.9% on a like-for-like basis. Table 1 below shows the range around the average of 7.9% driven by the funding formula. This is largely a reflection of data movements in pupil numbers and free school meal entitlement derived from the schools' census, as well as the impact of the decennial Census on the population counts/estimates. The lowest increase is Blaenau Gwent with 6.5% and the highest is Monmouthshire with an increase of 9.3%.

Table 1 - Changes to AEF by Local Authority (2022/23 to 2023/24)



5.2.3 Overall core revenue funding rises to £5.5bn for 2023/24. For planning purposes an indicative figure of £5.7bn has been provided for 2024/25 which equates to an uplift of £169m (3.1%). This figure is dependent on current estimates of NDR income but the forward indication is helpful.

5.2.4 There is a small transfer in of resource for the coastal protection programme that affects Gwynedd, Conwy, and Swansea, otherwise there are no significant transfers into or out of the Settlement.

5.2.5 In terms of public sector pay, the Minister for Finance & Local Government is cognisant of the pay pressures in the future and makes specific reference to pay for social care workers and teachers: -

"In making decisions about the level of funding for Local Government I have responded to the need to support key front-line services. In particular I have included funding to enable Authorities to continue to meet the additional costs of introducing the Real Living Wage for care workers.

As a result of spending decisions made in relation to education in England, Wales received a consequential of £117m a year in the Autumn Statement. This is being provided in full to Local Government through a combination of the Settlement and the Education MEG. The funding provided through this Settlement will therefore need to cover the costs arising from the 2023/24 pay deal which fall within the 2023/24 Settlement year. I have again taken the decision to provide all the available funding up front and not hold back funding for in-year recognition of the 2023/24 teachers' pay deal. Authorities' budget planning must therefore accommodate these costs."

5.2.6 In cash terms, the 6.9% increase for Caerphilly CBC provides additional funding of £22.152m for 2023/24. Whist this is of course welcomed, the increase is well below the current unprecedented levels of inflation and the Council faces cost pressures totalling £55.478m for 2023/24 alone.

5.2.7 Changes to other pass-ported grants in the Provisional Settlement result in a net reduction of £202k for Caerphilly CBC in relation to the tapering of WG funding for Private Finance Initiative (PFI) Schemes.

5.2.8 The capital allocations available to Caerphilly CBC in the RSG and from the General Capital Grant have increased by £1.615m from the 2022/23 financial year.

5.2.9 Details of the 2023/24 Final Local Government Financial Settlement will not be announced until early March 2023, however it is anticipated that this will not vary significantly from the position set out in the Provisional Settlement.

5.3 2023/24 Budget Proposals

5.3.1 Further to Cabinet endorsement of the 2023/24 Draft Budget Proposals on 18 January 2023, there have been further emerging costs pressures that require consideration in terms of funding. These are listed in Table 2 along with proposed adjustments to some of the initial savings proposals in response to the feedback from the consultation process on the Draft Budget Proposals.

Table 2 - Proposed Adjustments to the 2023/24 Draft Budget Proposals

Description	£m
Additional Growth Requirements: -	
• Confirmed 21.88% increase in the Coroner's Levy (originally assumed to be 10.7%)	0.037
• Regrading of 3 posts to support the delivery of the emerging Waste Strategy	0.034
• Additional staffing capacity in Electoral Services to deliver new regional responsibilities and voter ID requirements	0.051
• Additional staffing capacity to deal with the rollout of a new contract management approach across the Council	0.230
• Migration of OLAS General Ledger system to Cloud platform	0.087
Adjustments to Proposed Savings: -	
• Initial £10k proposed saving for the withdrawal of the subsidy at Markham Community Leisure Centre to now be tapered over a three-year period from April 2023	0.007
• Proposed 20% increase in fees for Sports pitches to be reduced to 12%	0.011
• Proposed reduction of 5.5 hours in funding for caretaker costs in Community Centres to be changed to a reduction of 4 hours and tapered over a three-year period from October 2023	0.053
• Community Empowerment Fund budget to be reduced to £250k instead of being withdrawn completely	0.250
• Proposed 10% saving for SENCOM to be postponed pending discussions on an agreed regional approach from 2024/25	0.078
Total: -	**0.838**
Funded By: -	
• Adjustment to energy cost pressure based on latest Crown Commercial Services (CCS) projections	**(0.544)**
• Additional one-off call on reserves	**(0.294)**
Net: -	**0.000**

5.3.2 The proposals contained within this report (including the adjustments in Table 2 above) will deliver a balanced budget for 2023/24 on the basis that Council Tax is increased by 7.9%. Table 3 provides a summary: -

Table 3 – 2023/24 Budget Proposals Summary

Description	£m
Cost Pressures: -	
• General Fund Services inflationary pressures (pay and non-pay)	24.381
• General Fund inescapable service pressures	18.542
• Schools cost pressures	12.555
Total: -	**55.478**
Funded By: -	
• 6.9% uplift in Provisional Settlement	22.152
• Permanent savings proposals	4.972
• Temporary savings proposals	6.862
• One-off use of reserves	15.345
• 7.9% proposed increase in Council Tax	6.147
Total: -	**55.478**

5.3.3 Whilst the proposals in this report present a balanced financial position for 2023/24, a significant element of this is being achieved through one-off temporary measures i.e. £6.862m of temporary savings and £15.345m through the use of reserves. These temporary one-off measures totalling £22.207m will only support the budget for 2023/24 and they provide some breathing space to identify, agree and implement permanent savings for the 2024/25 financial year. This will be a significant challenge for the Council, and it is vital that an early start is made to identify proposals to address the financial shortfall.

5.3.4 The 2023/24 General Fund Services inflationary cost pressures totalling £24.381m are set out in Table 4 below: -

Table 4 – General Fund Services Inflationary Cost Pressures

	£m
National Joint Council (NJC) Pay Award	10.588
Increase in Employer Pension Contributions (NJC Staff)	1.106
Foundation Living Wage	0.218
Non-Pay Inflation	13.262
Non-Pay Inflation (Fees and Charges)	(0.793)
TOTAL: -	**24.381**

5.3.5 **National Joint Council (NJC) Pay Award** – The 2022/23 budget approved by Council in February 2022 assumed a NJC pay award of 3% from April 2022. However, the final approved pay award was an uplift of £1,925 across all pay scales which required additional funding of £4.788m to be identified. This has been funded in 2022/23 by a one-off contribution from surplus General Fund balances, and the additional cost has also now been factored into the base budget for 2023/24. In addition to this a further pay award of 5% is assumed from April 2023. Any increase above the assumed level of 5% for 2023/24 will need to be funded in-year from reserves, with the recurring impact then being factored into the budget from 2024/25 onwards.

5.3.6 **Increase in Employer Pension Contributions (NJC Staff)** – The Greater Gwent (Torfaen) Pension Fund is subject to an independent triennial valuation of its assets and liabilities. The draft results of the 2022 valuation require a 1% increase in the employer's contribution for 2023/24. Further increases of 1% and 0.5% are also required for 2024/25 and 2025/26 respectively.

5.3.7 **Foundation Living Wage** – £218k is included in the 2023/24 Budget Proposals to allow for an increase in the Foundation Living Wage hourly rate for General Fund Services staff.

5.3.8 **Non-Pay Inflation** – Inflation is at its highest level in 40 years with the Consumer Prices Index (CPI) inflation rate peaking at 11.1% during 2022. The most recent published data for the 12 months to January 2023 showed CPI at 10.1%. Much of this increase is being driven by the significant increases in the cost of energy, fuel, and food and drink. Forward purchasing arrangements for energy have largely protected the Council from the impact of energy price increases in the current year but increases of circa 210% for gas and 131% for electricity are currently anticipated for 2023/24, equating to an additional cost of circa £4.5m for the General Fund. Increases of 22.2% for fuel, 16.5% for food and drink and 5% for all other categories of expenditure have also been factored into the 2023/24 Budget Proposals.

5.3.9 **Non-Pay Inflation (Fees and Charges)** - A generic increase of 5% is assumed for Fees and Charges.

5.3.10 Table 5 provides a summary of the 2023/24 General Fund Services inescapable service pressures totalling £18.542m. These pressures have been subject to a detailed review and have been incorporated into the 2023/24 Budget Proposals on the basis that they are essential. Full details are provided in Appendix 2 for Members' consideration.

Table 5 – Summary of General Fund Inescapable Service Pressures

Service Area	£m
Corporate Services	1.470
Miscellaneous Finance	1.800
Economy & Environment	1.316
Social Services	9.293
General Fund Housing	2.397
Education & Lifelong Learning	2.265
TOTAL: -	**18.542**

5.3.11 A growth bid of £319k is included in the Education & Lifelong Learning total above in relation to Additional Learning Needs (ALN). A key priority for the Directorate is ensuring compliance with the ALN Act and Code, and ensuring that statutory duties for pupils with ALN are met. Neighbouring authorities and the majority of Local Authorities across Wales have delegated additional support funding to schools. In Caerphilly CBC, funding for additional support for schools has historically been retained centrally. The Additional Learning Needs and Education Tribunal (Wales) Act (2018) provides the context for revisiting activity with schools to progress an open and transparent model to distribute the majority of this central budget directly to our schools to support pupils with additional learning needs.

5.3.12 Officers have been working with representative primary and secondary headteachers to identify an option that schools will feel is fit for purpose. The current budget for additional support is circa £4.2m, however over recent years this budget has consistently overspent by circa £500k. This cost has been met from within the vulnerable learner's budget, specifically from the Out of County Placement element, as pupils have remained with Caerphilly schools. It is proposed that this budget is realigned internally, increasing the additional support budget by the £500k. In recent discussions with Headteachers it has become more apparent that there is a "hidden" additional cost pressure within our schools. It is proposed that the additional support budget is further increased by £1m in 2023/24 to recognise the pressure that schools have been facing. In 2022/23 there is an amount of £681k held against the Miscellaneous Finance budget, specifically for schools. This funding was not required when the original 2022/23 formula funding allocations were calculated in February 2022, and has not been required in year. It is therefore proposed that this funding is vired into the additional support budget to support the financial pressures in this area and along with the £319k proposed growth this will provide the £1m required. Whilst the work to support the proposed delegation of the additional support budget is not been yet complete, this additional funding is essential for supporting pupils with ALN in any model moving forward.

5.3.13 The Schools cost pressures totalling £12.555m are set out in Table 6 below -

Table 6 – Schools Cost Pressures

	£m
Teachers' Pay Award	4.423
National Joint Council (NJC) Pay Award (School-Based Staff)	0.935
Increase in Employer Pension Contributions (NJC Staff)	0.163
Non-Pay Inflation	5.524
Other Service Pressures	1.509
TOTAL: -	**12.555**

5.3.14 **Teachers' Pay Award** – The 2022/23 budget approved by Council in February 2022 assumed a teachers' pay award of 3% from September 2022. However, the approved pay award was an uplift of 5% which required additional funding of £2.072m to be identified. This has been funded in 2022/23 by a one-off contribution from surplus General Fund balances, and the additional cost has also now been factored into the base budget for 2023/24. However, an improved 2022/23 pay offer has recently been made to teachers following industrial action and this will result in additional in-year costs and have a recurring budgetary impact. This recent offer has now been rejected and further industrial action is planned. It is currently assumed that WG will provide funding to meet the additional costs of the final 2022/23 pay settlement.

5.3.15 A further pay award of 3.5% is currently assumed for teachers from September 2023 (in line with the indicative uplift figure provided by the Independent Pay Review Body on Teachers Pay).

5.3.16 **National Joint Council (NJC) Pay Award (School-Based Staff)** – The 2023/24 Budget Proposals include budgetary growth to fully fund the full-year impact of the 2022/23 pay award, along with additional budget provision for an assumed pay award of 5% from April 2023.

5.3.17 **Increase in Employer Pension Contributions (NJC Staff)** – As mentioned in paragraph 5.3.6 the draft results of the 2002 triennial valuation of the Greater Gwent (Torfaen) Pension Fund require a 1% increase in the employer's contribution for 2023/24.

5.3.18 **Non-Pay Inflation** - As detailed in paragraph 5.3.8, inflation is at its highest level in 40 years with the Consumer Prices Index (CPI) inflation rate peaking at 11.1% during 2022. For schools, additional energy costs of £4.682m are anticipated for 2023/24 and other inflationary increases are expected to result in additional costs of £842k.

5.3.19 **Other Schools Service Pressures** – This includes the following: -

- School floor area related changes.
- Retrospective adjustments in relation to pupil numbers.
- Social needs funding linked to increased free school meal numbers.
- Demand pressures linked to Specialist Resource Bases (SRB's) or Specialist Satellite provision.

