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For all enquiries relating to this agenda please contact Sharon Hughes
(Tel: 01443 864281 Email: hughesj@caerphilly.gov.uk)

Date: 6th January 2021

Dear Sir/Madam,

A meeting of the **Policy and Resources Scrutiny Committee** will be held via Microsoft Teams on **Tuesday, 12th January, 2021 at 5.30 pm** to consider the matters contained in the following agenda. Councillors and the public wishing to speak on any item can do so by making a request to the Chair. You are also welcome to use Welsh at the meeting, both these requests require a minimum notice period of 3 working days.,

This meeting will be recorded and made available to view via the Council's website, except for discussions involving confidential or exempt items. Therefore the images/audio of those individuals speaking will be publicly available to all via the recording on the Council website at www.caerphilly.gov.uk

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Christina HARRY'.

Christina HARRY
CHIEF EXECUTIVE

AGENDA

Pages

- 1 To receive apologies for absence.
- 2 Declarations of Interest.

Councillors and Officers are reminded of their responsibility to declare any personal and/or prejudicial interest(s) in respect of any business on this agenda in accordance with the Local Government Act 2000, the Council's Constitution and the Code of Conduct for both Councillors and Officers.

A greener place Man gwyrddach



To approve and sign the following minutes: -

- | | | |
|---|---|--------|
| 3 | Policy and Resources Scrutiny Committee held on the 10th November 2020. | 1 - 4 |
| 4 | Consideration of any matter referred to this Committee in accordance with the call-in procedure. | |
| 5 | Policy and Resources Scrutiny Committee Forward Work Programme. | 5 - 14 |
| 6 | To receive and consider the following Cabinet Reports*: - | |
| | 1. Council Tax Base 2021/22 – 9th December 2020; | |
| | 2. Commercial and Investment Strategy – 9th December 2020; | |
| | 3. Draft Responses to the South East Wales Corporate Joint Committee Regulations 2021 and the Town and Country Planning (Strategic Development Plan) (Wales) Regulations 2021 – 16th December 2020. | |

**If a member of the Scrutiny Committee wishes for any of the above Cabinet reports to be brought forward for review at the meeting please contact Sharon Hughes, 01443 864281, by 10.00 a.m. on Monday 11th January 2021.*

To receive and consider the following Scrutiny reports:-

- | | | |
|----|--|---------|
| 7 | Corporate Services & Miscellaneous Finance 2020/21 Budget Monitoring Report (Period 7). | 15 - 28 |
| 8 | Capital Strategy Report 2021/2022. | 29 - 40 |
| 9 | Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy for 2021/2022. | 41 - 72 |
| 10 | Update on Reserves. | 73 - 84 |

Circulation:

Councillors M.A. Adams, Mrs E.M. Aldworth, Mrs C. Forehead, Miss E. Forehead, L. Harding, G. Johnston, G. Kirby (Vice Chair), C.P. Mann, B. Miles, Mrs D. Price, J. Pritchard (Chair), R. Saralis, Mrs M.E. Sargent, G. Simmonds, J. Taylor and L.G. Whittle

And Appropriate Officers

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POLICY AND RESOURCES SCRUTINY COMMITTEE

MINUTES OF THE DIGITAL MEETING HELD VIA MICROSOFT TEAMS ON TUESDAY,
10TH NOVEMBER 2020 AT 5.30 P.M.

PRESENT:

Councillor J. Pritchard - Chair
Councillor G. Kirby - Vice Chair

Councillors:

M. Adams, Mrs E. M. Aldworth, L. Harding, G. Johnston, C. P. Mann, B. Miles, R. Saralis,
G. Simmonds, J. Taylor, L. G. Whittle

Cabinet Members:

C. Gordon (Cabinet Member for Corporate Services), Mrs E. Stenner (Cabinet Member for
Finance, Performance and Customer Services)

Together with:

R. Edmunds (Corporate Director for Education and Corporate Services), S. Harris (Head of
Financial Services & S151 Officer), L. Lucas (Head of Customer and Digital Services),
S. Richards (Head of Education, Planning and Strategy), V. Camp (Transformation Manager),
K. Peters (Corporate Policy Manager), C. Forbes-Thompson (Scrutiny Manager), S. Hughes
(Committee Services Officer), R. Barrett (Committee Services Officer)

RECORDING ARRANGEMENTS

The Chairperson reminded those present that the meeting was being recorded and would be
made available to view via the Council's website, except for discussions involving confidential
or exempt items. [Click here to view.](#)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mrs C. Forehead, Miss E. Forehead,
Mrs D. Price and Mrs M. E. Sargent.

2. DECLARATIONS OF INTEREST

During the course of the meeting Councillor L. Whittle declared a personal interest in relation to
agenda item number 7, as Chair of the Aber Valley Heritage Group. As such there was no
requirement for him to leave the meeting.

3. MINUTES – 29TH SEPTEMBER 2020

RESOLVED that the minutes of the Policy and Resources Scrutiny Committee held on 29th September 2020 (minute nos. 1 – 9) be approved as a correct record and signed by the Chair.

4. CALL-IN PROCEDURE

There had been no matters referred to the Scrutiny Committee in accordance with the call-in procedure.

5. POLICY AND RESOURCES SCRUTINY COMMITTEE FORWARD WORK PROGRAMME

Consideration was given to the report which outlined details of the Policy and Resources Scrutiny Committee Forward Work Programme for the period November 2020 to May 2021 and included all reports that were identified at the Policy and Resources Scrutiny Committee meeting on Tuesday 29th September 2020. The items scheduled on the Forward Work Programme for the meetings to be held on 12th January 2021 and 23rd February 2021 were highlighted. Members were asked to consider the Forward Work Programme, alongside the Cabinet Forward Work Programme, prior to publication on the Council's website.

In addition, it was recommended that the special meeting of the Policy and Resources Scrutiny Committee, to consider the Flexible Working Update report, be held on 21st January 2021.

The Head of Financial Services & S151 Officer provided an update on the current position in terms of the financial settlement for the next financial year. Members were advised that notification has been received from Welsh Government informing that details of the provisional settlement will be not be received until 22nd December 2020.

Following consideration of the report, it was moved and seconded that the recommendations be approved. By way of electronic voting this was unanimously agreed.

RESOLVED that for the reasons contained in the Officers report it was agreed that:-

- (i) A special meeting of the Policy and Resources Scrutiny Committee be added to the Forward Work Programme for 21st January 2021.
- (ii) The Forward Work Programme be published on the Council's website.

6. CABINET REPORTS

There had been no requests for any of the Cabinet reports to be brought forward for discussion at the meeting.

REPORTS OF OFFICERS

Consideration was given to the following reports.

7. PROPOSED ICT STRATEGY – PRESENTATION

Members received a presentation from the Head of Customer and Digital Services which outlined the vision, process, strategic priorities and new steps of the proposed ICT Strategy. It was highlighted that back in 2019 the authority agreed an aspirational customer and digital strategy. Members were informed that the mechanics of delivery of the ICT infrastructure

elements of that strategy was difficult to pin down at that time. Therefore, the ICT presentation and ICT Strategy document were proposed to develop ICT, infrastructure, governance around systems and also staff.

Points of clarification was requested on various aspects of the presentation and Officers responded to the points raised. During the course of discussion, a Member raised concerns in relation to withdrawing from the Caerphilly Tourism Website and the Caerphilly Visitors Guide. In response, it was agreed that the appropriate Officer would be contacted and asked to provide an explanation in writing to the Member. Officers highlighted that in terms of linking to the IT Strategy, it is not only to make staff able to work in more agile ways but also to make the organisation much more accessible.

The Head of Customer and Digital Services assured Members that the proposal is not to withdraw services but to enhance services and provide a continuity of service. Assurances were also given that all members of the public will be able to access the full range of services, whether it is face to face or by a digital means.

8. COMMERCIAL AND INVESTMENT STRATEGY

Consideration was given to the report which presented Members with the draft Commercial and Investment Strategy and associated action plan detailing the priorities for the work stream for the following twelve months. The Scrutiny Committee was asked to consider and comment on the content of the Strategy and Action Plan prior to submitting and presenting the information to Cabinet for endorsement. Members of the Scrutiny Committee was also asked to consider and comment on the governance framework and allocation of seed money to launch the Licence to Innovate scheme, prior to consideration by Cabinet on 9th December 2020.

Points of clarification were requested on various aspects of the report and Officers responded to the points raised. The Scrutiny Committee highlighted the importance, going forward, that any proposals have detailed cost implications showing the commercial imperative for any investment proposals. Members were advised that any proposals will have fully costed business cases and will be considered by the relevant Scrutiny Committee. It was highlighted that the report is the starting point for this strategy with the proposal to allocate £50k seed money to begin the process and examples of some of the initial ideas submitted were outlined.

Members asked for further detail on the 10 corporate service reviews and it was explained that these have been allocated to Heads of Service. Their progress will depend upon the type of review and workloads, and it is hoped that recommendations will be made on each by March 2021. The project plans that come out of the reviews will, however, take much longer and it was suggested that the proposed workshop for all Members in January could provide more detail on each of these reviews.

Following consideration of the report, it was moved and seconded that the recommendations be approved. By way of electronic voting this was unanimously agreed.

Having noted and commented on the content of the Strategy and High-level Action Plan, the Policy and Resources Scrutiny Committee:-

RECOMMENDED to Cabinet that:

- (ii) the recommendation of £50,000 allocation of seed money from Education & Corporate Reserves to be made available to progress ideas and concept, prior to consideration by Cabinet.
- (iii) a core budget allocation for this initiative will need to be considered as part of the 2021/2022 budget setting process. The seed money will be allocated by the Regeneration Board following assessment panel process.

9. THE ROLE OF SCRUTINY IN STRENGTHENING TEAM CAERPHILLY

Consideration was given to the report which sought the view of the Scrutiny Committee on the proposed changes to strengthen the framework and governance arrangements for the 'TeamCaerphilly-BetterTogether' transformation strategy. It was noted that the programme management arrangements for transformation were agreed on the 12th June 2019 and confirmed on 22nd July 2020, when a series of Corporate reviews linked to the Team Caerphilly transformation strategy were approved by Cabinet.

It was highlighted that the role of the Policy and Resources Scrutiny Committee has been to receive updates on progress against the 'Team Caerphilly' Strategy on a six-monthly basis prior to presentation to Cabinet. The first of these was considered by the Committee on 12th November 2019. A second six-monthly update was due on the 26th May 2020 but was not considered by the Committee due to the coronavirus crisis. In addition to the six-monthly updates to the Policy and Resources Scrutiny Committee the report proposed that a Members workshop is held early in 2021 to brief all Members on the elements of transformation that the local authority is working towards and that subsequently workshops are offered on a six-monthly basis following the regular updates to Cabinet.

The Head of Education, Planning and Strategy welcomed the opportunity to talk about the work of the Transformation Team over the last year. Members were informed that the Transformation Team was developed towards the end of 2019 with a full team being in place by January 2020. However, at the start of March 2020, the beginning of the Covid-19 crisis, the team were tasked with an insurmountable challenge to set up a support system for the vulnerable within our Communities, involving shopping, pharmacy pick-ups and friendly contact. Within 2 weeks the team had addressed the obstacles and had a plan in place. Additional successful outcomes for the team were also highlighted.

Points of clarification were requested on various aspects of the report and Officers responded to the points raised.

Following consideration of the report, it was moved and seconded that the recommendations be approved. By way of electronic voting this was unanimously agreed.

RESOLVED that for the reasons contained in the Officers report:-

The Policy and Resources Scrutiny Committee noted and commented on the ten Corporate Reviews and agreed:

- (i) to reinstate the six-monthly Team Caerphilly updates into the Forward Work Programme of the Policy and Resources Scrutiny Committee.
- (ii) to the suggestion for a member's workshop on the transformation programme early in 2021 and made suggestions as to content.
- (iii) that workshops are offered after each update report has been presented to Cabinet.

The meeting closed at 7.35 p.m.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 12th January 2021, they were signed by the Chair.



POLICY AND RESOURCES SCRUTINY COMMITTEE – 12TH JANUARY 2021

**SUBJECT: POLICY AND RESOURCES SCRUTINY COMMITTEE
FORWARD WORK PROGRAMME**

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

1. PURPOSE OF REPORT

1.1 To report the Policy and Resources Scrutiny Committee Forward Work Programme.

2. SUMMARY

2.1 Forward Work Programmes are essential to ensure that Scrutiny Committee agendas reflect the strategic issues facing the Council and other priorities raised by Members, the public or stakeholder.

3. RECOMMENDATIONS

3.1 That Members consider any changes and agree the final forward work programme prior to publication.

4. REASONS FOR THE RECOMMENDATIONS

4.1 To improve the operation of scrutiny.

5. THE REPORT

5.1 The Policy and Resources Scrutiny Committee forward work programme includes all reports that were identified at the scrutiny committee meeting on Tuesday 10th November 2020. The work programme outlines the reports planned for the period January 2021 to May 2021.

5.2 The Forward Work Programme is made up of reports identified by officers and members. Members are asked to consider the work programme alongside the cabinet work programme and suggest any changes before it is published on the

council website. Scrutiny committee will review this work programme at every meeting going forward alongside any changes to the cabinet work programme or report requests.

- 5.3 The Policy and Resources Scrutiny Committee Forward Work Programme is attached at Appendix 1, which presents the current status as at 4th January 2021. The Cabinet Work Programme is attached at Appendix 2. A copy of the prioritisation flowchart is attached at appendix 3 to assist the scrutiny committee to determine what items should be added to the forward work programme.

5.4 **Conclusion**

The work programme is for consideration and amendment by the scrutiny committee prior to publication on the council website.

6. **ASSUMPTIONS**

- 6.1 No assumptions are necessary.

7. **LINKS TO RELEVANT COUNCIL POLICIES**

- 7.1 The operation of scrutiny is required by the Local Government Act 2000. The Local Government Wales Measure 2011 and subsequent Statutory Guidance include requirements to publicise the work of scrutiny committees. The operation of scrutiny committee forward work programmes was agreed following decisions by Council in October 2013 and October 2015.

7.2 **Corporate Plan 2018-2023.**

Scrutiny Committee forward work programmes contributes towards and impacts upon the Corporate Well-being Objectives by ensuring that the Executive is held to account for its Corporate Objectives, which are:

Objective 1 - Improve education opportunities for all

Objective 2 - Enabling employment

Objective 3 - Address the availability, condition and sustainability of homes throughout the county borough and provide advice, assistance or support to help improve people's well-being

Objective 4 - Promote a modern, integrated and sustainable transport system that increases opportunity, promotes prosperity and minimises the adverse impacts on the environment

Objective 5 - Creating a county borough that supports a healthy lifestyle in accordance with the sustainable Development Principle within the Wellbeing of Future Generations (Wales) Act 2015

Objective 6 - Support citizens to remain independent and improve their well-being

8. WELL-BEING OF FUTURE GENERATIONS

8.1 This report contributes to the well-being goals and is consistent with the five ways if working as defined within the sustainable development principle in that by ensuring the scrutiny function is effective when reviewing services and policies and ensure is considers the wellbeing goals.

8.2 The Forward Work Programmes contribute to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2016 by ensuring there is an effective scrutiny function and that council policies are scrutinised against the following goals:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh Language
- A globally responsible Wales

9. EQUALITIES IMPLICATIONS

9.1 There are no specific equalities implications arising as a result of this report.

10. FINANCIAL IMPLICATIONS

10.1 There are no specific financial implications arising as a result of this report.

11. PERSONNEL IMPLICATIONS

11.1 There are no specific personnel implications arising as a result of this report.

12. CONSULTATIONS

12.1 There are no consultation responses that have not been included in this report.

13. STATUTORY POWER

13.1 The Local Government Act 2000.

Author: Mark Jacques, Scrutiny Officer jacqu@carphilly.gov.uk

Consultees: Richard Edmunds, Corporate Director for Education and Corporate Services
Robert Tranter, Head of Legal Services/ Monitoring Officer
Lisa Lane, Head of Democratic Services and Deputy Monitoring Officer,

Legal Services
Councillor James Pritchard, Chair Policy and Resources Scrutiny
Committee
Councillor Gez Kirby, Vice Chair Policy and Resources Scrutiny
Committee

Appendices:

- Appendix 1 Policy and Resources Scrutiny Committee Forward Work Programme
- Appendix 2 Cabinet Forward Work Programme
- Appendix 3 Forward Work Programme Prioritisation Flowchart

	FWP - POLICY & RESOURCES			APPENDIX 1
Date	Title	Key Issues	Author	Cabinet Member
12/01/21 17:30	Corporate services & Miscellaneous Finance 2020/21 budget monitoring report (period 7)		Roberts, David	Cllr. Morgan, Sean; Cllr. Stenner, Eluned
12/01/21 17:30	Update on Reserves		Harris, Steve	Cllr. Stenner, Eluned
12/01/21 17:30	Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy 2021/22		Harris, Steve	Cllr. Stenner, Eluned
12/01/21 17:30	Capital Strategy Report 2021/22		Harris, Steve	Cllr. Stenner, Eluned
21/01/21 17:30	Flexible Working Update		Donovan, Lynne	Cllr. Stenner, Eluned
23/02/21 17:30	Corporate services & Miscellaneous Finance 2020/21 budget monitoring report (period 9)		Harris, Steve	Cllr. Stenner, Eluned
23/02/21 17:30	Treasury Management and Capital Financing Prudential Indicators Quarter 3 Report 2020/21		Harris, Steve	Cllr. Stenner, Eluned
23/02/21 17:30	Whole-Authority Revenue Budget Monitoring Report (Period 9)		Harris, Steve	Cllr. Stenner, Eluned
06/04/21 17:30	Team Caerphilly: 6-Month Update		Peters, Kath	Cllr. Stenner, Eluned

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CABINET FORWARD WORK PROGRAMME