5.4 2023/24 Savings Proposals

5.4.1 Savings proposals have been identified for the 2023/24 financial year totalling £11.834m. These are summarised in Table 7 with further details being provided in Appendix 3.

Table 7 – 2023/24 Draft Savings Proposals

Service Area	**Permanent Savings £m**	**Temporary Savings £m**	**Total Savings £m**
Corporate Services	0.366	0.742	**1.108**
Miscellaneous Finance	0.527	4.092	**4.619**
Economy & Environment	0.804	1.334	**2.138**
Social Services	0.594	0.000	**0.594**
Education & Lifelong Learning	0.341	0.693	**1.034**
Schools	2.341	0.000	**2.341**
TOTAL: -	**4.972**	**6.862**	**11.834**

5.4.2 The savings proposals have been split into 2 categories, those that are permanent and those that are temporary (i.e. not sustainable in the medium to longer term). Savings of a temporary nature are not ideal, but they do provide a window of opportunity to identify, approve and implement permanent savings in readiness for the 2024/25 financial year.

5.4.3 Members will note that there is a proposed saving of £2.341m for schools. To put this into context, Table 6 of this report shows total schools cost pressures of £12.555m for 2023/24. It is proposed that additional funding of £10.214m is allocated to schools which is an uplift of 8.4%. This will result in anticipated pay awards and general non-pay inflationary increases being funded but estimated energy cost increases of £4.682m will only be funded at 50%. Schools will therefore be asked to manage £2.341m of the energy increase themselves through energy reduction initiatives and wider cost efficiencies.

5.4.4 The proposed growth of £10.214m for schools will exceed Caerphilly CBC's proportion of the consequential funding of £117m provided to WG by the UK Government for Education as referenced in paragraph 5.2.5 of this report.

5.5 Proposed Use of Reserves

5.5.1 To achieve a balanced budget for 2023/24 it will be necessary to utilise reserves as a further one-off measure. This again provides a short window of opportunity to develop sustainable solutions to address the budget deficit from 2024/25. It is proposed that the reserves in Table 8 are released to support the budget for 2023/24.

Table 8 – Proposed Use of Reserves

Description	£m	£m
Covid-19 Earmarked Reserve		5.000
Cost of Living Crisis Contingency		2.098
WG Council Tax Collection Grant (2020/21)		1.122
WG Council Tax Collection Grant (2021/22)		0.878
Uncommitted Capital Earmarked Reserves		0.915
Service Reserves: -		
• Corporate Services	3.262	
• Social Services	1.119	
• Education & Lifelong Learning	0.951	5.332
TOTAL: -		**15.345**

5.5.2 Members will note the proposed use of service reserves totalling £5.332m. These reserves have been reviewed in detail and can be repurposed to support the 2023/24 budget. Further details are provided in Appendix 4

5.5.3 The proposed savings for Education & Lifelong Leaning in Appendix 3 include a temporary saving of £346k in relation to the budget for the Directorate's 50% repairs and maintenance contribution to schools. This saving is proposed for 2023/24 only and the £346k will instead be met through a one-off contribution from the LMS Contingency Reserve.

5.6 General Fund Balances

5.6.1 Details of the projected movement on General Fund balances are provided in Appendix 5.

5.6.2 The current General Fund balance is £11.852m, which reflects the position previously agreed by Council.

5.6.3 Based on the 2022/23 month 9 Whole-Authority Revenue Budget Monitoring Report, it is currently anticipated that there will be a net transfer to the General Fund of £2.239m from a projected year-end net underspend across all Directorates.

5.6.4 Cabinet will recall that in previous years the Council Tax surplus has been channelled through the General Fund each year to support the base budget in the following financial year. In normal years this surplus is estimated to be circa £1.050m but Members will be aware that Council Tax collection has been adversely impacted during the pandemic. It would not be prudent at this stage to assume that the Council Tax surplus for 2022/23 will be at the levels achieved prior to the pandemic. It is therefore recommended that the £1.050m required to support the 2023/24 budget should be funded through a call on the General Fund.

5.6.5 After allowing for the above movements the updated projected balance for the General Fund as at 31 March 2023 is £13.041m. The Section 151 Officer usually recommends a minimum

General Fund balance of 3% of the Net Revenue Budget which for 2023/24 is £13.162m. The current projected balance of £13.041m is marginally lower than this but this will be reviewed again when the 2022/23 Provisional Revenue Budget Outturn Report is presented to Cabinet and Council in July 2023.

5.7 Council Tax Implications 2023/24

5.7.1 The budget proposals within this report include a proposed increase of 7.9% in Council Tax for the 2023/24 financial year. This will increase the Caerphilly CBC Band D precept from £1,253.95 to £1,353.01 i.e. an annual increase of £99.06 or weekly increase of £1.91.

5.7.2 The proposed increase of 7.9% for 2023/24 will result in the following totals for the Caerphilly CBC element of the Council Tax (the Police & Crime Commissioner and Town/Community Council precepts will be added to these totals when confirmed at a later date): -

Table 9 – 2023/24 Council Tax (CCBC Element) at 7.9% Increase

Band	Council Tax (CCBC Element) £	Weekly Increase £
A	902.01	1.27
B	1,052.34	1.48
C	1,202.68	1.69
D	1,353.01	1.91
E	1,653.68	2.33
F	1,954.35	2.75
G	2,255.02	3.18
H	2,706.02	3.81
I	3,157.03	4.45

5.8 Capital Programme

5.8.1 The proposed Capital Programme for the three-year period 2023/24 to 2025/26 is detailed in Appendix 6 and summarised in Table 10.

Table 10 – Summary of Capital Programme 2023/24 to 2025/26

	2023/24	**2024/25**	**2025/26**
	£m	**£m**	**£m**
Capital Programme proposals	11.636	9.668	9.599
WG funding available	(9.772)	(8.157)	(8.157)
Capital funding gap	**1.864**	**1.511**	**1.422**
Funded by: -			
Surplus/(Deficit) b/fwd	0.287	0.000	0.000
One-Off funding from MRP Policy Review	1.449	1.383	1.314
RCCO budget (Miscellaneous Finance)	0.128	0.128	0.128
Total Additional Funding	**1.864**	**1.511**	**1.442**
Surplus/(Deficit) carried forward	**0.000**	**0.000**	**0.000**

5.9 Financial Outlook for Future Years

5.9.1 Due to the unprecedented levels of inflation, the current economic outlook, and the range of temporary measures that are proposed for the 2023/24 financial year, it is clear that the Council will continue to face significant financial challenges moving forward. With this is in mind the Medium-Term Financial Plan (MTFP) has been updated based on a range of assumptions, resulting in a potential savings requirement of £48.335m for the two-year period 2024/25 to 2025/26. Details are provided in Appendix 7 and the following is a summary of the key assumptions: -

- An uplift in WG funding of 2.71% for 2024/25 (based on our proportionate share of the WG indicative of 3.1%) and an assumption of 1% for 2025/26.
- An increase of 4.5% in Council Tax for 2024/25 and 3.9% for 2025/26.
- 3% for pay inflation in 2024/25 and 2% for 2025/26 (covering all staff including teachers).
- 1% in 2024/25 and 0.5% in 2025/26 for NJC employer pension contributions.
- Non-pay inflation at 3% for 2024/25 and 2% for 2025/26.

5.9.2 In addition to the above, significant work has been undertaken with Directors and Heads of Service to identify further potential inescapable service cost pressures that will need to be considered in future years. These are currently estimated at circa £10.7m for 2024/25 and £5.5m for 2025/26. This is work in progress and the figures will be subject to change moving forward.

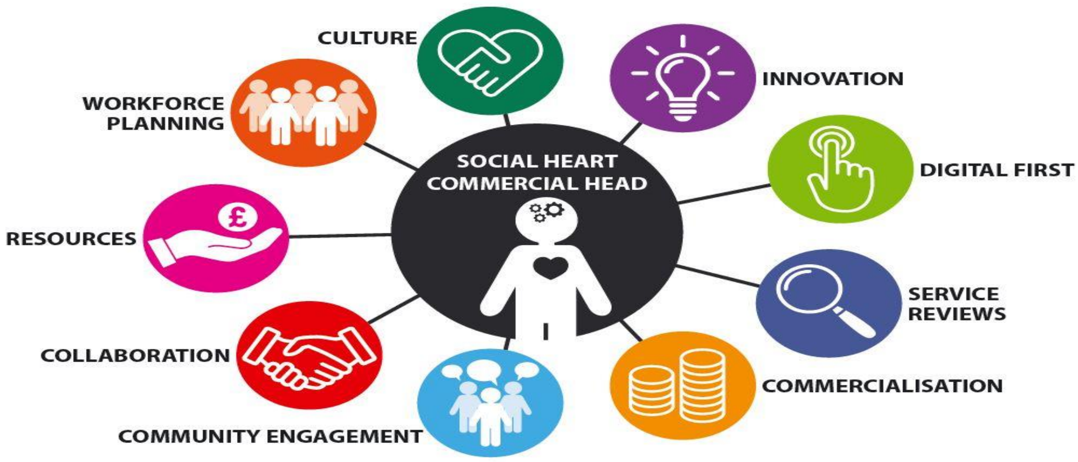
5.9.3 The temporary measures in the 2023/24 Draft Budget Proposals totaling £22.207m can be used for one year only. Whilst the temporary savings and the prudent use of our reserves provides an opportunity to smooth the path to major reform and transformation, we have only one chance to do this. As Members are acutely aware reserves can only be used once and therefore do not offer a sustainable long-term solution to bridging the budget gap of this and future years.

5.9.4 Given the scale of the challenge that we collectively face, a financial strategy that seeks to continuously salami slice our services and deplete our reserves is not a sustainable or an appropriate approach, especially when the demands upon our services are far higher than ever, as our communities continue to present far greater and increasingly complex needs to us. To ensure we are able to meet the needs of our communities, whilst operating with reduced finances, a whole council and a whole county borough holistic approach is needed.

5.9.5 At its meeting on 12 June 2019 the Council's Cabinet approved the Future Caerphilly Transformation Strategy, ***Team Caerphilly – Better Together***. This Strategy set out details of a major transformation programme to examine how a future operating model for the Council could be developed. The principles of the new operating model included how services are prioritised, how they can become more business efficient, to explore opportunities for greater customer focus and digital delivery, and to consider alternative delivery models and seek out commercial opportunities. Furthermore, to enable the Council to continue providing high quality value for money services in an environment that will require new approaches and new skills, the Strategy acknowledged that a new relationship will need to be built with staff and communities.

5.9.6 The Strategy is multi-faceted and at the core of the programme of change is the new mantra of *Social Heart and Commercial Head*. This recognises a commitment to public service and the needs of citizens, but also demonstrates a commitment to explore commercial and investment opportunities, where appropriate, to generate income that can be reinvested in services to help them remain resilient in the current challenging financial climate.

5.9.7 The strategic programme of "whole-authority" work is being delivered through the following key themes, which underpin the new operating model of the Council: -



5.9.8 Good progress has been made in implementing the Strategic Action Plan that underpins the Transformation Strategy. However, the emergence of Covid-19 and the Council's prolonged focussed response to the pandemic naturally hindered the overall intended pace of transformational change.

5.9.9 The Council gleaned much learning through its response to Covid-19 which helped reshape and expand the transformation programme. At its meeting on 22 July 2020, Cabinet endorsed the inclusion of ten corporate reviews within the ***Team Caerphilly – Better Together*** programme, all of which expand on or embed further many of the positive changes implemented in response to Covid-19. The Corporate Reviews are as follows: -

1	Walk in Services Review
2	Remote Contact Review
3	Front Line Delivery Review
4	Support Services Review
5	Information, Insight and Intelligence Review
6	Flexible Working Review
7	Sustainable Financial Planning Review
8	Workforce Development Review
9	Corporate Volunteering & Community Partnership Review
10	Decision-Making Review

5.9.10 The Council also launched an ambitious "Place Shaping" investment programme for the county borough, identifying potential investments of circa £500m spanning the next few years, which will lever in significant socio-economic benefits.

5.9.11 However, the sharp decline across the public sector financial landscape has hindered the pace of delivery across the Placeshaping investment programme and the programme requires a fundamental review, aligned with the emerging Corporate Plan.