APPENDIX 2

Cabinet Date	Title	Key Issues	Author	Cabinet Member
13/01/21 10:30	Adoption of an enforced sale policy	To inform Members, and seek approval for, the adoption of an Enforced Sale Policy. This is a mechanism by which problematic, long-term empty private sector dwellings, derelict commercial properties and land are brought back into beneficial use.	Dallimore, Allan;	Cllr. Morgan, Sean;
13/01/21 10:30	Car Parking Review	Review of council owned car parks and future operational proposals.	Forbes-Thompson, Cath;	Cllr. Ridgewell, John;
13/01/21 10:30	Teachers' Pay Award 2020/21	To provide Cabinet with a proposal to fund the residual shortfall in funding for the 2020/21 Teachers' pay award.	Harris, Stephen R; Southcombe, Jane;	Cllr. Stenner, Eluned;
13/01/21 10:30	Draft Budget Proposals for 2021/22	To present Cabinet with details of the draft budget proposals for the 2021/22 financial year.	Harris, Stephen R;	Cllr. Stenner, Eluned;
27/01/21 10:30	Pentrebane Street Caerphilly - Use of CPO Powers	To update Cabinet on the use of a Compulsory Purchase Order (CPO) to facilitate the redevelopment of the southern side of Pentrebane Street, Caerphilly. This report also requests the allocation of up to £200,000 to the Pentrebane Street redevelopment project to cover the costs associated with the CPO process and to facilitate with the acquisition of the privately-owned properties.	Dallimore, Allan;	Cllr. Morgan, Sean;
27/01/21 10:30	Bus Emergency Scheme 2 Funding	To obtain Public Sector agreement for emergency bus funding with operators until July 2022.	Williams, Mark S;Lloyd, Marcus	Cllr. Ridgewell, John;
27/01/21 10:30	Whole-authority budget monitoring position for 2020/21	To provide Cabinet with an update on the projected outturn position for the 2020/21 financial year.	Harris, Stephen R;	Cllr. Stenner, Eluned;
27/01/21 11:30	Blackwood Miners' Institute Annual Report and Statement of Accounts 2019/20	To advise Cabinet as Trustees of the Blackwood Miners' Institute of the operational activities and financial position of Blackwood Miners' Institute for the financial year ending 31st March 2020.	Kyte, Rhian;	Cllr. Morgan, Sean;

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Scrutiny Committee Forward Work Programme Prioritisation



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POLICY AND RESOURCES SCRUTINY COMMITTEE – 12TH JANUARY 2021

**SUBJECT: CORPORATE SERVICES & MISCELLANEOUS FINANCE 2020/21
BUDGET MONITORING REPORT (PERIOD 7)**

REPORT BY: DIRECTOR OF EDUCATION & CORPORATE SERVICES

1. PURPOSE OF REPORT

1.1 To inform members of projected revenue expenditure for the Directorate of Corporate Services and Miscellaneous Finance for the 2020/21 financial year.

2. SUMMARY

2.1 The report projects the anticipated final outturn for the Directorate of Corporate Services and Miscellaneous Finance based upon expenditure and income trends for the first seven months of the financial year.

3. RECOMMENDATIONS

3.1 Members are requested to note the contents of the report.

4. REASONS FOR THE RECOMMENDATIONS

4.1 To ensure that Members are informed of the projected financial position for the Directorate of Corporate Services and Miscellaneous Finance.

5. THE REPORT

5.1 Corporate Services

5.1.1 The Directorate of Corporate Services is currently forecasting an underspend of £1.191m for the 2020/21 financial year, full details of which are provided in Appendix 1.

5.1.2 Members are advised that the projected outturn for Education & Lifelong Learning is a net underspend of £341k, consequently overall the projected outturn position for Education and Corporate Services is an underspend of £1.532m.

5.1.3 There is an anticipated underspend on Chief Executive and Director of Education & Corporate Services of £24k.

5.1.4 The anticipated net underspend of £99k in Corporate Finance relates in the main to in-year

vacancies being held until the recently appointed permanent Head of Financial Services & S151 Officer has reviewed the position, together with one-off additional income for administering Welsh Government Covid-19 Business Grants. The projected underspend also takes account of delays in delivering approved 2020/21 savings and the use of reserves to fund an apprentice post.

5.1.5 There is an anticipated net underspend of £474k in Digital Services, after taking into account the agreed use of reserves. This consists of: -

- A projected underspend of £123k for IT Services which is due in the main to delays in filling vacancies after a restructure offset by the estimated costs of the IT contracts register.
- A projected net underspend of £313k on Procurement which relates in the main to delays in filling vacant posts as a consequence of Covid-19.
- A net underspend of £38k for Customer First after the agreed use of reserves for apprentices. This is due in the main to vacant posts still to be filled due to secondments to the Track and Trace programme.

5.1.6 Legal & Governance is projecting a net underspend of £69k after allowing for the following to be ring-fenced and transferred to earmarked reserves: -

- Projected underspend on Members related expenditure of £97k. This is due in the main to underspends on Members Allowances which is partly off-set by increased costs on Members superannuation costs.
- Projected underspend of £31k on Electoral Services. The Electoral Services underspends in non-election years are ring-fenced to fund overspends in election years.

The net underspend of £69k for Legal & Governance is due in the main to staff not reaching the top of their pay scales, some temporary reduced hours and savings associated with working from home. These are one-off savings.

5.1.7 There is an anticipated £142k net underspend in Business Improvement Services after taking account of the following: -

- Management – Projected net underspend of £131k due to a vacant Head of Service post.
- Projected net underspend of £45k in the Policy Team due to delays in filling a vacant post and some additional one-off income.
- Projected underspend of £19k in the Equalities and Welsh Language Team due in the main to some staff not reaching the top of pay scales in the current year.
- Projected net breakeven position in the Performance Management Unit.
- Projected net overspend of £53k in the Transformation Team after taking account of the agreed transfer of reserves. This overspend is initially being funded from underspends in other budgets across Business Improvement Services.

5.1.8 There is a projected net underspend of £148k for People Services mainly consisting of: -

- Human Resources projected net underspend of £57k due in the main to staff being on maternity leave and some temporary reductions in working hours, partially offset by reduced income levels. The net underspend is after taking account of the agreed use of reserves.
- A projected net underspend of £115k for Health & Safety, which includes: -
 - Occupational Health underspend of £53k due in the main to salary savings due to delays in recruitment to the revised structure.
 - Health & Safety underspend of £62k due in the main to salary savings arising from delays in recruitment to the revised structure after taking account of the agreed use of reserves for fire officers and an apprentice. These are offset by reduced internal training income due to Covid-19. There are also small forecast savings on vehicle hire.

- A grant claim has been submitted to WG for £18.1k of lost external training income for the H&S training section, but the funding has not yet been confirmed.
- The Communications Unit is projecting a net overspend of £36k, due in the main to reduced levels of internal income arising from Covid-19 after taking account of the agreed use of reserves for an apprentice. Income levels will be closely monitored in year. It is anticipated the lost internal income in this budget has resulted in savings in other service division's printing budgets.
- CMT Support overspend of £7k due to the addition of a new "Support Officer".

5.1.9 For Property Services there is a net projected underspend of £212k, consisting of the following: -

- Management - £73k underspend due to staff on temporary reduced hours and various non-salary related expenditure savings due to Covid-19 restrictions.
- Energy - £4k underspend.
- Estates - £12k overspend due mainly to a reduction in the anticipated level of fee income which has been partially offset by staff vacancies/reduced hours. This is after taking account of the agreed use of reserves for a member of staff. The income levels will be monitored closely in year.
- Non – operational Properties - £15k underspend mainly due to reduced utility costs being incurred.
- Corporate Facilities - £7k underspend mainly due to savings on various non-salary related expenditure partially offset by increased electricity costs for Ty Penallta to comply with the Covid-19 guidance.
- Maintenance – Projected £69k underspend due in the main to delays in filling vacant posts and increased fee income.
- Building Consultancy – Projected £55k underspend due in the main to delays in filling vacant posts.

5.1.10 There is a projected underspend of £22k on Housing Services (excluding HRA) which consists of the following: -

- General Fund Housing is expected to show a £108k underspend at this stage, although there are some offsetting over and underspends contributing to this position.
- This service area includes a statutory duty for Temporary Accommodation which is demand led and difficult to predict, but trends show an annual increase in the need for this service evidenced by the increase in B&B accommodation over the past few years. This year however, B&B placements (but not including Covid-19 related placements) have reduced and are expected to show a saving of some £100k by the end of the year. It is important to note, that this is because of the government embargo on evictions, which is currently in place until March 2021, and has therefore restricted the normal flow of homeless activity. The impact of this will obviously be felt when the restriction is lifted, and any underspend will be required to be carried forward to meet the impending increase in demand next financial year.
- However, the demand for B&B placements as a result of Covid-19 has continued to rise. Currently this is on average 60 cases per month, together with accompanying security costs for the relevant establishments. For the first 7 months (and including March 2020) £369k in total has been claimed against the WG Covid-19 LA Hardship Fund, of which £307k is for B&B placements and associated security costs. To date £257k funding has been received from WG towards these costs. In response to the issues facing this service, WG has also confirmed additional funding for the retention of those homeless clients placed into accommodation during the pandemic. After submitting several bids which include both revenue and capital related projects, we have received an indicative approval of circa £1m.
- The service received growth in the RSG settlement of £560k during 2017/18 & 2018/19 as a driver from WG to prevent homelessness. However, about £220k (40%) of this growth is committed to pay Housing Benefit charges where some of our temporary accommodation

does not meet full Housing Benefit eligibility unlike other supported temporary accommodation. This commitment will see a reduction due to B&B placements being delayed but is likely to increase in line with the B&B placements when the eviction embargo is lifted. Any underspend will be requested to be carried forward and retained for this service.

- The temporary accommodation for families at Ty Fesen is assumed to be fully financed but this includes a £20k renewal fund that will be transferred to earmarked balances at year-end. A renewal fund for Ty Croeso also exists for future repairs and maintenance.
- Private Sector Housing is expected to show a £86k overspend at this stage. Earlier in the financial year the inability to generate any agency fee income due to lockdown was a significant concern and budget reductions to assist with the MTFP programme further increased this concern. The fee income has historically been generated from the private housing capital programme which has reduced substantially over the years. This budget relies on its fee income to be able to fund the service. Fee income is charged on works carried out which are typically capital in nature, such as historically, Area Renewal, Renovation Grants and more recently the WHQS programme, Home Repair Grants, Loans and Adaptations. Unfortunately, due to the Covid-19 restrictions, officers were unable to progress with any works (other than emergencies) and as such have not been able to receive any significant fee income. There has also been a high level of recurring long-term sickness absence within the department. In addition, some staff were redeployed to more critical services such as the buddy scheme and contact tracing. Furthermore, a recent review of Home Repair Grants and the newly introduced loan scheme showed a slow take up last year which could mean a further reduction on this fee income when normal operations resume. The WHQS programme was also due to be completed in June 2020, and although this is now extended, it will not offer up a long-term income solution for this service. Further monitoring of this service is necessary now that some operations are starting to return to normal, and this impact can then be more accurately measured. WG has however, offered financial assistance for relevant fee earning services. The loss of fee income for this service was identified on the loss of income claim to WG for the period April to June this year (£210k), which has since been approved and paid. The latest claim for Quarter 2 (July to September) of £153k has also recently been approved by WG and subsequently paid. This has ensured the budget remains in a manageable position at least for this financial year as this level of overspend can be met from private housing reserves which currently stand at £97k.
- Cabinet recently agreed (9/9/20) separate funding to create an empty homes team within Private Sector Housing to support the delivery of Phase 2 Empty Property Grants via the Valleys Taskforce Initiative. This could not be progressed within the current service resources as there is no dedicated staff resource to proactively progress the empty homes issues.

5.1.11 The following table provides a summary of progress in delivering agreed 2020/21 savings for the Directorate of Corporate Services: -

Section	Agreed MTFP Savings £'000	Progress against Savings £'000	Variance £'000
<u>Corporate Services.</u>			
Corporate Finance	208.00	0.00	208.00
Corporate Policy	17.00	17.00	0.00
Director	19.00	19.00	0.00
Legal & Governance	32.00	32.00	0.00
Customer & Digital Services	10.00	10.00	0.00
	286.00	78.00	208.00
<u>Non-Corporate Services.</u>			
General Fund Housing	25.00	0.00	25.00
Private Housing	27.00	0.00	27.00
Property Services	243.00	203.00	40.00
	295.00	203.00	92.00
Grand Total	581.00	281.00	300.00

Figure 1

- 5.1.12 The variance of £208k for Corporate Finance is due to proposed vacancy management savings not being achieved at this stage. This shortfall will be met by other in-year savings within Corporate Finance. The £208k saving will be deliverable in the medium to longer-term.
- 5.1.13 The variance of £25k for General Fund Housing is due to delays in WHQS adaptation work where fee income is generated. This shortfall is expected to be met by other in-year savings within General Fund Housing.
- 5.1.14 The variance of £27k for Private Housing is due to delays in a minor restructure.
- 5.1.15 The variance of £40k for Property Services is due to additional costs on utilities in providing controls in line with government advice to reduce recirculation of air to an absolute minimum. This means more fresh air is being brought in and has to be warmed. An element of the shortfall is also attributable to savings on cleaning contracts not being achieved. The expected shortfall is expected to be off-set by other in-year savings in Corporate Property.

5.2 Miscellaneous Finance

- 5.2.1 There is an overall projected underspend of £404k in Miscellaneous Finance.
- 5.2.2 There is a projected net underspend of £213k on Capital Financing budgets which is due to the following: -
- £1.131m underspend on Interest Payments due to delays in borrowing requirements.
 - £918k overspend due to reduced investment income combined with a delay in investment into pooled funds because of Covid-19.
- 5.2.3 There is a projected overspend of £50k on the External Audit Fees budget. This is due to additional charges incurred of £125k to complete the audit of the 2019/20 Financial Statements. The Annual Accounts were approved by Council on the 24th November 2020 and

were subsequently signed-off by the Auditor General on the 26th November with an unqualified audit opinion which ensured that statutory deadlines were met.

- 5.2.4 There is a projected net overspend of £153k on the IT replacement strategy after utilising reserves from underspends in previous years.
- 5.2.5 There is a projected overspend of £65k on the Trade Union budget. We are currently still in discussions with Trade Union colleagues to review and update our Facilities Agreement to ensure that equitable support arrangements are in place.
- 5.2.6 The remaining projected overspends in Miscellaneous Finance consist of the following: -
- £20k on the Class 1A NI savings, this is due in the main to a reduced take-up of the Tusker GASS car scheme.
 - £295k on Counsel fees due in the main to increased childcare cases and Operation Jasmine. This is almost fully offset by drawing on reserves from retained underspends in previous years.
- 5.2.7 The remaining projected underspends for Miscellaneous Finance consists of the following: -
- Subscriptions - £8k
 - Carbon Management Scheme - £247k (scheme ended in 2019-20).
 - City Deal - £217k due to a delay in borrowing requirements
 - £12k Community Schemes budget due to the cancellation of events.
- 5.2.8 The following table provides a summary of progress in delivering agreed 2020/21 savings for Miscellaneous Finance: -

Section	Agreed MTFP Savings £'000	Progress against Savings £'000	Variance £'000
Miscellaneous Finance	1,404.67	636.67	768.00
Grand Total	1,404.67	636.67	768.00

- 5.2.9 The variance of £768k is due to the following: -
- £50k Counsel Fees – due to increased costs in the current year as outlined in paragraph 5.2.6.
 - £718k on the Investment Strategy – approved changes to the Strategy have been delayed due to Covid-19.

5.3 Virements

- 5.3.1 As agreed in the budget report to Council on 20th February 2020, the additional budget allocation for the 0.75% pay award, previously held corporately, has been reallocated to service areas. The net effect on these budgets is as follows: -
- Corporate Services additional budget allocation of £159k
 - Miscellaneous Finance budget reduction of £868k
- 5.3.2 An agreed virement of £80k from Digital Services to Miscellaneous Finance to support MTFP savings in advance.

6. ASSUMPTIONS

- 6.1 Assumptions linked to this report were detailed in the budget report to Council on 20th February 2020.
- 6.2 The projected outturn position is based on actual income and expenditure details to the end of October 2020.
- 6.3 Forecasts have been made following discussions with Managers based on current information available.
- 6.4 All assumptions are linked to Covid 19 and the possible lifting of any restrictions that take place.
- 6.5 An exercise took place to advise WG of net external income losses for April to September 2020, in the context that these will be funded by WG.

7. RELEVANT LINKS TO COUNCIL POLICIES

- 7.1 The contents of this report are in accordance with the Budget Strategy agreed by Council at its meeting on 20th February 2020.

7.2 Corporate Plan 2018-2023.

Effective financial planning and financial control contribute towards all the Corporate Well-being Objectives: -

Objective 1 - Improve education opportunities for all.

Objective 2 - Enable employment.

Objective 3 - Address the supply, condition and sustainability of homes throughout the county borough and provide advice, assistance or support to help improve people's well-being.

Objective 4 - Promote a modern, integrated and sustainable transport system that increases opportunity, promotes prosperity and minimises the adverse impacts on the environment.

Objective 5 - Creating a county borough that supports a healthy lifestyle in accordance with the sustainable development principle within the Wellbeing of Future Generations (Wales) Act.

Objective 6 - Support citizens to remain independent and improve their well-being

8. WELL-BEING OF FUTURE GENERATIONS

- 8.1 Effective financial management is a key element in ensuring that all the Well-being Goals within the Well-Being of Future Generations (Wales) Act 2015 are met.
- A prosperous Wales
 - A resilient Wales
 - A healthier Wales
 - A more equal Wales
 - A Wales of cohesive communities

- A Wales of vibrant culture and thriving Welsh Language
- A globally responsible Wales

8.2 Effective financial management is also consistent with the five ways of working as defined within the sustainable development principle in the Act.

- Long Term – The importance of balancing short-term needs with the need to safeguard the ability of future generations to meet their long-term needs
- Prevention - How acting to prevent problems occurring, or getting worse, may help public bodies meet their objectives
- Integration – Considering how the public body’s well-being objectives may impact upon each of the well-being goals, on their other objectives, or on the objectives of other public bodies
- Collaboration – Acting in collaboration with any other person (or different parts of the body itself) that could help the body to meet its well-being objectives
- Involvement – The importance of involving people with an interest in achieving the well-being goals and ensuring that those people reflect the diversity of the area which the body serves.

9. EQUALITIES IMPLICATIONS

9.1 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in Section 6 of the Council's Strategic Equality Plan. There is no requirement for an Equalities Impact Assessment Questionnaire to be completed for this report.

10. FINANCIAL IMPLICATIONS

10.1 As detailed throughout the report.

11. PERSONNEL IMPLICATIONS

11.1 There are no direct personnel implications arising from this report.

12. CONSULTATIONS

12.1 There are no consultation responses that have not been reflected in this report.

13. STATUTORY POWER.

13.1 Local Government Acts 1972 and 2003 and the Council’s Financial Regulations.

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Consultees: R. Edmunds, Corporate Director for Education & Corporate Services.
 S. Harris, Head of Financial Services & S151 Officer.
 M. Eedy, Finance Manager, Communities.
 R. Tranter, Head of Legal Services & Monitoring Officer.
 L. Donovan, Head of People Services.
 L. Lucas. Head of Customer & Digital Services.
 C. Harrhy, Chief Executive.