5.9.12 Cabinet and the Corporate Management Team (CMT) have reviewed the key elements of the transformational programme and the Placeshaping programme previously agreed by Members in the context of the current financial challenges and the emerging Corporate Plan and have concluded that the model is still relevant, indeed even more relevant than before, as it offers us the strategic framework to develop a new operating model for the Council, which will ensure we don't simply turn services off, rather we will deliver services differently and more efficiently.

5.9.13 The revised "***TeamCaerphilly – Better together***" operating model offers three distinct elements: -

1) A Transformational Programme consisting of significant corporate projects that will drive change across the whole organisation, these will include: -

- The creation of one-stop shop hubs at key locations across the county borough – providing the face of the Council within the locality, where residents can obtain information or access to key services.
- Digital by default – Service requests, routine enquiries, financial processes, to be automated.
- Agile/flexible working – implementing the next phase of our agile policy, maximising usage of our key buildings and rationalisation of our comprehensive building stock.
- Support services review – undertake a strategic review of support services across all services to create multi-disciplined roles serving the whole organisation.
- Managing the demand across Health and Social Care.
- Centralisation and rationalisation of IT systems and processes.

These strategic projects will be delivered and managed by specific project teams and a repurposed programme office.

2) Service Reviews

Each Head of Service will be required to review their service areas through the new operating model lens, demonstrating how the service can be delivered more efficiently and effectively. Annual financial targets will be provided to each Corporate Director and respective Heads of Service to help frame the overall requirement. The following list is not exhaustive but provides examples of potential areas for review: -

- Enforcement and education provision
- Catering and cleaning
- Tourism venues and income generation
- Library and customer services
- Use of our Fleet
- School improvement
- Community centres
- Waste Strategy
- Youth Service

These projects will be monitored by the Chief Executive with support from the Programme office.

3) Placeshaping Investment Programme

An integrated capital investment programme, using circa £30m of Council funding to lever in further significant investment, will be developed spanning the county borough. This will improve the economic, environmental and social prosperity of our county borough and the communities within it. Examples include the following: -

- A469 Troedrhiwfuwch strategic highway improvement
- New secondary, primary and Welsh Medium schools provision with integrated leisure, library and community use.
- New build passive social housing, creating new communities.
- New community hubs, providing one-stop shop access to the Council.
- Integrated public service hub with health and education.

- New Centre for Vulnerable Learners
- New bus/rail transport interchange.
- New enhanced tourism destination at Cwmcarn forest drive
- Improved trains and more frequent rail travel along the Rhymney Valley line.
- New active travel cycle provision across the county borough.
- New market and wider town centre regeneration.
- Enhancement of recycling centres.

5.9.14 This capital investment programme is significant in terms of scale and complexity and will need to be supported through a formal project management approach via a repurposed programme office. Importantly, to maximise the benefit of such an investment programme requires us to look across the county borough as a whole, rather than a sub-local level. It is important we recognise and maximise the opportunities each local ward area can bring and receive when looking at the total county borough area strategically. One such example to demonstrate this approach, is the increased and improved rail connections between Rhymney and Caerphilly, this investment could facilitate ease of access via rail across the East of the county borough if a new strategic leisure facility were located at Caerphilly.

5.9.15 Crucially, to deliver this ambitious and exciting Placeshaping investment programme, key decisions will need to be taken regarding a number of existing strategies we have in place, these include the Sport and Active Recreation Strategy (SARS), emerging draft Waste Strategy, 21st Century Schools Programme and the emerging Local Development Plan, as examples.

5.9.16 Whilst we have a plan to address the significant financial challenges that we face, it is important that this is mobilised quickly and progresses at pace, early within 2023. This ambitious transformation programme will need additional staff resources to implement and a growth bid of £324k is included within the 2023/24 Budget Proposals. Included within the growth bid, is a new role of Head of Waste and permanent funding for four Project Managers in the Transformation Team. A draft Waste Strategy will shortly be considered by Cabinet, and if approved, this will require a dedicated Head of Service to lead and implement the required changes to ensure we not just meet the statutory waste targets but exceed them.

5.9.17 These additional staff resources are required to deliver the exciting and bold over-arching change programme for the county borough and the organisation, ensuring that both remain sustainable and resilient, economically, socially, and environmentally over the longer term. If the 2023/24 Budget Proposals are approved, the Chief Executive will implement a delivery plan to mobilise the organisation promptly.

5.10 Conclusion

5.10.1 This report provides details of the Budget Proposals for 2023/24 based on the WG Provisional Local Government Financial Settlement.

5.10.2 A balanced budget can be delivered for 2023/24 based on a combination of permanent and temporary savings totalling £11.834m, the one-of use of reserves totalling £15.345m and an increase of 7.9% in Council Tax.

5.10.3 The report also provides details of the updated Medium-Term Financial Plan (MTFP), which currently shows a potential savings requirement of £48.335m for the two-tear period 2024/25 to 2025/26.

5.10.4 The scale of the financial challenge facing the Council requires new approaches to service delivery and this will be driven through our Transformation and Placeshaping Investment Programmes. It is vital that these are developed at pace and that key decisions are made early to ensure that the projected savings requirement for 2024/25 and 2025/26 can be delivered.

6. ASSUMPTIONS

6.1 A range of assumptions have been made throughout the report in respect of pay and non-pay inflationary increases, inescapable service pressures, and the level of funding settlements moving forward.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1 Budget impact assessments and integrated impact assessments (where required) have been completed and can be accessed through the following links: -

Budget Impact Assessments 2023-2024
English - budget-impact-assessments-2023-2024

Cymraeg - budget-impact-assessments-2023-2024

Integrated Impact Assessments 2023-2024
English - integrated-impact-assessments-2023-2024

Cymraeg - integrated-impact-assessments-2023-2024

7,2 The budget proposals include a number of areas where a full integrated impact assessment was deemed to be required due to the potential for impact on persons with protected characteristics or due to social-economic disadvantage. Each impact assessment considers the mitigating factors. The recommendations of each of these are provided below: -

7.3 **Council Tax**

7.3.1 The recommendation is to implement the proposed increase in Council Tax in the context of the significant and unprecedented financial pressures facing the Council.

7.3.2 The Council Tax Reduction Scheme supports people living in the county borough who face the most socio-economic disadvantage. 15,999 households receive support with their Council Tax payments representing 19.89% of all households in the county borough. 8,253 of these households (10.26%) receive the maximum 100% level of support.

7.3.3 In addition, the Council has implemented the Caerphilly Cares service to provide early-stage preventative support for the most vulnerable individuals, including signposting to financial support and advice.

7.4 **Community Empowerment Fund**

7.4.1 The Community Empowerment Fund is a relatively new ‘additionality’ budget and assessing the take-up and impact of the funding is ongoing. Projects tend to cover a wide variety of outcomes due to the criteria being widely drafted, having originally been based on community consultation. A survey will be undertaken this coming financial year to gather feedback on project outcomes. This will be assessed in the context of any future financial year planning beyond 2023/24.

7.4.2 It is recommended that a reduction in the budget will be accommodated within the likely total requests for support within each ward area. Wards will be made aware at the earliest opportunity of the amount that has been allocated for the next financial year, subject to agreement by Council on the proposal to reduce the budget by 30%.

7.4.3 In addition to delivering on the reduced budget, the Council will continue to promote the Welsh Church Act Fund and the Grants To The Voluntary Sector small grant scheme, as well as working with the local Community Voluntary Council to signpost other sources of support for local organisations.

7.5 **Well-being, Technical Assistance and Service Level Agreements with the Voluntary Sector**

7.5.1 In the context of the funding pressures facing the Council the budget for technical assistance and sustainability/well-being should be removed. Applicant organisations will be signposted to other sources of support, as far as it is possible, and in partnership with the local Community Voluntary Council.

7.5.2 The Service Level Agreements with the three voluntary sector organisations that have previously been recipients will remain at the same level as 2022/23. Projects that may be deliverable within the available budget will be negotiated as part of the process for 2023/24 recognising that as costs of delivery increase, what may achievable within the budget available may have to decrease.

7.6 **Temporary Reduction in the Book Fund**

7.6.1 The proposal to reduce the book fund by 20% is a temporary measure to meet the savings requirement for the 2023/24 budget. A series of mitigating actions are described in the impact assessment.

7.6.2 The recent 'What Matters' conversation took place in November/December 2022 and identified that residents feel that libraries are a key service that the Council should prioritise. The budget consultation undertaken in January/February 2023 told us that residents feel that libraries are a vital part of the community and could be used more. A reduction to the book fund raised some concern but overall was considered acceptable for one year only. Longer-term reductions would have a greater impact on those who need the library service most e.g. those who experience socio-economic disadvantage and people with protected characteristics.

7.7 **Blackwood to Ystrad Mynach Rail Link**

7.7.1 The Raillinc 901 contract between Blackwood and Ystrad Mynach rail station is the contract with the highest subsidy per passenger at £13.43 (for the 12 months to October 2022). The latest figures to October 2022 show over 900 passengers per month. The recommendation from the integrated impact assessment is to proceed with the proposal in the context of the financial pressures facing the Council.

7.7.2 The removal of subsidy for the rail link service was met with a mixed response. Residents felt that the level of subsidy was too high to be maintained, but suggested alternative routes may be more viable (nearest train station to Blackwood is Pengam) and suggested that the service could be opened up to non-rail users.

7.8 **SENCOM**

7.8.1 The proposal focussed on efficiencies and non-staffing costs. While the proposal recognised that further consideration and consultation would be required regarding mitigation of risk before a final agreement were made, the decision has been taken not to proceed with this proposal for the 2023/24 financial year

8. FINANCIAL IMPLICATIONS

8.1 As detailed throughout the report.

9. PERSONNEL IMPLICATIONS

9.1 Where staffing reductions are required as a consequence of savings proposals the Council will firstly try to achieve this through 'natural wastage' and not filling vacancies. However, where this is not possible the Council will utilise agreed HR policies and compulsory redundancies will only be considered as a last resort after all other options have been fully exhausted.

9.2 The Trade Unions will be fully engaged in proposals to reshape services moving forward.

10. CONSULTATIONS

10.1 An ongoing period of far-reaching community engagement has supported the development of the Council's budget setting for 2023/24.

10.2 Initially, during November and December 2022, an engagement programme entitled 'What matters to you?' encouraged residents to give their views and consequently helped the Council to gain an understanding of the services that residents feel are most needed and valued and where residents feel the Council should prioritise its budget spend. The insights from this engagement were key in shaping the draft budget proposals for 2023/24 prior to going out to public consultation in January 2023.

10.3 The follow up engagement programme 'The Caerphilly Conversation – Budget Consultation 2023/24' was designed to seek the views of residents and key stakeholders in relation to the three key elements of the draft budget proposals, namely, the use of £15.051million reserves at this time, the proposed increase in council tax of 7.9% and the draft list of savings proposals (both temporary and permanent) totalling £12.421million.

10.4 This engagement programme, as well as offering residents an opportunity to have their say through a survey, also saw a large number of opportunities for face-to-face engagement in libraries, and also through social media and with targeted engagement with stakeholder groups that represent seldom heard communities.

10.5 The key findings from this engagement programme included: -

- 62% of survey respondents agreed or strongly agreed with the one-off use of reserves at this time. Feedback received through face-to-face conversations and survey comments highlighted that in many cases, where residents disagreed with the proposal, it was because they felt that the Council should be using more of its reserves at this time.
- Over a quarter (26%) of survey respondents agreed with the proposed 7.9% council tax increase or would be prepared to pay even more. A further 39% would support a lower level of council tax increase while 35% would not support any increase in council tax. Feedback from conversations with residents reflected this view. While many said that they understood the need to increase council tax to maintain services, there was concern that, at this time, any increase in council tax would impact on those least able to afford an increase.
- Areas of the proposals that respondents particularly agreed with included a reduction in mileage budgets, deletion of vacant posts, vacancy management across the organisation and budget realignments that will have no impact on residents. Income generation through methods such as the sale of felled timber and an increase in charges for MOTs etc was largely supported, as was a reduction in the tourism subsidy, with the suggestion that venues could generate income through visitor attendance. Reducing the frequency of grass cutting to encourage biodiversity was also received largely positively.
- Areas of the proposals that respondents particularly disagreed with included a reduction in community grants and voluntary/community sector support, and any cuts to Social Services that will impact on the most vulnerable residents. Savings proposals associated with services for children with disabilities were of particular concern. The temporary reduction in highways maintenance budget featured throughout the discussions, as did

any cuts that would impact directly on schools and education. Protecting libraries and youth services was also a consistent theme, and while it was thought that income generation was in the main, a positive way forward, there were mixed views regarding income generation through increased charges for services that are accessed by residents and the community (e.g. review of sports and leisure fees and a proposed increase in sports pitch fees).

10.6 A full summary of the findings from the 'Caerphilly Conversation – Budget Consultation 2023/24' can be found at www.caerphilly.gov.uk/caerphillyconversation

10.7 On 25 January 2023, a Joint Scrutiny Committee meeting was held to consider the 2023/24 Draft Budget Proposals. The key points raised during the meeting were as follows: -

- The Leader emphasised that although the approaches taken to address the budget pressures, including the use of reserves, can smooth the path to major changes in the way the Council operates, the Authority is still faced with a starting deficit of £21m for the 2024/25 financial year and transformation will therefore be key in delivering services moving forward.

- The Leader also explained that a holistic approach to transformation is needed and that the Council wishes to avoid the prospect of compulsory redundancies and the cutting of key services being faced by other Authorities.

- A Member asked about the long-term goals for tourism venues in the county borough, citing the example of St David's Hall Cardiff being sold to an external organisation, and asked if this is a model that is being considered for Caerphilly owned venues. It was confirmed that alternative operating options are being examined and a review is currently underway, with a long-term tourism strategy due to be launched. The recent reduction in the subsidy to Blackwood Miners Institute was also highlighted, which is due to the increased programme of events at the venue. Members were reminded that the Council's tourism venues will also need to change the way they operate in line with the Authority's plans to change the way it delivers services.

- Members asked if there were plans to change the grass-cutting regime in terms of the number of cuts per year, and if it would take into account biodiversity considerations, such as a wildflower seeding programme. The Committee was advised that a Grass Cutting report is scheduled for consideration by the Environment and Sustainability Scrutiny Committee which will set out these proposals but will need to take into account the impact on climate change in view of the Council having declared a Climate Emergency.

- Members raised concerns regarding the proposed reduction in the caretaker subsidy for community centres and were of the view that this could have a significant impact on the operating viability of some centres. The Committee was advised that an Integrated Impact Assessment has been completed in respect of this savings proposal, and at present the Council funds 11 hours of caretaking costs for each centre, which is fully utilised by some centres but not by others, depending on their needs. Therefore, some centres are underused and need to become more proactive in their approach, and the Council is willing to work with these community centres to help them become more self-sufficient, as the Council cannot afford to fund caretaking hours and maintain buildings that are only used for a few hours per week.

- A Member highlighted the reported underspends of £38m in the 2021/22 budget, together with the level of funds held in reserves, and enquired whether these could be used to fund the budget deficit for 2023/24. The Head of Financial Services & S151 Officer explained that underspends over the past two years were due to services not running at full capacity during the Covid-19 pandemic, together with significant additional funding from Welsh Government that was made available at the time. However, these underspends have been reported to Cabinet and Council and have been ringfenced for specific purposes, including

£14.3m from the General Fund being released for purposes such as funding the additional cost of pay awards, and establishing the cost-of-living hardship fund and the cost-of-living crisis fund.

- In relation to the reserves totalling £233m, a substantial portion has been allocated or ringfenced for specific purposes including the Housing Revenue Account, the 21st Century Schools Programme, a new respite facility, the highways programmes, and funding to support the wellbeing and placeshaping framework. It was also clarified that a large proportion of reserves cannot be reallocated elsewhere as they have already been agreed for specific purposes.

- During the meeting, reference was also made to the proposed use of reserves totalling £15m, with assurances sought that the Council is able to release the reserves relating to £5m for Covid-19 and £2.098m for the Cost-of-Living Crisis Contingency. The Head of Financial Services & S151 Officer confirmed that the proposal to release these reserves has been reviewed in detail.

- Several Members raised concerns throughout the meeting in relation to the proposed 7.9% Council Tax increase and highlighted the impact of this increase on local residents, particularly in view of the cost-of-living crisis and the additional financial burden this would place on them. The Scrutiny Committee was reminded that 75.81% of households are in Bands A-C, and that the most vulnerable residents are supported through the Council Tax Reduction Scheme, with 15,999 households (19.89%) receiving some level of support and 8,253 of these households receiving a 100% reduction. One Member suggested alternative budget proposals, such as a one-off reduction against the General Fund balance to 2% which would release £3.9m to be offset against Council Tax, reducing this to a 2.1% increase.

- A Member questioned the need for additional staff as set out in the report when balanced against the proposed budget cuts. The Chief Executive advised the Scrutiny Committee that she has a statutory responsibility as Head of Paid Service to ensure that the Authority has the appropriate staff and skills to deliver the services that the Council is being asked to deliver, with some service areas extremely stretched and hence the proposals seek to fill these gaps. Members were asked to note the vacant posts being deleted as part of the savings proposals, together with the significant programme of change being embarked upon by the Authority, with it emphasised that to manage a programme of this scale, additional capacity needs to be secured in order to lead and implement the required changes.

- A Member raised concerns around the proposed cuts to Service Level Agreements for the Voluntary Sector and it was explained that although the Council is greatly appreciative of the value of this particular sector, the Council is faced with the alternative of making cuts to key services in order to meet the £35m funding deficit, and that the voluntary sector are still able to secure funding through alternative streams. Members also referenced the proposed deletion of the Community Empowerment Fund and felt that this proposal was premature given that many local organisations did not have the opportunity to use their allocation during the pandemic, and they sought clarification on the funding assistance available to these organisations in the future. Officers confirmed that these comments would be taken on board and considered as part of the consultation process on the draft budget proposals.

- Clarification was sought on the proposed budget realignment across Social Services, particularly in relation to the support around Children with Disabilities and domiciliary care, with a Member expressing concern around whether demand is being met, and also suggested that these underspends could be used to recruit additional foster carers to help address the overspend across Children's Services in relation to independent/residential home provision. The Committee was assured that demand is being fully met, and that there has been a reduction in demand across these particular services, hence the proposed budget realignments, and in some cases the needs of service users has changed which had led to the Health Board taking on provision of this service in place of the local authority, as the level of need has changed from social care to health care. Members were also assured that foster care recruitment is the focus of a very active and successful campaign at both local and national level, and that this area does not require additional investment.

- Reference was made to the £1.747m cost pressure for temporary accommodation and a Member asked if consideration had been given towards recycling multiple units into alternative provision to offset the costs used for private provision. Members were advised that this inescapable service pressure is representative of the demands faced by all local authorities in Wales in terms of temporary accommodation, and all alternatives are being looked at, including construction methods, use of pods, bed and breakfast accommodation, and bringing empty properties back into use, and pressure is being put on Welsh Government in this regard.

- During the course of the meeting, Members expressed concerns around the proposals for increased pitch fees, stating that many of the local sports clubs and local users will find a 20% increase difficult to absorb. Queries were also received around the proposed MOT fees increase, together with a query on community asset transfer, with clarification on both matters provided by Officers.

10.8 On 02 February 2023, the 2023/24 Draft Budget Proposals were presented to the Voluntary Sector Liaison Committee. The key points raised during the meeting were as follows: -

- A representative of the Voluntary Sector sought clarification on the Voluntary Sector Service Level Agreements (SLA) budget realignment as there was no mention of which organisations it applied to and a request was made for it be removed from the 2023/24 draft savings proposals. The Corporate Policy Manager explained that the savings proposal of £25,200 has never been used for the Service Level Agreements and that it is an amount in the total Voluntary Sector budget which has been unallocated for a number of years. The proposal will therefore not result in a cash cut to the current Service Level Agreements and the budget available to support them would be the same in the coming financial year. The Corporate Policy Manager highlighted that the details of the effect of the proposed cut were set out in more detail in the Integrated Impact Assessments that are hyperlinked to the main budget report that had been circulated prior to the meeting. The Committee was informed that the recipient organisations will be contacted very soon to discuss the Service Level Agreements for the next financial year.

- The Committee raised concerns regarding the 50% reduction in the subsidy for Caretaker costs in Community Centres and it was suggested that the budget of each individual Community Centre is taken into consideration. In response to the concerns raised, the Head of Public Protection, Community & Leisure Services acknowledged that Community Centres are in different situations, in terms of how they might accommodate the savings proposal, and that some may be in a better position than others. The Committee was advised that at the moment there is a blanket service provision across all of the Community Centres and therefore the reduction is being proposed across the board. Members of the Committee were asked to note this is a part-year saving that will allow work to be undertaken in the first half of the financial year with the Community Centres to introduce the proposal. During the course of discussion, further comments were made in relation to the 50% reduction and it was felt that this would mean the closure of many Community Centres across the county borough. It was highlighted that Community Centres are also facing huge increases in their fuel costs and despite this many Centres are opening as warm spaces to help the less fortunate in the communities. In conclusion, a representative of the Voluntary Sector offered a number of solutions to help address this matter. These included asking each Community Centre Management Committee if they feel the need to close their Community Centre, to help streamline costs and the number of Centres, calculating each Community Centre's caretaking costs to base it on actual usage and floor area instead of the current flat rate of 12 hours, adding details of each Community Centre's weekly programme to the Council's website, and providing each Community Centre with a copy of the three-yearly building condition survey in order for the Management Committees to prioritise improvements and repairs to keep the buildings up to standard.

- Concerns were also raised regarding the proposed deletion of the Community Empowerment Fund budget. It was commented that the Community Empowerment Fund has delivered some very useful projects, especially where wards are able to collaborate, and a request was made for it to continue as it strengthens the rapport between Councillors and their wards. The Corporate Policy Manager reminded the Committee that the current proposal is that any underspend in the 2022/23 financial year will be carried forward into the 2023/24 financial year, which would be on a ward basis for the first six months and then pooled for the second six months of the financial year. In conclusion, the Committee requested the Community Empowerment Fund be continued into the future and not just monies rolled over into the next financial year.

- A Councillor requested that the proposal to increase the current scale of charges for use of sports pitches by 20% be reconsidered. It was noted that the reason behind this was to minimise the impact upon individuals and target team activities, but it was argued that the proposed saving would impact on individuals as it would impact on the ability for the parents to pay for children to take part in team sports on a regular basis. The Head of Public Protection, Community & Leisure Services clarified that the proposed fee increase relates to team sports, so the total increase would be spread across all participants taking part in team sports. An alternative proposal would be to look more broadly across sport and leisure fee charges and to introduce increases for individual users, which could be suggested as an alternative proposal which would be fed in as part of the budget consultation process.

- A representative of GAVO asked how the Voluntary Sector is going to be involved in the process moving forward. In response, the Head of Financial Services & S151 Officer re-iterated that as part of the TeamCaerphilly Operating Model, community engagement and collaboration will take place with the Voluntary Sector when working through proposals.

- Another Councillor referred to the proposed 50% reduction in the subsidy for Caretaker costs in Community Centres and to the proposed withdrawal of the £10,000 subsidy for Markham Community House and Leisure Centre. A number of concerns were raised including the age profile of members of the Management Committee and difficulties recruiting, paying staff wages, and service price increases. It was felt that Markham Community House and Leisure Centre was being treated differently to other areas and the proposal would impact on the facility's ability to continue service at existing levels, which could result in the closure of the facility. The Councillor highlighted that Markham Community House and Leisure Centre is a Council owned building and if the lease for Markham Community House and Leisure Centre is unable to continue, the Council would still be responsible for the repairs and maintenance of the building. A request was made for the reserves to be used for this savings proposal in order to keep the facility open. The Head of Public Protection, Community & Leisure Services noted that a discussion has taken place with the Cabinet Member for Waste, Leisure & Green Spaces who is minded to support a change to this proposal so that it would be a £5,000 reduction for 2023/24. Further comments were made in relation to Markham Community House and Leisure Centre being an anomaly within the current Community Centre and Leisure Centre network. The Sport & Leisure Facilities Manager addressed the Committee to provide context in relation to Markham Community House and Leisure Centre and addressed the concerns and comments raised. The Committee was advised that the facility was initially put in place on the very understanding that it would be delivered by a volunteer network and that reactive and statutory maintenance on the site is picked up by the Council to significant amounts. It was highlighted that Sport & Leisure Services continue to support the facility by signposting activities.

10.9 The 2023/24 Draft Budget Proposals were shared with the Trade Unions at a meeting on 12 January 2023, with a follow-up meeting also taking place on 09 February 2023.

10.10 The GMB expressed the view that the budget proposals were positive in that there would be no job losses and services would be protected, and it was stressed that it is important that Trade Unions and Officers work closely together from an early stage in relation to any future changes to services in order that they are fully informed and can advise their members. Unite echoed the views of GMB and added that there was initially concern about potential redundancies and that reassurance had now been provided that this was not the case.