L. Allen, Principal Accountant, Housing.
S. Couzens, Chief Housing Officer.
D. Street, Corporate Director, Social Services.
M.S. Williams, Interim Corporate Director, Communities.
M. Williams, Interim Head of Property.
S. Richards, Head of Education Planning and Strategy.
A. Southcombe, Finance Manager, Corporate Services.
J. Southcombe, Finance Manager, Education, Lifelong Learning and Schools.
Cllr E. Stenner, Cabinet Member for Finance, Performance & Customer Service.
Cllr C. Gordon, Cabinet Member for Corporate Services.
Cllr L. Phipps, Cabinet Member for Housing & Property.
Cllr J Pritchard, Chair of P&R Scrutiny.
Cllr G Kirby, Vice Chair of P&R Scrutiny.

Appendices:

Appendix 1 Corporate Services & Miscellaneous Finance 2020/21 Budget Monitoring Report
(Period 7).

Background Papers:

Council (20/02/20) – Budget Proposals for 2020/21 and Medium-Term Financial Outlook

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<i>CORPORATE SERVICES DIRECTORATE</i>	Original Estimate 2020-21	Revised Estimate 2020-21	Anticipated Outturn 2020-21	Anticipated Variance 2020-21
<i>SUMMARY</i>				
<i>CHIEF EXECUTIVE</i>	206,353	207,821	198,025	9,796
<i>DIRECTOR OF EDUCATION & CORPORATE SERVICES</i>	152,556	153,992	139,451	14,541
	358,909	361,813	337,476	24,337
<i>CORPORATE FINANCE</i>				
Financial services & Internal Audit	1,892,141	1,923,501	1,822,961	100,540
Approved Use of Reserves - Apprentice	(28,282)	(28,282)	(26,544)	(1,738)
	1,863,859	1,895,219	1,796,417	98,802
<i>DIGITAL SERVICES</i>				
IT Services	3,299,116	3,316,329	3,192,855	123,474
Procurement	1,290,509	1,257,341	1,022,955	234,386
Agreed Use of Reserves for EdTech	0	0	(78,862)	78,862
Customer First	1,309,590	1,283,317	1,221,843	61,474
Approved Use of Reserves - Apprentices	(54,168)	(54,168)	(30,602)	(23,566)
	5,845,047	5,802,819	5,328,190	474,629
<i>LEGAL & GOVERNANCE SUPPORT</i>				
Legal & Democratic Services	1,132,629	1,142,696	1,045,177	97,519
Approved Use of Reserves - Apprentice	(28,282)	(28,282)	0	(28,282)
Members Allowances	1,755,221	1,757,621	1,661,061	96,560
Ringfenced to Earmarked Reserves		0	96,560	(96,560)
Electoral Services	339,916	341,130	309,678	31,452
Ringfenced to Earmarked Reserves			31,452	(31,452)
	3,199,484	3,213,165	3,143,928	69,237
<i>BUSINESS IMPROVEMENT SERVICES</i>				
Management	130,163	131,121	0	131,121
Policy	611,414	613,411	558,328	55,083
Approved Use of Reserves - Fleet Review Officer	(45,162)	(45,162)	(34,737)	(10,425)
Transformation Team	193,176	193,176	184,875	8,301
Approved Use of Reserves - Transformation	(142,602)	(142,602)	(132,317)	(10,285)
Proposed Use of Reserves - Transformation	(50,574)	(50,574)	0	(50,574)
Equalities	406,078	408,398	389,856	18,542
PMU	225,522	227,193	226,767	426
	1,328,015	1,334,961	1,192,773	142,188
<i>PEOPLE SERVICES</i>				
Human Resources	1,564,197	1,564,136	1,497,262	66,874
Approved Use of Reserves - Managing Attendance Officer	(31,850)	(31,850)	(31,850)	0
Approved Use of Reserves - Transformation Management	(50,574)	(50,574)	(40,651)	(9,923)
Health & Safety	946,797	954,539	837,538	117,001
Approved Use of Reserves - Apprentice/Fire Officer	(70,559)	(70,559)	(69,034)	(1,525)
H&S loss of income funding for External Training April - Sept			(18,160)	18,160
Communications Unit	368,788	372,934	384,303	(11,369)
Approved Use of Reserves - Apprentice	(24,622)	(24,622)	0	(24,622)
CMT Support	134,452	135,419	142,075	(6,656)
	2,836,629	2,849,423	2,701,483	147,940
<i>TOTAL CORPORATE SERVICES</i>	15,431,943	15,457,400	14,500,266	957,134
<i>PROPERTY SERVICES</i>				
Management	369,297	370,697	297,230	73,467
Energy	143,167	144,306	139,969	4,337
Estates	143,726	146,656	145,929	727
Approved Use of Reserves - Asset Manager	(30,344)	(30,344)	(17,761)	(12,583)
Non Operational Properties	135,124	135,124	120,079	15,045
Facilities	2,182,658	2,186,142	2,179,291	6,851
Maintenance	2,139,718	2,143,485	2,074,936	68,549
Building Consultancy	(180,770)	(175,147)	(230,480)	55,333
	4,902,576	4,920,919	4,709,195	211,724
<i>HOUSING SERVICES</i>				
General Fund Housing	1,333,341	1,342,897	1,235,183	107,714
Private Housing	294,625	302,895	388,813	(85,918)
	1,627,966	1,645,792	1,623,996	21,796
<i>TOTAL NON- CORPORATE SERVICES</i>	6,530,542	6,566,711	6,333,191	233,520

TOTAL SERVICES	21,962,485	22,024,111	20,833,457	1,190,654

MISCELLANEOUS FINANCE	Original Estimate 2020-21	Revised Estimate 2020-21	Anticipated Outturn 2020-21	Anticipated Variance 2020-21
MISCELLANEOUS FINANCE				
Staff Related Costs				
Pension Contribution - Former Authorities Ongoing	1,155,689	1,155,689	1,155,689	0
Recharge to Education - Former Authorities	(179,629)	(179,629)	(179,629)	0
	976,060	976,060	976,060	0
Statutory Benefit Schemes				
Council Tax RS	15,439,702	15,439,702	15,296,615	143,087
WG Funding CTRS			(176,899)	176,899
Ringfenced to Earmarked Reserves	0	0	319,986	(319,986)
DHP Rent allowances	61,814	61,814	61,814	0
DHP Rent Rebates	556,327	556,327	556,327	0
DHP Income	(618,141)	(618,141)	(618,141)	0
General Rent Allowances	20,153,635	20,153,635	23,063,323	(2,909,688)
Rent Rebates	25,756,400	25,756,400	27,523,208	(1,766,808)
Rent Allowance War Widow Concessions	25,000	25,000	25,000	0
Housing Benefit Subsidy	(45,910,035)	(45,910,035)	(50,586,531)	4,676,496
	15,464,702	15,464,702	15,464,702	0
Levies Upon the Council				
Coroner	287,775	287,775	287,775	0
Archives	209,092	209,092	209,092	0
Fire Service Authority	8,871,593	8,871,593	8,871,593	0
	9,368,460	9,368,460	9,368,460	0
Capital Financing				
Debt Charges (Principal Repaid)	2,548,275	2,548,275	2,548,275	0
Debt Charges (Interest Payments)	8,828,506	8,828,506	7,697,564	1,130,942
Debt Charges (Debt Management Exp's)	48,815	48,815	48,815	0
Income from External Investments:	(1,518,333)	(1,518,333)	(600,000)	(918,333)
Rescheduling Discounts	0	0	0	0
Earmarked for specific funds/balances	812,500	812,500	812,500	0
CERA (Capital Expenditure funded from Revenue Account)	4,679,847	4,760,239	4,760,239	0
	15,399,610	15,480,002	15,267,393	212,609
Corporate and Democratic Core Costs				
Bank Charges	197,553	197,553	197,553	0
Income from HRA	(33,228)	(33,228)	(33,228)	0
Income from DLO/DSO	(14,184)	(14,184)	(14,184)	0
External Audit Fees	435,380	435,380	485,000	(49,620)
Actuarial Fees	1,832	1,832	1,832	0
Income from HRA	(73,537)	(73,537)	(73,537)	0
Income from DLO/DSO	(31,391)	(31,391)	(31,391)	0
Subscriptions	112,619	128,813	120,739	8,074
	595,044	611,238	652,784	(41,546)
Grants to Voluntary sector				
Assistance to Voluntary sector	186,759	186,759	186,759	0
	186,759	186,759	186,759	0
Private Finance Initiative				
PFI Schools	2,210,676	2,210,676	2,210,676	0
PFI SEW	3,686,817	3,686,817	3,686,817	0
	5,897,493	5,897,493	5,897,493	0
Other				
NNDR - Authority Empty Properties	0	0	0	0
Welsh Language	0	0	0	0
Free School Meal Grant	307,550	307,550	307,550	0
Counsel Fees	270,070	270,070	564,807	(294,737)
Use Of Counsel Fee Reserve	0	0	(289,453)	289,453
Careline	16,170	16,170	16,170	0
Carbon Management Scheme	3,910	3,910	3,910	0
Carbon Energy Tax	246,839	246,839	0	246,839
IT Replacement Strategy	135,108	135,108	665,035	(529,927)
IT Replacement Reserve	0	0	(377,280)	377,280
PV Panel Maintenance	2,083	2,083	2,083	0
PV Panels Income	(58,579)	(58,579)	(58,579)	0
Risk Management Contribution	(456,511)	(456,511)	(456,505)	(6)
Class 1A NI	(100,000)	(100,000)	(80,000)	(20,000)
City Deal	352,200	352,200	135,200	217,000
Matched Funding for Community Schemes	15,255	15,255	3,000	12,255
Targeted Rate Relief Scheme	225,189	225,189	225,189	0
Miscellaneous Items	873,737	6,215	6,215	0
Trade Union Facilities	28,485	29,200	93,993	(64,793)
PFI Review	849,000	849,000	849,000	0
	2,710,506	1,843,699	1,610,334	233,365
TOTAL MISCELLANEOUS FINANCE	50,598,634	49,828,413	49,423,985	404,428
EXPENDITURE TO DIRECTORATE SUMMARY	72,561,119	71,852,524	70,257,442	1,595,082

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POLICY AND RESOURCES SCRUTINY COMMITTEE – 12TH JANUARY 2021

SUBJECT: CAPITAL STRATEGY REPORT 2021/2022

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To submit prior to its presentation to Council the Authority's Capital Strategy report for 2021/22 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 Corporate Director of Education and Corporate Services on Revenue and Capital Budgets ["the budget report"]; and the Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy for 2021/2022.