10.11 Following the meeting on 12 January 2023, Unison provided written feedback on the 2023/24 Draft Budget Proposals, which is attached as Appendix 8. During the meeting on 09 February 2023, the Chief Executive clarified some of the points that had been raised in Unison's written feedback: -

- Section 9.2 of the report – When service reshaping proposals are being developed the Trade Unions will be invited to engage at this point.
- In relation to meeting with Directors/Heads of Service the Chief Executive noted that she had not received any such requests from the Trade Unions. The Chief Executive confirmed that whilst she fully recognises the importance of meetings between officers and Trade Unions, as the proposals did not detrimentally affect staff and given the deadline for pulling the budget report together, there simply was not an opportunity to engage with Trade Unions any earlier. The Leader also stated that he had apologised at the meeting held on 12 January 2023 for the timing of the meeting, but with the caveat that he did not know how the meeting could have been held any earlier given that the proposals were not signed off by the Labour Group until the Monday evening, and the meeting with Trade Unions had taken place on the Thursday.
- Cost associated to annual leave – A report was approved by Cabinet in relation to the 6 additional days annual leave for staff. The proposal to fund this is included in the budget proposals report (£2.4m).
- Budget re-alignment – The Head of Financial Services & S151 Officer advised that these budgets were being adjusted to reflect actual patterns of spend.
- Areas of Vacancy Management – The underspends relate to vacancies where services have been reconfigured so Heads of Service have been able to consider whether some posts are still required.
- Creation of additional posts – These are included as growth proposals and have been subject to a robust review of growth bids.
- Reduction in mileage budget – A calculation has been carried out on pre and post Covid-19 mileage payments. The Council is now operating in a different way whereby technology is being used thus decreasing the need for staff to drive to attend meetings. However, it should be noted that where members of staff do need to claim mileage then this will continue to be paid at the prevailing rates. Also, when fuel costs rose significantly Caerphilly CBC was one of a small number of Local Authorities in Wales to put in place a temporary mileage protocol to increase the amount reimbursed to staff.
- Section 5.3.4 – NJC Pay Award - The Chief Executive asked the Trade Unions to bear in mind that there is only so much money available and given the financial challenges being faced any additional payment will affect the budget. It was agreed that this would be a national discussion with regards to pay, however, how the Council's budget is spent on staff will ultimately need to be agreed locally.

10.12 The Chief Executive stated that the narrative around this budget is that it is a temporary fix which will allow much needed time to discuss and consult further. The Chief Executive confirmed that a communication had been sent to all staff reassuring them that they were the Council's greatest asset, and that there was a need to work together to adapt to the new challenges being faced. The Chief Executive reiterated that she is extremely proud of the way staff adapted during the Covid pandemic.

11. STATUTORY POWER

11.1 The Local Government Acts 1998 and 2003.

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Appendices: -

Appendix 1 – Net Revenue Budget 2023/24
Appendix 2 – 2023/24 General Fund Inescapable Service Pressures
Appendix 3 – 2023/24 Savings Proposals
Appendix 4 – Proposed Use of Reserves
Appendix 5 – Movement on General Fund
Appendix 6 – Capital Programme 2023/24 to 2025/26
Appendix 7 – Updated Medium-Term Financial Plan
Appendix 8 – Feedback from Caerphilly Unison

Background Papers: -

Cabinet (12/06/19) – Future Caerphilly Transformation Strategy, Team Caerphilly – Better Together
Cabinet (22/07/20) – Strengthening Team Caerphilly
Cabinet (24/02/21) – Caerphilly Wellbeing and Place Shaping Framework
Cabinet (18/01/23) – Draft Budget Proposals for 2023/24

Gadewir y dudalen hon yn wag yn fwriadol

APPENDIX 1

NET REVENUE BUDGET 2023/24

	£'000	£'000
Base Budget 2022-23		**395,078**
General Fund Services Inflationary Cost Pressures		
National Joint Council (NJC) Pay Award	10,588	
Increase in Employer Pension Contributions (NJC Staff)	1,106	
Foundation Living Wage	218	
Non-Pay Inflation	13,262	
Non-Pay Inflation (Fees and Charges)	(793)	24,381
General Fund Inescapable Service Pressures and Proposed New Investments		
Corporate Services	1,470	
Miscellaneous Finance	1,800	
Economy & Environment	1,316	
Social Services	9,293	
General Fund Housing	2,397	
Education & Lifelong Learning	2,265	18,542
Schools Cost Pressures		
Teachers Pay Award	4,423	
National Joint Council (NJC) Pay Award for School Based Staff	935	
Increase in Employer Pension Contributions (NJC Staff)	163	
Non-Pay Inflation	5524	
Schools Service Pressures	1,509	12,555
Savings 2023-24		
Permanent savings proposals	(4,972)	
Temporary savings proposals	(6,862)	(11,834)
Proposed Expenditure		**438,722**
Funding		
WG Support		(339,610)
Council Tax (7.9 %)		(82,717)
One-off Contribution from General Fund Reserve		(1,050)
One-off Contribution from General Fund Earmarked Reserves		(15,345)
Total Funding		**(438,722)**

Gadewir y dudalen hon yn wag yn fwriadol

APPENDIX 2

2023/24 General Fund Inescapable Service Pressures

Directorate	Service Area	Details	2023-24 Growth
			(£)
Corporate Services	People Services	CMT Support - Additional hours for two Personal Assistants	9,205
Corporate Services	People Services	Communications Team - Subscription to Copyright Licencing Agency	11,000
Corporate Services	Various	1 day additional leave arising from the 2022/23 pay settlement and 5 days additional leave endorsed by Cabinet (14 December 2022)	11,358
Corporate Services	People Services	Annual contract costs for Job Evaluation system	13,000
Corporate Services	People Services	Costs for joint arrangement for the development of a Organisational Learner Experience and Learning Management Platform	39,600
Corporate Services	Digital Services	Migration of Telephone Contracts to Cloud platform	60,000
Corporate Services	Digital Services	2 new Grade 9 posts in the Server Team	104,070
Corporate Services	Digital Services	Migration of Proactis system to Cloud platform	52,000
Corporate Services	Digital Services	Migration of Schools Information Management System (SIMS) to Cloud platform	29,160
Corporate Services	Digital Services	Licence costs of Employee Protection Register	12,500
Corporate Services	Digital Services	Office 365 licences for Servers	55,000
Corporate Services	Digital Services	Budget realignment for income targets that are unsustainable	100,800
Corporate Services	Digital Services	Migration of Midland HR system to Cloud platform	145,564
Corporate Services	Digital Services	Migration of Revenues and Benefits IT System to Cloud platform	125,368
Corporate Services	Digital Services	Migration of Pay360 IT System to Cloud platform	12,000
	Digital Services	Migration of OLAS General Ledger system to Cloud platform	86,954
Corporate Services	Procurement	Additional staffing capacity to deal with the rollout of a new contract management approach across the Council	229,951
Corporate Services	Legal & Governance	Electoral Services - Additional staffing capacity to deliver new regional responsibilities and voter ID requirements	116,931
Corporate Services	Legal & Governance	Net increased cost of Members Allowances following recommendations of the Independent Remuneration Panel.	28,000
Corporate Services	Financial Services	Internal Audit - Increase in hours for part-time Grade 7 post to ensure sufficient capacity in the Team	9,965
Corporate Services	Financial Services	Cashiers Administration - Increase in hours for part-time Grade 5 post to ensure sufficient capacity in Team	9,875
Corporate Services	Policy	4 x temporary Project Managers to be made permanent to support delivery of the Council's Transformation Programme	208,140
Sub-Total: -			**1,470,441**
Corporate Services	Miscellaneous Finance	21.88% increase in the Coroner's Levy	55,198
Corporate Services	Miscellaneous Finance	8.75% increase in the Levy for Glamorgan Archives	2,787
Corporate Services	Miscellaneous Finance	8.1% increase in the Fire Service Levy	287,767
Corporate Services	Miscellaneous Finance	The Authority is required to fund a Council Tax Reduction Scheme (CTRS). This replaced Council Tax Benefit a number of years ago and is a means-tested benefit that assists in full or part towards a resident's Council Tax bills. The additional liability arises from the proposal to increase Council Tax by 7.9% in 2023/24	1,267,306
Corporate Services	Miscellaneous Finance	Adjustment required to reflect the net reduction in the Provisional Financial Settlement of £202k in relation to the tapering of WG funding for Private Finance Initiative (PFI) Schemes	(202,000)
Corporate Services	Miscellaneous Finance	The City Deal includes a borrowing requirement for the ten partner Local Authorities and an additional revenue budget of £389k is required for 2023/24 to meet the current anticipated cost for Caerphilly CBC's share of potential borrowing that may be undertaken during the year	389,306
Sub-Total: -			**1,800,364**
Economy & Environment	Various	1 day additional leave arising from the 2022/23 pay settlement and 5 days additional leave endorsed by Cabinet (14 December 2022)	701,866
Economy & Environment	Community & Leisure	Waste - Reduction in WG Sustainable Waste Management Grant	25,000
Economy & Environment	Community & Leisure	New Head of Waste post and regrading of three existing posts to deliver the emerging Waste Management Strategy	150,039

APPENDIX 2

2023/24 General Fund Inescapable Service Pressures

Directorate	Service Area	Details	2023-24 Growth
			(£)
Economy & Environment	Infrastructure	Engineering Projects Group (EPG) - Additional inspections and remedials for Structures (Bridges and Culverts)	70,000
Economy & Environment	Infrastructure	Additional Home to School Transport costs due to age eligibility increases for Additional Learning Needs (ALN) pupils	100,000
Economy & Environment	Infrastructure	Adjustment to budgets to reflect loss of income arising from reduced Car Parking charges	83,000
Economy & Environment	Infrastructure	Increased contract costs for Home to School Transport taxi provision	100,000
Economy & Environment	Infrastructure	Reduction in Concessionary Fares Administration Grant	30,000
Economy & Environment	Community & Leisure	Green Spaces & Transport Services - Additional costs arising from the switch from Red to White Diesel	34,000
Economy & Environment	Community & Leisure	Sport and Leisure - Additional budget requirement following the regrading of 2 members of staff	22,420
Sub-Total: -			**1,316,325**
Social Services	Children's Services	Increased demand and complexity of Children's placements	3,940,000
Social Services	Adult Services	Increased demand for care packages for vulnerable adults	510,000
Social Services	Adult Services	Reprovisioning of home care packages returned by independent providers	42,000
Social Services	Adult Services	Provision for impact of enhanced fire regulations in supported living accommodation	303,000
Social Services	Adult Services	Anticipated increases in fees for independent sector providers in relation to the Real Living Wage, energy costs and wider inflationary pressures.	2,833,000
Social Services	Various	Additional posts (3.52 FTE's) required to address increasing demands	158,000
Social Services	Various	1 day additional leave arising from the 2022/23 pay settlement and 5 days additional leave endorsed by Cabinet (14 December 2022)	500,000
Social Services	Adult Services	Review of supported living rotas to address support needs of current service users	232,000
Social Services	Adult Services	Contribution to Regional Independent Domestic Violence Advocacy Service	78,000
Social Services	Caerphilly Cares	Review of Caerphilly Cares Service and withdrawal of short-term funding	697,000
Sub-Total: -			**9,293,000**
Social Services	General Fund Housing	Additional staffing capacity in the Private Housing Team to deliver emerging Strategies, and budget realignment due to reduced levels of agency fee income.	635,000
Social Services	General Fund Housing	1 day additional leave arising from the 2022/23 pay settlement and 5 days additional leave endorsed by Cabinet (14 December 2022)	15,000
Social Services	General Fund Housing	Temporary Accommodation - Significant increase in B&B placements. This increase in costs is net of 2023/24 grant funding from WG totalling £623k. The position remains volatile moving forward, albeit that a reduction is anticipated over time.	1,747,052
Sub-Total: -			**2,397,052**
Education & Lifelong Learning	Home to School/College Transport	Increases in prices following the renewal of bus contracts	589,000
Education & Lifelong Learning	Additional Learning Needs	Additional funding requirement to support cost pressures arising from increasing demand and to support the ALN Reform Act.	319,000
Education & Lifelong Learning	Vulnerable Learner (EOTAS)	Full-year impact of previously agreed additional classroom at Glan Y Nant	122,000
Education & Lifelong Learning	All	1 day additional leave arising from the 2022/23 pay settlement and 5 days additional leave endorsed by Cabinet (14 December 2022)	1,235,000
Sub-Total: -			**2,265,000**
TOTAL: -			**18,542,182**

APPENDIX 3

2023/24 Savings Proposals

Reference Number	Directorate	Service Area	Details	2023-24 Permanent Savings	2023-24 Temporary Savings
				(£)	(£)
CS1	Corporate Services	All	Adjustment to gross pay budgets to incorporate vacancy management		(742,245)
CS2	Corporate Services	All	Reduction in mileage budgets to reflect new flexible working models	(43,500)	
CS3	Corporate Services	Director	Budget realignment on various budgets	(10,000)	
CS4	Corporate Services	Legal & Governance	Service Level Agreement (SLA) income from collaborative arrangements	(20,000)	
CS5	Corporate Services	Legal & Governance	Budget realignment on various budgets	(5,800)	
CS6	Corporate Services	Financial Services	Deletion of vacant Grade 5 Housing Benefits Assessor post	(33,591)	
CS7	Corporate Services	Financial Services	Budget realignment on various budgets held by Head of Service	(5,000)	
CS8	Corporate Services	Financial Services	Deletion of vacant Grade 5 Accounts Assistant post in the Finance Support Unit	(33,591)	
CS9	Corporate Services	Financial Services	Deletion of vacant Grade 5 Administrative Assistant post in the Cashiers Administration Team	(33,591)	
CS10	Corporate Services	Policy	Reduction in the Community Empowerment Fund budget from £358,176 to £250,000. Any underspend on the 2022/23 budget will be carried forward into the 2023/24 financial year.	(108,176)	
CS11	Corporate Services	Policy	Deletion of uncommitted community projects budget	(14,070)	
CS12	Corporate Services	Policy	Deletion of uncommitted Sustainable Development budget	(21,000)	
CS13	Corporate Services	Policy	Deletion of the uncommitted Technical Assistance budget	(12,180)	
CS14	Corporate Services	Policy	Voluntary Sector Service Level Agreement (SLA) budget realignment	(25,200)	
Sub-Total: -				**(365,699)**	**(742,245)**
MF1	Corporate Services	Miscellaneous Finance	Budget realignment for External Audit fees	(30,000)	
MF2	Corporate Services	Miscellaneous Finance	No revenue contribution to Capital Programme for 2023/24 only		(1,880,711)
MF3	Corporate Services	Miscellaneous Finance	Uncommitted Free School Meals Grant transferred into the Financial Settlement in previous years. This is for one year only and will be reviewed for 2024/25.		(322,250)
MF4	Corporate Services	Miscellaneous Finance	Additional investment income due to increases in the Bank of England Base Rate. This is for 2023/24 only at this stage due to the volatility of the Base Rate and will be reviewed for 2024/25		(1,889,136)
MF5	Corporate Services	Miscellaneous Finance	Removal of Carbon Reduction Commitment Scheme budget which has ended with no replacement scheme being implemented.	(246,839)	
MF6	Corporate Services	Miscellaneous Finance	Budget realignment on the Council Tax Reduction Scheme (CTRS) budget	(250,000)	
Sub-Total: -				**(526,839)**	**(4,092,097)**
EE1	Economy & Environment	All	Reduction in mileage budgets to reflect new flexible working models	(82,710)	
EE2	Economy & Environment	Property	Temporary 20% reduction in non-essential Building Maintenance budgets		(300,000)
EE3	Economy & Environment	Infrastructure	Temporary reduction in the Highways Maintenance budget		(922,000)
EE4	Economy & Environment	Infrastructure	Withdrawal of subsidy for the Blackwood to Ystrad Mynach Rail Link bus service	(120,000)	
EE5	Economy & Environment	Infrastructure	School Crossing Patrols - Withdrawal of funding where posts become vacant and ROSPA criteria is not met	(100,000)	
EE6	Economy & Environment	Community & Leisure Services	12% increase in fees for Sports pitches	(5,783)	
EE7	Economy & Environment	Community & Leisure Services	Reduce Grass Cutting (bio diversity) through a reduction in agency workers	(59,000)	
EE8	Economy & Environment	Community & Leisure Services	Temporary reduction in the Cemeteries Maintenance Budget		(40,000)
EE9	Economy & Environment	Community & Leisure Services	Closure of Ty Fry Farm following end of the lease in March 2023 with staff relocated to Ty Bargoed	(12,000)	
EE10	Economy & Environment	Community & Leisure Services	Reduction in transport budgets within Country Parks	(12,000)	
EE11	Economy & Environment	Community & Leisure Services	Additional Income from new Tennis facilities	(5,000)	
EE12	Economy & Environment	Community & Leisure Services	Increase in current MOT fee by £10 to £45	(5,000)	
EE13	Economy & Environment	Community & Leisure Services	Additional income from the sale of felled timber	(10,000)	
EE14	Economy & Environment	Community & Leisure Services	Review of Leisure Fees & Charges	(75,000)	
EE15	Economy & Environment	Community & Leisure Services	Tapered reduction of 4 hours in the subsidy for Caretaker costs in Community Centres over a three-year period from October 2023 (we currently fund 11 hours)	(17,167)	
EE16	Economy & Environment	Community & Leisure Services	Tapered withdrawal of the subsidy for Markham Community Leisure Centre over a three-year period from April 2023.	(3,334)	
EE17	Economy & Environment	Public Protection	CCTV - Replace 9 4G cameras with a more cost effective option	(6,000)	
EE18	Economy & Environment	Public Protection	Management fee for CCTV Service Level Agreement (SLA) with Blaenau Gwent CBC	(10,000)	

APPENDIX 3

2023/24 Savings Proposals

Reference Number	Directorate	Service Area	Details	2023-24 Permanent Savings	2023-24 Temporary Savings
				(£)	(£)
EE19	Economy & Environment	Public Protection	Increased Ceremony Income in Registrars - Temporary saving only as additional income is due to back-log following		(10,000)
EE20	Economy & Environment	Regeneration	Tourism Venues - Reduction in subsidy across the portfolio (total subsidy is currently £1.293m)	(250,000)	
EE21	Economy & Environment	Regeneration	Deletion of Shop Administration Assistant post at Llancaiach Fawr following retirement	(30,678)	
EE22	Economy & Environment	Regeneration	Temporary reduction in the Community Enterprise Fund (CEF) budget		(62,350)
Sub-Total: -				**(803,672)**	**(1,334,350)**
SS1	Social Services	Adult Services	Children With Disabilities - Budget realignment to reflect demand	(69,000)	
SS2	Social Services	Adult Services	Budget realignment - Non-residential care income from service users	(68,000)	
SS3	Social Services	Children's Services	Reduction in mileage budgets to reflect new flexible working models	(50,000)	
SS4	Social Services	Children's Services	Budget realignment - foster care recruitment & retention	(18,000)	
SS5	Social Services	Children's Services	Budget realignment - prevention budgets	(30,000)	
SS6	Social Services	Children's Services	Reduction in contribution to regional Continuing Healthcare (CHC) post	(10,000)	
SS7	Social Services	Adult Services	Reduction in mileage budgets to reflect new flexible working models	(50,000)	
SS8	Social Services	Adult Services	Budget realignment - short-term placements	(49,000)	
SS9	Social Services	Adult Services	Budget realignment - Shared Lives placements	(225,000)	
SS10	Social Services	Business Support	Reduction in mileage budgets to reflect new flexible working models	(5,000)	
SS11	Social Services	Business Support	Budget realignment - other office expenses	(2,000)	
SS12	Social Services	Business Support	Budget realignment - Delivering Transformation Project	(18,000)	
Sub-Total: -				**(594,000)**	**0**
ELL1	Education & Lifelong Learning	All	Reduction in mileage budgets to reflect new flexible working models	(35,000)	
ELL2	Education & Lifelong Learning	LMS Contingency	Reduction in the Local Management of Schools (LMS) Contingency budget	(60,000)	
ELL3	Education & Lifelong Learning	Management & Support Services	Reduction in equipment, computer and IT related expenditure	(20,000)	
ELL4	Education & Lifelong Learning	Support Services & Resources	Deletion of vacant part-time post	(14,500)	
ELL5	Education & Lifelong Learning	Additional Learning Needs	Redesign of support for Health & Safety assessments	(35,000)	
ELL7	Education & Lifelong Learning	Music Service	10% reduction in budget	(42,600)	
ELL8	Education & Lifelong Learning	Learning, Education and Inclusion	Budget Realignment - WJEC and Subscriptions budgets	(25,000)	
ELL9	Education & Lifelong Learning	Lifelong Learning	Budget Realignment - Administration Service Level Agreement (SLA) with Property Services	(11,131)	
ELL10	Education & Lifelong Learning	Education Achievement Service (EAS)	10% reduction in contribution to EAS	(98,000)	
ELL11	Education & Lifelong Learning	Other Direct School Related Expenditure	Fund 50% Repairs & Maintenance contribution to schools from the LMS Contingency Reserve for 2023/24 only		(346,320)
ELL12	Education & Lifelong Learning	Rising 3's	Budget realignment based on demand		(15,000)
ELL13	Education & Lifelong Learning	Psychology Service	Vacancy management due to staff turnover		(50,000)
ELL14	Education & Lifelong Learning	Early Years Central Team	Some existing posts to be funded through grants in 2023/24		(100,000)
ELL15	Education & Lifelong Learning	Youth Service	Temporary budget reduction		(125,000)
ELL16	Education & Lifelong Learning	Libraries	20% reduction in Book Fund		(57,000)
Sub-Total: -				**(341,231)**	**(693,320)**
ELL17	Education & Lifelong Learning	Schools	It is currently estimated that additional energy costs for schools in 2023/24 will be £4.682m. It is proposed that schools are asked to manage 50% of this increase through energy reduction initiatives and wider cost efficiencies.	(2,341,102)	
Sub-Total: -				**(2,341,102)**	**0**
TOTALS: -				**(4,972,543)**	**(6,862,012)**

APPENDIX 4

Proposed Use of Service Reserves

Description	Amount (£)	Justification for Repurposing
Corporate Services		
Asylum Dispersal Area Policy Officer	6,548	Post funded from grant
Policy ASB Co-ordinator	20,000	Post funded from grant
AP Forensics Software (Fraud Monitoring)	391	Uncommitted balance on previously approved reserve
Grade 5 Council Tax	26,700	Uncommitted balance on previously approved reserve
Making Tax Digital Software Update	13,145	Uncommitted balance on previously approved reserve
Digital Strategy (Abavus)	268,955	Abavus is now funded from the Digital Services revenue budget
Welsh Community Care Information System (WCCIS) maintenance	226	Uncommitted balance on previously approved reserve
Caerphilly 2022 Leadership	922	Uncommitted balance on previously approved reserve
50% Additional Scrutiny Officer	17,685	Uncommitted balance on previously approved reserve
Additional Members Allowances	8,700	Uncommitted balance on previously approved reserve
Storm Dennis	146,000	Uncommitted balance on previously approved reserve
Contract Management Review in Waste Services	216,000	Balance on previously approved reserve.
Ty Penallta Lighting	16,067	Scheme now completed
Health & Safety Team Laptops	3,500	Uncommitted balance on previously approved reserve
1yr Fixed-Term Post in Corporate Property (Land Sales)	48,000	Post funded from core revenue budget
1yr Fixed-Term Post Corporate Property (Electrician)	35,000	Post funded from core revenue budget
Ty Penallta Café	4,896	Scheme now completed
Careline	277,887	Uncommitted ring-fenced underspends on the Careline revenue budget
Members Allowances	396,049	Uncommitted ring-fenced underspends on the Member Allowances revenue budget
Council Tax Reduction Scheme (CTRS)	1,755,610	Uncommitted ring-fenced underspends on the CTRS budget. There is sufficient core revenue budget for CTRS as the budget is increased annually in line with agreed uplifts for Council Tax.
Sub-Total: -	**3,262,281**	
Social Services		
Equipment to Enable single-handed home care calls	151,800	There has been additional investment in GWICES from regional funding
Operation Jasmine Legal Support	30,000	Complete
Feasibility study in respect of delivering telecare options.	40,000	Social Care Recovery Grant used instead
Care Home Visiting and Lateral Flow Testing	184,000	Scope of WG Covid-19 Hardship Fund was extended to include testing
WCCIS Reporting Officer	95,000	£40k per year performance improvement grant confirmed to 2024/25
Regional Continuing Care post	8,713	Regional funding used instead
Tackling backlog of minor works of adaptation	100,000	WLGA promoting independence grant to be used instead
Social Work long-term absence cover	100,000	Would be at risk - Cover will need to be funded by other vacancies
Bargoed High Street - MyST Hub	188,000	Work now complete and was partially funded from the Social Care Recovery Grant
Family Intervention Team	59,700	Grant funded in 2022/23 and will not be funding the Team moving forward
Communications Officer	37,058	Only fund for 12 months
Safe Families Contract	32,700	Only fund to 31/3/23
Residential Homes management capacity	44,500	Only fund for 12 months
Hafod Deg Damp Issues	48,000	Significant increase in estimated cost for these works so did not progress
Sub-Total: -	**1,119,471**	
Education & Lifelong Learning		
Bridges Into Work 2	402,750	Uncommitted balance on previously approved reserve
Working Skills for Adults 2	200,250	Uncommitted balance on previously approved reserve
Inspire to Work	10,000	Uncommitted balance on previously approved reserve
Retaned Underspends Reserve	78,000	Uncommitted balance on reserve
Arts Practitioner	60,000	Funded from grant
Pupil Learning Opportunity	70,000	Uncommitted balance on previously approved reserve
Additional Learning Needs (ALN) Co-ordinator	130,000	Funded from core revenue budget
Sub-Total: -	**951,000**	
TOTAL: -	**5,332,752**	