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 noted by the Policy and Resources Scrutiny Committee prior to Council approval.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 The Annual Capital Strategy report is a requirement of the CIPFA's Prudential Code (2017 edition).
- 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:

https://www.caerphilly.gov.uk/CaerphillyDocs/Council-and-democracy/Corporate_Plan_2018-2023.aspx

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); 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 2021/22 is summarised below:

	2020/21 Approved Budget	2021/22 budget	2022/23 budget	2023/24 budget
	£000s	£000s	£000s	£000s
Council Fund	11,363	11,349	9,726	9,726
Housing Revenue Account	36,000	35,200	35,800	37,600
TOTAL	47,363	46,549	45,526	47,326

Table 1: Prudential Indicator: Estimates of Capital Expenditure

5.2.6 Further details of the 2021/22 – 2023/24 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 separately and includes building 400 affordable homes over the next 5 years, achieving the Welsh Quality Housing Standard (WHQS) on existing Council Stock with is due to be completed by December 202 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 **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.

5.2.10 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).

5.2.11 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.

5.2.12 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:

<https://www.caerphilly.gov.uk/My-Council/Strategies,-plans-and-policies/Corporate-strategies,-plans-and-policies/Corporate-Asset-Management-Strategy>

5.3.3 As at 31st March 2020 the Authority's fixed assets (property, plant and equipment) had a net book value of £1,158m. The net book valuation is an accounting valuation, which does not translate to market value. Further details can be found in Note 22 to the Authority's 2019/20 Statement of Accounts:

<https://www.caerphilly.gov.uk/CaerphillyDocs/Council-and-democracy/StatementofAccounts-31-03-2020.aspx>

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.

5.3.5 Whilst the Authority is intending to dispose of land and building in the future, a change in the law means that any future sale proceeds will need to take in to affect a drainage assessment. This has arisen as a result of the Welsh Minister for Environment signing off a Commencement Order that brings Schedule 3 of the Flood and Water Management Act 2010 into force in Wales.

5.3.6 Since 7th January 2019, all proposed new developments in Wales must include Sustainable Drainage Systems (SuDS). These must comply with the Welsh Ministers' Standards and signed off by the SuDS Approving Body (SAB). The current voluntary standards will become mandatory at the same time. SuDS aim to manage rainfall in a way similar to natural processes, making use of the landscape and natural vegetation to control the flow and volume of surface water. SuDS can deliver multiple benefits including:

- flood risk reduction;
- improved water quality;
- opportunities for habitat creation;
- enhanced biodiversity;
- supporting well-being through bringing people closer to green and blue community spaces.

5.3.7 Each site could have a different SuDS solution, which depends on the site specifics and topography. Each scheme would need to be considered by the authority at the planning stage

and for the SuDS to be approved and adopted. Since the SuDS are site specific it is not possible to forecast a receipt with any degree of accuracy.

5.3.8 **Capital receipts:** As of 1st April 2018, Welsh Government issued a capitalisation directive that allows Welsh Authorities to use capital receipts to fund revenue expenditure incurred as a result of transforming service delivery; cutting back services to generate savings; or investing in economic growth projects that are designed to reduce revenue costs or pressures over time. The use of capital receipts to fund such expenditure is permitted until 31 March 2022.

5.3.9 A summary of the Capitalisation Directive issued by the Welsh Government that the Authority can adopt for the Flexible Use of Capital Receipts is detailed in Appendix 1. At present there are no plans to utilise the current capital receipts reserve to fund transformation expenditure.

5.3.10 **Governance:** If in the future the Authority decided to utilise the Capital Receipts Directive to fund revenue expenditure a Cabinet decision will be required. The cabinet report will need to demonstrate:

- A robust business case with a full option appraisal;
- Identification of actual capital receipts received that are uncommitted;
- An analysis of what the capital receipt could have been used for;
- Value for money.

5.4 **Treasury Management**

5.4.1 The Chartered Institute of Public Finance & Accountancy 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 £301.6m nominal debt outstanding as at 31 March 2020, at an average interest rate of 4.51% and £107.4m nominal treasury investments at an average rate of 0.68%.

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 – 2020/21 capital budget of £148k). 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 Economy and Enterprise 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 Finance, 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, either via a fund manager or direct purchase of property in order to generate enhanced treasury returns above the rate of inflation. The returns generated from this type of investments are supporting revenue budgets in an environment when central government revenue support funding is declining year on year.

5.6.2 At present the Authority does not invest in commercial property either directly (through property acquisitions) or indirectly (through a fund manager). However, the Authority would like to keep its options open for future investment in property and other commercial investments.

5.6.3 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 detail 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.

5.6.4 With financial return being the main objective, the Authority accepts higher risk on 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 rather than purchasing the property through a fund manager.

5.6.5 In recognition of the risks stipulated in the above paragraph, the Authority will adopt a policy whereby 50% of the annual income generated will be ring fenced in an earmarked reserve to offset in any fall in capital values or capital income; or fund any other associated cost. The remaining 50% of the annual income generated will be made available to the Authority to support frontline services and enabling the Authority to achieve a balanced budget. Periodic reviews will take place at least once a year to review this policy. The Head of Corporate Finance would recommend changes to the policy, if appropriate, at any time by way of a report to Cabinet.

5.6.6 **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 Finance 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 Corporate Finance.

5.6.7 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 in Appendix 6 of the Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy for 2021/2022 report.
- 5.7.3 **Sustainability:** Due to 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 autumn 2021. 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. **LINKS TO STRATEGY**

- 7.1 The report has links to the strategic themes of the Authority, taking into account cross-cutting issues where relevant. It has specific links to the following documents:

a) **Medium Term Financial Plan**

The Capital Strategy is closely linked to the Medium Term Financial Plan (MTFP), primarily with respect to the affordability of the capital programme.

b) Treasury Management Strategy

The Treasury Management Strategy links to the Capital Strategy in determining the Authority's approach to borrowing and investments, including borrowing to fund capital expenditure. The Treasury Management Strategy is closely related to the Prudential Code and Prudential Indicators.

The Authority has an integrated Treasury Management Strategy, and has adopted the CIPFA Code of Practice for Treasury Management in Public Services. The Treasury Management Strategy deals with borrowing and investment arising as a consequence of all the financial transactions of the authority, not exclusively those arising from capital spending.

c) Statement of Accounts

Capital expenditure incurred during the year is reflected in the Balance Sheet of the Statement of Accounts ensuring stewardship of assets is demonstrated. The accurate monitoring and recording of capital expenditure ensures that this document is free from material error. The Statement of Accounts is externally audited at the end of each financial year to certify that it presents a true and fair view of the financial position of the Authority.

d) Regulatory Framework of Capital Spend

The Procurement Strategy, along with the Contract Standing Orders and Financial Regulations, looks at who can be used to supply goods and services to the Authority, and how these goods and services should best be obtained to secure value for money.

7.2 Prudent financial management contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015:-

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

8. WELL-BEING OF FUTURE GENERATIONS

8.1 The establishment of a capital strategy is a key element of effective financial management and risk management of the Authority's resources, which assists the achievement of the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015.

9. EQUALITIES IMPLICATIONS

9.1 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in the Council's Strategic Equality Plan. There is no requirement for an Equalities Impact Assessment Questionnaire to be completed for this report.

10. FINANCIAL IMPLICATIONS

10.1 There are no financial implications arising from this report.

11. PERSONNEL IMPLICATIONS

11.1 There are no personnel implications.

12. CONSULTATION

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

13. STATUTORY POWER

13.1 Local Government Act 1972

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

Consultees: Corporate Management Team (CMT)
Stephen Harris – Head of Financial Services & S151 Officer
Andrew Southcombe – Finance Manager, Corporate Finance
Robert Tranter – Head of Legal Services & monitoring Officer
Cllr E. Stenner – Cabinet Member for Finance, Performance & Planning

Appendix 1: Flexible Use of Capital Receipts Policy

Appendix 1: Flexible Use of Capital Receipts Policy

Legislation

- The Local Government Act 2003 (“the Act”), section 15(1) requires a local authority “...to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify...”. and section 24 of the Act states “In its application to Wales, ...for any reference to the Secretary of State there were substituted a reference to the Welsh Ministers.”
- In December 2017, the Secretary of State announced, the continuation of the capital receipts flexibility programme for a further three years, to give local authorities in England the continued freedom to use capital receipts from the sale of their own asset (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings. These powers have been exercised under sections 16(2)(b) and 20 of the Local Government Act 2003 (the Act). This will cover expenditure incurred from 1st April 2016 up to 31 March 2022, and relates to expenditure incurred as a result of service transformation that reduces costs and generate savings.
- In Further exercise of Welsh Minister’s powers under section 20 of the Act, the continuation of the capital receipts flexibility programme will also be extended to Welsh local authorities within the meaning of section 9 of the Act and regulations made under that section (part 3 SI 2003/3239{W319}).

Application

- The direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform. Local authorities can only use capital receipts from the disposal of property plant and equipment assets received in the years in which this flexibility is offered.
- Capital receipts generated from the sale of Council houses Right to Buy scheme are excluded.
- Welsh Ministers believe that individual authorities and groups of authorities are best placed to decide which projects will be most effective for their areas. The key criterion to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings or reduce revenue costs or pressures over the longer term to an authority, or several authorities, and/or to another public body.
- The Capitalisation Directive for the Flexible Use of Capital receipts applies from 1st April 2016 to 31st March 2022.

Accountability & Transparency

- A disclosure note will be included in the Statement of Accounts in the relevant year detailing the individual projects that have been funded or part funded through capital receipts flexibility.
- As a minimum, the disclosure note should list each project that made use of the capital receipts flexibility, ensuring that it details the split of up-front funding for each project between capital receipts and other sources, and that on a project-by-project basis, setting out the expected savings and/or benefits of investment.

Qualifying Expenditure

- Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs or demand for services in future years for the Authority or any of the delivery partners. This includes investment which supports economic growth projects which are also designed to reduce revenue costs or pressures over the longer term.
- The set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

Examples of Qualifying Expenditure

- There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:
 - Preparatory work necessary to support local authority mergers as part of the programme to reform local government in Wales;
 - Sharing back-office and administrative services with one or more other council or public sector body;
 - Investment in service reform feasibility work, e.g. setting up pilot schemes;
 - Collaboration between local authorities and central government to free up land for economic use;
 - Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
 - Sharing Chief Executives, management teams or staffing structures;
 - Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
 - Aggregating procurement on common goods and services where possible, either as part of local arrangements or using the National Procurement Service, Crown Commercial Services or other central purchasing bodies which operate in accordance with the Wales Procurement Policy Statement;
 - Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
 - Setting up alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
 - Integrating public facing services across two or more public sector bodies (for example children’s social care, trading standards) to generate savings or to transform service delivery.
 - Investment which supports economic growth projects which are also designed to reduce revenue costs or pressures over the longer term, across one or more local authorities and/or other public sector bodies.

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SPECIAL COUNCIL – 24TH FEBRUARY 2021

SUBJECT: TREASURY MANAGEMENT ANNUAL STRATEGY, CAPITAL FINANCE PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY FOR 2021/2022

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

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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 Corporate Director of Education and Corporate Services on Revenue and Capital Budgets ["the budget report"] also considered in this meeting.
- 1.3 To seek approval for the Minimum Revenue Provision (MRP) policy to be adopted by the Authority for 2021/2022.

2. SUMMARY

- 2.1 The revised (2017) "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 2021/22 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 2020/21 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 borrows £37.2m for the General Fund to support the 2021/22 capital programme and £52.0m 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 Interest Rate Prospects- Short-term

- 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.
- 5.1.2 The Monetary Policy Committee [MPC] maintained Bank Rate in November 2020 to 0.10% and extended its Quantitative Easing programme by £150 billion to £895 billion. The MPC voted unanimously for both, but no mention was made of the potential future use of negative interest rates.
- 5.1.3 The impact on the UK from coronavirus, together with its exit from the European Union and future trading arrangements with the bloc, will remain a major influence on the Authority's treasury management strategy for 2021-22. The Bank of England (BoE) expects the UK economy to shrink by 2% in Q4 2020 before growing by 7.25% in 2021. The Bank of England (BoE) also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level.
- 5.1.4 Consumer price inflation was registered as 0.5% year on year in September 2020. The most recent labour market data for the three months to August 2020 showed the unemployment rate rose to 4.5% while the employment rate fell to 75.6%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market.
- 5.1.5 GDP growth fell by 19.8% in the second quarter of 2020, a much sharper contraction from the fall of 2.0% in the previous 3 months. Monthly GDP estimates have shown the economy is recovering but remains well below its pre-pandemic peak. Looking ahead, the BoE's November Monetary Policy Report forecast economic growth rise in 2021. GDP growth in the eurozone rebounded by 12.7% in Q3 after contracting in the first half of the year. Headline inflation, however, remains extremely weak, registering a fall of 0.3% year-on-year in October. the third successive month of deflation. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time with further monetary stimulus expected later in 2020. The US economy contracted at an annualised rate of 31.7% in Q2 2020 and then rebounded by 33.1% in Q3. The Federal Reserve also provided strong indications that interest rates are unlikely to change from current levels over the next three years.
- 5.1.6 Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets. This will have an impact on the Council's Treasury returns. If interest rates fall then the Council's investment income will reduce.
- 5.1.7 The Authority's treasury management adviser Arlingclose is forecasting that the BoE Bank Rate will remain at 0.1% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

5.2 Interest Rate Prospects- Long-term

5.2.1 Gilt yields are expected to remain very low in the medium-term while short-term yields are likely to remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.5% and 0.75% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

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

5.3 Credit Outlook

5.3.1 After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainty around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

5.3.2 The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

5.3.3 Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, as does the outcome of the Brexit deal, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

5.4 External Debt - Capital Borrowings and Borrowing Portfolio Strategy

5.4.1 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.

5.4.2 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.

5.4.3 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 cost of carry is likely to remain an issue until the Bank Rate and short term market rates increase in the future. The Authority, having adopted the policy of internal borrowing from the latter half of 2008/09, has an internal borrowing position of £81m (as at 31st March 2020) 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.

5.4.4 It is anticipated that the borrowing requirement of £37.2m will need to be taken up in 2021/22 for the General Fund to support the capital programme and provision has been made in the budget to fund this level of borrowing. Much of this borrowing has been deferred from previous financial years. The HRA will borrow £52.0m in 2021/22 to fund the WHQS capital programme and new affordable homes programme, though some of the HRA borrowing may be deferred to future years subject to the Business Plan revisions.

5.4.5 Therefore, the total 2021/22 borrowing requirement will be £89.2m comprising of:

- 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 LGBTI- £4.2m
- 21st Century Schools prudential borrowing (Band A) - £3.4m
- HRA WHQS - £22.0m
- HRA Affordable Housing - £30.0m

The LGBTI 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.

5.4.6 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 2.80% for a 25-year period loan. However, other periods will be considered if the rates are favourable.

5.4.7 Current PWLB forecasts suggest interest rates will remain volatile during 2021/22 and will be influenced by geopolitical tensions; global economic prospects and the outcome of the Brexit deal. The use of internal borrowing to fund the 2021/22 capital programme or the decision to defer borrowing as set out in paragraph 5.4.4 could expose the Authority to rising interest rates thus making it expensive to borrow at a later date. A budget to cover the cost of raising £37.2m new debt finance will remain in place irrespective of the decision to borrow internally or externally.

5.4.8 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".

5.4.9 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)
- 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

5.4.10 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

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

5.4.12 The Authority may arrange forward starting loans during 2021/22, 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.

5.4.13 **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.

5.5 Authorised Limit for External Debt (The Authorised Limit)

5.5.1 As a consequence of 5.4.1 to 5.4.13 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.

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

5.6 The Operational Boundary

5.6.1 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.

5.6.2 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.

5.7 Interest Rate Exposure

5.7.1 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.

5.8 Maturity Structure of Borrowing

5.8.1 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.

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

5.8.3 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.

5.8.4 Historically, the Authority has favoured PWLB loans with a twenty-five year loan maturity profile, but in the current climate of low interest rates (including Bank Rate); 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.

5.8.5 The Authority has £30m of LOBO loans (Lender's Option Borrower's option) of which £20m of these can be "called" within 2021/22. 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.

5.9 Gross Debt and the Capital Financing Requirement

5.9.1 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.

5.10 Debt Rescheduling

5.10.1 Due to the difference in the rates, it is unlikely that there will be many viable opportunities to reschedule loans (General Fund and the HRA) in the foreseeable future. However, should any such opportunities arise; any decision on debt rescheduling will be supported by the appropriate report detailing the options and potential savings from the Authority's Treasury Management Adviser.

5.11 Policy on Borrowing In advance of Need

5.11.1 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.

5.12 Annual Investment Strategy

5.12.1 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.

5.12.2 **Current strategy (2020/21)** - 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.

5.12.3 **The 2021/22 Investment Strategy** will continue with the lending approach as set out in the 2020/21 Strategy. Considerations will be given to pooled investments (property funds; equity funds; multi-asset funds) and non-treasury investments 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.

5.12.4 This Strategy (2021/22), 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 **0.1% (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.

- 5.12.5 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**.
- 5.12.6 The Authority will continue to diversify into more secure and/or higher yielding asset classes during 2021/22 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.
- 5.12.7 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.
- 5.12.8 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
- 5.12.9 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.
- 5.12.10 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.
- 5.12.11 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.

- 5.12.12 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.
- 5.12.13 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.
- 5.12.14 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.
- 5.12.15 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.