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APPENDIX 5

MOVEMENT ON GENERAL FUND

	£'000	£'000
Opening Balance 01/04/2022		**27,235**
2022/23 Proposed Use of Balances in lieu of Council Tax Surplus		**(1,050)**
Take From General Fund Previously Agreed by Council: -		
In-year impact of 2022/23 pay awards	(6,860)	
Cost-of-Living Hardship Fund	(3,000)	
Cost-of-Living Crisis contingency	(2,098)	
Home to School/College Transport	(460)	
Wi-Fi infrastructure review	(100)	
Heolddu Leisure Centre fitness equipment	(100)	
Emporium Car Park repairs	(100)	
Highway inspections (Covid-19 backlog)	(120)	
External asbestos surveys	(100)	
Modern Patch Management Tool	(100)	
Cloud migrations	(500)	
Canal refurbishment	(200)	
Additional RSG (Electric Vehicles/driving lessons for care workers)	(595)	**(14,333)**
Current General Fund Balance		**11,852**
Net Take to General Fund from Projected 2022/23 Outturn		**2,239**
Proposed Use of Balances in lieu of Council Tax Surplus to Support 2023/24 Budget		**(1,050)**
Projected Balance 31/03/2023		**13,041**

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APPENDIX 6

CAPITAL PROGRAMME 2023/24 to 2025/26

Scheme	2023/24 £000's	2024/25 £000's	2025/26 £000's
Education and Lifelong Learning			
Health & Safety Regulations Works	296	296	296
Basic Needs Accommodation	221	221	221
School Security	150	62	62
School Asset Management	420	590	590
School Boiler Replacement Programme	335	253	253
Total Education & Lifelong Learning	**1,422**	**1,422**	**1,422**
Economy & Environment			
Sport Pitches	30	30	30
Total Community & Leisure Services	**30**	**30**	**30**
Environmental Schemes	200	200	200
Total Countryside	**200**	**200**	**200**
Community Enterprise Fund Grants	80	80	80
Town Centres	18	18	18
Total Economic Regeneration	**98**	**98**	**98**
Infrastructure Retaining Walls	314	314	314
Street Lighting	50	50	50
Land Purchase-Future Schemes	40	40	40
Major Highway Reconstruction	739	739	739
Bridge Strengthening	441	441	441
Land Drainage- Corporate	123	123	123
Land Drainage - Non Corporate	123	123	123
Vehicle Restraint Systems	148	148	148
Corporate Maintenance - Tips Mines Spoils	246	246	246
Monmouth & Brecon Canal.	200	200	200
Footway Reconstruction	148	148	148
Total Infrastructure	**2,572**	**2,572**	**2,572**
CCTV Replacement	74	74	74
Kitchen Refurbishments	419	419	419
Total Public Protection	**493**	**493**	**493**
Corporate Asset Management	690	690	690
Total Property	**690**	**690**	**690**

Total Economy & Environment	**4,083**	**4,083**	**4,083**
<u>Social Services & Housing</u>			
Condition Surveys	340	340	340
Total Social Services	**340**	**340**	**340**
Disabled Facility Grants	1,133	1,133	1,133
Home Imp Grants/Miscellaneous	246	246	246
Home Repair Grant	788	788	788
Total Private Housing	**2,167**	**2,167**	**2,167**
Total Social Services & Housing	**2,507**	**2,507**	**2,507**
<u>Corporate Services</u>			
IT Hardware & Software	200	200	200
Total ICT	**200**	**200**	**200**
Total Corporate Services	**200**	**200**	**200**
Corporate Projects	**3,424**	**1,456**	**1,387**
Total Capital Programme	**11,636**	**9,668**	**9,599**

APPENDIX 7

Updated Medium-Term Financial Plan

Description	2023/24 £000s	2024/25 £000s	2025/26 £000s
Increase in Aggregate External Finance (6.9%, 2.71%, 1%)	**22,152**	**9,203**	**3,488**
Increase in Council Tax (7.9%, 4.5%, 3.9%)	**6,147**	**3,826**	**3,483**
Total Funding to Support Budget	**28,299**	**13,030**	**6,971**
General Fund Services Inflationary Pressures			
National Joint Council (NJC) Pay Award (5%, 3%, 2%)	10,588	4,824	3,312
Increase in Employer Pension Contributions (NJC Staff)	1,106	1,117	560
Foundation Living Wage	218	218	218
Non-Pay Inflation (Various, 3%, 2%)	13,262	6,209	4,524
Non-Pay Inflation (Fees and Charges) - (5%, 3%, 2%)	(793)	(499)	(429)
Total General Fund Services Inflationary Pressures	**24,381**	**11,869**	**8,186**
General Fund Inescapable Service Pressures			
Corporate Services	1,470	700	392
Miscellaneous Finance	1,800	1,021	639
Economy & Environment	1,316	448	166
Social Services	9,293	6,799	4,555
General Fund Housing	2,397	1,156	(303)
Education & Lifelong Learning	2,265	556	0
Total General Fund Inescapable Service Pressures	**18,542**	**10,680**	**5,450**
Schools Cost Pressures			
Teachers Pay Award (3.5%, 3%, 2%)	4,423	2,880	2,235
National Joint Council (NJC) Pay Award for School Based Staff (5%, 3%, 2%)	935	488	338
Increase in Employer Pension Contributions (NJC Staff)	163	167	97
Non-Pay Inflation (Various, 3%, 2%)	5,524	899	629
Schools Service Pressures	1,509	1,292	995
Total Schools Cost Pressures	**12,555**	**5,726**	**4,294**
Proposed Savings/Use of Reserves			
Permanent savings proposals	4,972	38	38
Temporary savings proposals	6,862	0	0
Use of reserves	15,345	0	0
Total Proposed Savings/Use of Reserves	**27,179**	**38**	**38**
Reinstatement of 2023/24 Temporary Savings Proposals and Use of Reserves	**0**	**22,207**	**0**
Annual Shortfall	**0**	**37,414**	**10,921**
Cumulative Shortfall	**0**	**37,414**	**48,335**

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APPENDIX 8

UNISON
Caerphilly Branch

DRAFT BUDGET PROPOSALS FOR 2023/24 FEEDBACK FROM CAERPHILLY UNISON

Caerphilly Unison has now had the opportunity to consider and take the views of our membership on the Draft Budget Proposals for 2023/24 and would offer the following comments:

The cost pressures being faced by Caerphilly county borough council are significant but sadly not uncommon across the public sector in Wales and UK. The increasing rate of inflation, energy costs and the price of goods is clearly a position which is unsustainable for many public sector organisations, and without immediate investment from the UK Government will see a decline in our services and the health and well-being of communities the likes of which we have not seen before.

We agree that the Local Authority cannot move forward with a 'salami slice' approach to managing the situation we have before us.

We welcome the additional funding of 6.9% from the Welsh Government but must add that in real terms this is well below the current rate of inflation (*10.7% - HM Treasury Nov 2022*).

Section 5.3.4 of the report refers to 5% being assumed for April 2023 for the NJC pay award. It is important to note that the recognised NJC trade unions have recently submitted a claim to the Employers side asking for RPI + 2% (12.7%). We believe this is a fair and realistic pay claim given the current financial climate.

Section 5.7.5 of the report refers to *'a new relationship will need to be built with staff and communities.'* UNISON would ask for further clarification on what is meant by this statement.

Section 5.7.13 (1) of the report refers to '*undertake a strategic review of support services across all services to create multi-disciplined roles serving the whole organisation.'* Again, UNISON would ask for further clarification on what is meant by this statement.

Section 5.7.13 (2) of the report refers to *'annual financial targets will be provided to each Corporate Director and respective Head of Service to help frame the overall requirement.'* We are unclear how this approach will be different to that of 'salami slicing', a strategy which the report has already chosen not to employ. Many years of falling budgets have seen Directors and Head of Service given a percentage saving figure to achieve. We are unclear how this approach would deliver different outcomes.

This section of the report refers to a number of '*areas for review*'. UNISON would ask for clarification on why these areas have been selected and what are the desired outcomes.

In Section 9 of the report, the Local authority has chosen to continue its approach of not filling vacant posts. Whilst we appreciate that this is a more favourable approach than compulsory redundancy, UNISON have been given assurances from the Chief Executive that the Authority would be looking to put *'more boots on the ground.'* Accordingly, we are keen to explore this statement further with the Corporate management team and understand where vacancies are not filled the impact that this will have on remaining staff in terms of workload, expectations and wellbeing.

Section 9.2 of the report refers to the Trade Unions being *'fully engaged in proposals to reshape services moving forward'*. UNISON would welcome this as concerns have been raised with the Chief Executive and Leader with regards to the approach taken on methods of consultation with the trade unions in this respect.

Unfortunately, UNISON has not had the opportunity to meet with Directors and/or Heads of Services to discuss the budget proposals prior to public consultation and therefore there are multiple areas within the Draft Budget Report that we would ask for further clarification on, in particular around:

- Cost associated to annual leave
- Areas of budget re-alignment
- Areas of vacancy management and the deletion of posts
- The creation of additional posts
- Reduction in mileage budgets

UNISON would also like to highlight the considerable cost savings of approximately £266k from mileage budgets. While this is positive for the Local authority, we would seek to understand how these savings have been arrived at and would hope that such savings have not merely been transferred on to the shoulders of staff to bear.

Specific comments have also been received from our membership concerning the impact of raising Council tax to 7.9% and the way in which information is presented to the public for consultation. It has been suggested that the Local Authority may wish to consider including the following in future public consultations:

- Provide a data table showing total budget allocations across Directorates and Services (Revenue and Capital);
- Show and explain the impacts of efficiency savings and the wider community impacts;
- Explain what and why reserves are being held back;
- Attach an Organisation Chart to show the diversity and complexity of our services;
- Highlight pay and remuneration across the different Directorates and service staffing levels;
- Structure the finance information tables in a logical order for easier understanding;
- Guidance for improvements previously communicated by the Council Regulators;
- Explain how proposals align with service/public needs;
- Explain how proposals align with current published Manifestos, Strategies, Priorities etc.;
- Feedback from staff and trade unions to address service delivery needs and concerns;
- Show commitments to address known service transformation, corporate/service reviews;
- Show how proposals align and impact on the Well-being of Future Generations Act 2015 – goals;
- Show the strategic risks faced by the Council, and
- Offer a clear structure and building blocks of information.

As always, UNISON is happy to discuss any aspect of our feedback.

Lianne Dallimore
Caerphilly UNISON Branch Secretary

Juan-Antonio Garcia
Caerphilly UNISON Branch Chair

SPECIAL COUNCIL – 23RD FEBRUARY 2023

SUBJECT: **COUNCIL TAX SETTING RESOLUTION 2023/24**

REPORT BY: **CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

1.1 In accordance with the requirements of the Local Government Act 1992 (as amended) the attached resolutions are submitted for consideration along with the recommendation that they be approved.

1.2 Council is asked to approve the Council Tax Resolutions for the 2023/24 financial year.

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Appendix Council Tax Setting Resolution 2023/24.

Gadewir y dudalen hon yn wag yn fwriadol

SPECIAL COUNCIL – 23RD FEBRUARY 2023

SUBJECT: COUNCIL TAX SETTING RESOLUTION 2023/24

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

RESOLUTIONS

In accordance with the requirements of The Local Government Act 1992 (as amended) the following resolutions are submitted for consideration with the recommendation that they be approved:-

1. That it be noted that at its meeting on the 14th December 2022 the Cabinet calculated the following amounts for the year 2023/2024 in accordance with regulations made under Section 33(5) of The Local Government Finance Act 1992 and powers granted under The Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007 (as amended).

(a) **61,135.13** Being the amount calculated by the Cabinet, in accordance with Regulation (3) of The Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995 (as amended), as its council tax base for the year.

(b) **Part of Council's Area:**

Tax Base for each Community Council	Tax Base No. of D Band Equivalent Properties
Aber Valley	2,008.28
Argoed	880.45
Bargoed	3,697.40
Bedwas, Trethomas & Machen	3,969.95
Blackwood	2,959.91
Caerphilly	6,284.17
Darren Valley	713.62
Draethen, Waterloo & Rudry	620.42
Gelligaer	6,322.88

Tax Base for each Community Council	**Tax Base No. of D Band Equivalent Properties**
Llanbradach & Pwllypant	**1,504.43**
Maesycwmmer	**957.98**
Nelson	**1,590.59**
New Tredegar	**1,335.80**
Penyrheol, Trecenydd & Energlyn	**4,547.97**
Rhymney	**2,564.25**
Risca East	**2,038.26**
Risca West	**1,819.23**
Van	**1,644.55**
Remainder	**15,674.99**
Total	**61,135.13**

being the amounts calculated by the cabinet, in accordance with regulation 6 of the Regulations, as the amounts of its council tax base for the year for dwellings in those parts of its area to which one or more special items relate.

2. *That the following amounts be now calculated by the Council for the year 2023/2024 in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992:-*

(a)	**£438,427,930**	*being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (d) of the Act;*
(b)	**£16,101,000**	*being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) (a), (aa) and (c) of the Act;*
(c)	**£423,291,731**	*being the amount by which the aggregate at (2)(a) above exceeds the aggregate at (2)(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year;*
(d)	**£339,610,488**	*being the aggregate of the sums which the Council estimates will be payable for the year into its council fund in respect of redistributed non-domestic rates, revenue support grant, an authority's council tax reduction scheme or additional grant;*
(e)	**£1,368.79**	*being the amount at (2)(c) above less the amount at (2)(d) above, all be divided by the amount at (1)(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year;*
(f)	**£964,801**	*being the aggregate amount of all special items referred to in section 34(1) of the Act;*
(g)	**£1,353.01**	*being the amount at (2)(e) above less the result given by dividing the amount at (2)(f) above by the amount at (1)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates;*

(h) **Part of the Council's Area**

	Local Precept	County Borough Levy	Total County Borough & Community Council Band D Charge
	£	£	£
Aber Valley	19.92	1,353.01	1,372.93
Argoed	15.50	1,353.01	1,368.51
Bargoed	46.45	1,353.01	1,399.46
Bedwas, Trethomas & Machen	27.71	1,353.01	1,380.72
Blackwood	20.00	1,353.01	1,373.01
Caerphilly	15.50	1,353.01	1,368.51
Darren Valley	18.19	1,353.01	1,371.20
Draethen,Waterloo & Rudry	32.24	1,353.01	1,385.25
Gelligaer	21.13	1,353.01	1,374.14
Llanbradach & Pwllypant	23.58	1,353.01	1,376.59
Maesycwmmer	19.10	1,353.01	1,372.11
Nelson	18.24	1,353.01	1,371.25
New Tredegar	12.67	1,353.01	1,365.68
Penyrheol, Trecenydd & Energlyn	14.50	1,353.01	1,367.51
Rhymney	14.04	1,353.01	1,367.05
Risca East	12.00	1,353.01	1,365.01
Risca West	29.00	1,353.01	1,382.01
Van	16.63	1,353.01	1,369.64
Remainder	0.00	1,353.01	1,353.01

being the amounts given by adding to the amount at (2)(g) above the amounts of the special item or items relating to dwellings in those parts of the Council’s area mentioned above divided in each case by the amount at (1)(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts, of its council tax for the year for dwellings in those parts of its area to which one or more special items relate;

(i)

Valuation Bands	A	B	C	D	E	F	G	H	I
	6.00	7.00	8.00	9.00	11.00	13.00	15.00	18.00	21.00

Valuation Bands	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
County Borough Council	902.01	1,052.34	1,202.68	1,353.01	1,653.68	1,954.35	2,255.02	2,706.02	3,157.02
Community Councils									
Aber Valley	13.28	15.49	17.71	19.92	24.35	28.77	33.20	39.84	46.48
Argoed	10.33	12.06	13.78	15.50	18.94	22.39	25.83	31.00	36.17
Bargoed	30.97	36.13	41.29	46.45	56.77	67.09	77.42	92.90	108.38
Bedwas, Trethomas & Machen	18.47	21.55	24.63	27.71	33.87	40.03	46.18	55.42	64.66
Blackwood	13.33	15.56	17.78	20.00	24.44	28.89	33.33	40.00	46.67
Caerphilly	10.33	12.06	13.78	15.50	18.94	22.39	25.83	31.00	36.17
Darren Valley	12.13	14.15	16.17	18.19	22.23	26.27	30.32	36.38	42.44
Draethen,Waterloo & Rudry	21.49	25.08	28.66	32.24	39.40	46.57	53.73	64.48	75.23
Gelligaer	14.09	16.43	18.78	21.13	25.83	30.52	35.22	42.26	49.30
Llanbradach & Pwllypant	15.72	18.34	20.96	23.58	28.82	34.06	39.30	47.16	55.02
Maesycwmmer	12.73	14.86	16.98	19.10	23.34	27.59	31.83	38.20	44.57
Nelson	12.16	14.19	16.21	18.24	22.29	26.35	30.40	36.48	42.56
New Tredegar	8.45	9.85	11.26	12.67	15.49	18.30	21.12	25.34	29.56
Penyrheol, Trecenydd & Energlyn	9.67	11.28	12.89	14.50	17.72	20.94	24.17	29.00	33.83
Rhymney	9.36	10.92	12.48	14.04	17.16	20.28	23.40	28.08	32.76
Risca East	8.00	9.33	10.67	12.00	14.67	17.33	20.00	24.00	28.00
Risca West	19.33	22.56	25.78	29.00	35.44	41.89	48.33	58.00	67.67
Van	11.09	12.93	14.78	16.63	20.33	24.02	27.72	33.26	38.80
Remainder	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Valuation Bands	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Totals For Community Council Areas									
Aber Valley	915.29	1,067.83	1,220.39	1,372.93	1,678.03	1,983.12	2,288.22	2,745.86	3,203.50
Argoed	912.34	1,064.40	1,216.46	1,368.51	1,672.62	1,976.74	2,280.85	2,737.02	3,193.19
Bargoed	932.98	1,088.47	1,243.97	1,399.46	1,710.45	2,021.44	2,332.44	2,798.92	3,265.40
Bedwas, Trethomas & Machen	920.48	1,073.89	1,227.31	1,380.72	1,687.55	1,994.38	2,301.20	2,761.44	3,221.68
Blackwood	915.34	1,067.90	1,220.46	1,373.01	1,678.12	1,983.24	2,288.35	2,746.02	3,203.69
Caerphilly	912.34	1,064.40	1,216.46	1,368.51	1,672.62	1,976.74	2,280.85	2,737.02	3,193.19
Darren Valley	914.14	1,066.49	1,218.85	1,371.20	1,675.91	1,980.62	2,285.34	2,742.40	3,199.46
Draethen,Waterloo & Rudry	923.50	1,077.42	1,231.34	1,385.25	1,693.08	2,000.92	2,308.75	2,770.50	3,232.25
Gelligaer	916.10	1,068.77	1,221.46	1,374.14	1,679.51	1,984.87	2,290.24	2,748.28	3,206.32
Llanbradach & Pwllypant	917.73	1,070.68	1,223.64	1,376.59	1,682.50	1,988.41	2,294.32	2,753.18	3,212.04
Maesycwmmer	914.74	1,067.20	1,219.66	1,372.11	1,677.02	1,981.94	2,286.85	2,744.22	3,201.59
Nelson	914.17	1,066.53	1,218.89	1,371.25	1,675.97	1,980.70	2,285.42	2,742.50	3,199.58
New Tredegar	910.46	1,062.19	1,213.94	1,365.68	1,669.17	1,972.65	2,276.14	2,731.36	3,186.58
Penyrheol, Trecenydd & Energlyn	911.68	1,063.62	1,215.57	1,367.51	1,671.40	1,975.29	2,279.19	2,735.02	3,190.85
Rhymney	911.37	1,063.26	1,215.16	1,367.05	1,670.84	1,974.63	2,278.42	2,734.10	3,189.78
Risca East	910.01	1,061.67	1,213.35	1,365.01	1,668.35	1,971.68	2,275.02	2,730.02	3,185.02
Risca West	921.34	1,074.90	1,228.46	1,382.01	1,689.12	1,996.24	2,303.35	2,764.02	3,224.69
Van	913.10	1,065.27	1,217.46	1,369.64	1,674.01	1,978.37	2,282.74	2,739.28	3,195.82
Remainder	902.01	1,052.34	1,202.68	1,353.01	1,653.68	1,954.35	2,255.02	2,706.02	3,157.02

being the amounts given by multiplying the amounts at (2)(g) and (2)(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in a particular valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

3. That it be noted that for the year 2023/2024 the major precepting authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Valuation Bands	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Precepting Authority									
Police and Crime Commissioner for Gwent	216.35	252.40	288.46	324.52	396.64	468.75	540.87	649.04	757.21

4. That having calculated the aggregate in each case of the amounts at (2)(i) and (3) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts of Council Tax for the year 2023/2024 for each of the categories of dwellings shown below:-

Valuation Bands	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Aber Valley	1,131.64	1,320.23	1,508.85	1,697.45	2,074.67	2,451.87	2,829.09	3,394.90	3,960.71
Argoed	1,128.69	1,316.80	1,504.92	1,693.03	2,069.26	2,445.49	2,821.72	3,386.06	3,950.40
Bargoed	1,149.33	1,340.87	1,532.43	1,723.98	2,107.09	2,490.19	2,873.31	3,447.96	4,022.61
Bedwas, Trethomas & Machen	1,136.83	1,326.29	1,515.77	1,705.24	2,084.19	2,463.13	2,842.07	3,410.48	3,978.89
Blackwood	1,131.69	1,320.30	1,508.92	1,697.53	2,074.76	2,451.99	2,829.22	3,395.06	3,960.90
Caerphilly	1,128.69	1,316.80	1,504.92	1,693.03	2,069.26	2,445.49	2,821.72	3,386.06	3,950.40
Darren Valley	1,130.49	1,318.89	1,507.31	1,695.72	2,072.55	2,449.37	2,826.21	3,391.44	3,956.67
Draethen,Waterloo & Rudry	1,139.85	1,329.82	1,519.80	1,709.77	2,089.72	2,469.67	2,849.62	3,419.54	3,989.46
Gelligaer	1,132.45	1,321.17	1,509.92	1,698.66	2,076.15	2,453.62	2,831.11	3,397.32	3,963.53
Llanbradach & Pwllypant	1,134.08	1,323.08	1,512.10	1,701.11	2,079.14	2,457.16	2,835.19	3,402.22	3,969.25
Maesycwmmer	1,131.09	1,319.60	1,508.12	1,696.63	2,073.66	2,450.69	2,827.72	3,393.26	3,958.80
Nelson	1,130.52	1,318.93	1,507.35	1,695.77	2,072.61	2,449.45	2,826.29	3,391.54	3,956.79
New Tredegar	1,126.81	1,314.59	1,502.40	1,690.20	2,065.81	2,441.40	2,817.01	3,380.40	3,943.79
Penyrheol, Trecenydd & Energlyn	1,128.03	1,316.02	1,504.03	1,692.03	2,068.04	2,444.04	2,820.06	3,384.06	3,948.06
Rhymney	1,127.72	1,315.66	1,503.62	1,691.57	2,067.48	2,443.38	2,819.29	3,383.14	3,946.99
Risca East	1,126.36	1,314.07	1,501.81	1,689.53	2,064.99	2,440.43	2,815.89	3,379.06	3,942.23
Risca West	1,137.69	1,327.30	1,516.92	1,706.53	2,085.76	2,464.99	2,844.22	3,413.06	3,981.90
Van	1,129.45	1,317.67	1,505.92	1,694.16	2,070.65	2,447.12	2,823.61	3,388.32	3,953.03
Remainder	1,118.36	1,304.74	1,491.14	1,677.53	2,050.32	2,423.10	2,795.89	3,355.06	3,914.23

Gadewir y dudalen hon yn wag yn fwriadol