6. Policy on Use of Financial Derivatives

- 6.1 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.
- 6.2 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.

7. Non-Treasury Investments

- 7.1 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.

8. Treasury Management Adviser

- 8.1 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).

9. Treasury Management Training

9.1 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 on line 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.

9.2 Officers will look to schedule Member training for autumn 2021. Further training will be undertaken as and when required.

10. PRUDENTIAL INDICATORS

10.1 Capital Financing Requirement

10.1.1 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.

10.1.2 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.

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

10.2 Prudential Indicators – “Prudence”

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

10.3 Prudential Indicators – “Affordability” [Appendices 6 and 7]

10.3.1 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.

10.3.3 The General Fund future revenue streams are based upon the content of “the Budget Report”.

10.3.4 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 2020/21 as a base), less an adjustment for estimated reduction in housing stock as a result of the “Right to Buy” sales.

10.4 Capital Expenditure and Funding

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

10.4.2 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 £4.84m in respect of the 2021/22 financial year, together with General Capital Grant funding of £4.86m.

10.4.3 For calculation purposes, it has been assumed that the supporting borrowing element of funding support will remain static for 2022/23 and for 2023/24, whilst the capital grant has been revised down to 2019/20 level. HRA provisional values for the years 2021-2024 are based on the 2020/21 allocation of the Major Repairs Allowance of £7.35m and assumed to continue at this level for future years.

11. Minimum Revenue Provision (MRP)

11.1 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.

11.2 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.

11.3 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**.

12. Other Local Issues

12.1 The Authority's Banker

- 12.1.1 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.
- 12.1.2 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.

12.2 Policy on Apportioning Interest to the HRA

- 12.2.1 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.

12.3 Markets in Financial Instruments Directive: 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.

12.4 IFRS 9 Classification

- 12.4.1 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

13. ASSUMPTIONS

- 13.1 The details set out in the report are based on interest rate forecasts provided by the Authority's Treasury Management Adviser.
- 13.2 It is currently assumed that investment cash balances remain at £100m throughout 2021/22 in order to deliver the investment returns stated within this report.
- 13.3 It has been assumed that the Authority will fund a proportion of its capital programme through supported borrowing.
- 13.4 It has been assumed that the HRA's borrowing needs are based on the current Business Plan at the time of writing this report.

14. LINKS TO STRATEGY

14.1 The report has links to the strategic themes of the Authority, taking into account cross-cutting issues where relevant. It has specific links to the effective and efficient application and use of resources.

14.2 Prudent financial management contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015:-

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

15. WELL-BEING OF FUTURE GENERATIONS

15.1 The establishment of treasury management strategy is a key element of effective financial management and risk management of the Authority's cash balances, investments and the timely service of debt, which assists the achievement of the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015.

16. EQUALITIES IMPLICATIONS

16.1 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in the Council's Strategic Equality Plan. There is no requirement for an Equalities Impact Assessment Questionnaire to be completed for this report.

17. FINANCIAL IMPLICATIONS

17.1 As detailed throughout the report.

18. PERSONNEL IMPLICATIONS

18.1 There are no personnel implications.

19. CONSULTATION

19.1 The report was presented to the Policy and Resources Scrutiny Committee on the 12th January 2021 for their comment as part of the consultation process. The Scrutiny Committee made the following comments and recommendation to Council: -

One Member expressed the view that a future unstable economy as a result of the Covid-19 pandemic presented challenges to those planning financial strategies.

Another Member observed that it was impossible to make accurate financial predictions in a climate of uncertainty on considerations such as interest rates. The Head of Financial Services and S151 Officer recognised that unfortunately the future global outlook was looking bleak but advised that the draft budget proposals gave a flavour of the financial outlook for the four years beyond 2021/22 but that this was dependent on outside factors. One Member queried if it was necessary to borrow £37.2M for the General Fund when historically the capital programme was usually underspent. The Head of Financial Services and S151 Officer advised that the figure represented borrowing approvals received over an extended period and was not actual money borrowed as internal balances linked to the Council's reserves and investments had been used instead. Members heard that the figure is included in the report to ensure budget cover, but the Council was not intending to borrow in the next financial year. The Member also asked if there was an intention to use a Municipal Bond Agency. The Group Accountant advised that there was no intention to borrow from the Municipal Bond Agency at this stage. The Council are in regular dialogue with our Treasury Advisors regarding possible investment options that would maximise returns.

Having noted the contents of the report the Policy and Resources Scrutiny Committee by a majority present, and in noting in that there were no abstentions and no votes against, RECOMMENDED to Council that recommendations 3.1 – 3.9 be approved.

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

20. STATUTORY POWER

20.1 Local Government Act 1972

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

Consultees: Policy and Resources Scrutiny Committee
Corporate Management Team (CMT)
Stephen Harris – Head of Financial Service and S151 Officer
Andrew Southcombe – Finance Manager, Corporate Finance
Robert Tranter- Head of Legal Services & monitoring Officer
Cllr E. Stenner – Cabinet Member for Finance, Performance & Planning

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
Appendix 9	Strategic Pool Funds

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 November 2020 and subject to change)

	Arlingclose (Central case)
2021/22 Q1	0.10%
2021/22 Q2	0.10%
2021/22 Q3	0.10%
2021/22 Q4	0.10%
2022/23	0.10%
2023/24	0.10%

PWLB (Forecasts as at November 2020 and subject to change- Source Arlingclose (Upside case))

	Q1 – 2021/22	Q2 – 2021/22	Q3 – 2021/22	Q4 – 2021/22
5 Year	1.25%	1.35%	1.40%	1.45%
10 Year	1.55%	1.65%	1.65%	1.75%
20 year	1.90%	2.00%	2.00%	2.05%
50 Year	1.80%	1.90%	1.90%	1.95%

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

Budget Period	Investment Returns	Borrowing Rates (PWLB 50 Years)
2021/22	0.10%	1.95%
2022/23	0.10%	1.95%
2023/24	0.10%	1.95%
2024/25	0.10%	1.95%
2025/26	0.10%	1.95%

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 collateralised 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 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 2021/22 of at least **0.10%**.

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.

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 Collateralised 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 8 MRP 2021/22 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 2021/22 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 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.
- 4 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.
- 5 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 2021/22 that is financed by debt will not be subject to an MRP charge until 2022/23.

Appendix 5 Treasury Management Strategy Indicators 2021/22-2023/24

	Budget 2021-22	Budget 2022-23	Budget 2023-24
	£000	£000	£000
Authorised limit for external debt -			
Borrowing	441,284	458,621	474,144
Other long term liabilities	26,274	24,097	21,829
Total	467,558	482,718	495,973
Operational boundary for external debt -			
Borrowing	353,027	366,897	379,315
Other long term liabilities	26,274	24,097	21,829
Total	379,301	390,994	401,144
Capital Financing Requirement	431,942	441,364	451,049
Upper limits for interest rate exposure			
Principal outstanding on borrowing	353,027	366,897	379,315
Principal outstanding on investments	100,000	90,000	80,000
Net principal outstanding	253,027	276,897	299,315
Fixed rate limit – 100%	253,027	276,897	299,315
Variable rate limit – 30%	75,908	83,069	89,795
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%

	Budget 2021-22	Budget 2022-23	Budget 2023-24
	£000	£000	£000
Gross Debt and Net Debt			
Outstanding Borrowing	353,027	366,897	379,315
Other long term liabilities	26,274	24,097	21,829
Gross Debt	379,301	390,994	401,144
Less investments	100,000	90,000	80,000

Net Debt	279,301	300,994	321,144
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Gross and The CFR	Budget 2021-22	Budget 2022-23	Budget 2023-24
	£000	£000	£000
Gross Debt	379,301	390,994	401,144
CFR	431,942	441,364	451,049

Appendix 6 - Prudential Indicators - Capital Finance

Ratio of Financing costs to net revenue stream	Budget 2021-22	Budget 2022-23	Budget 2023-24
General Fund	£000	£000	£000
Principal repayments	2,736	3,536	3,675
Interest costs	8,453	8,516	8,213
Debt Management costs	42	41	42
Rescheduling discount			
Investment income	(1,443)	(1,368)	(1,518)
Interest applied to internal balances	812	825	838
Total General Fund	10,600	11,550	11,250
Net revenue stream	367,178	370,133	373,205
Total as percentage of net revenue stream	2.89%	3.12%	3.01%
Housing Revenue Account			
Principal repayments	1,951	1,912	1,874
Interest costs	5,509	5,639	5,766
Rescheduling discount			
Debt Management costs	34	37	38
Total HRA	7,494	7,588	7,678
Net revenue stream	51,273	53,357	53,882
Total as percentage of net revenue stream	14.62%	14.22%	14.25%

Capital financing requirement [end of year position]	Budget 2021-22	Budget 2022-23	Budget 2023-24
	£000	£000	£000
Council Fund	290,419	289,672	288,691
Housing Revenue Account	141,523	151,692	162,358
Total Authority	431,942	441,364	451,049

Appendix 7 - Capital Expenditure and Funding

Expenditure	Budget 2021-22	Budget 2022-23	Budget 2023-24
	£000	£000	£000
Council Fund	11,349	9,726	9,726

Housing Revenue Account	35,200	35,800	37,600
Total	46,549	45,526	47,326
Funding			
Surplus/ (Deficit) Balance b/f	454	509	287
Borrowing - Supported (GF)	4,842	4,842	4,842
General Capital Grant - WG	4,856	3,020	3,020
Internal Borrowing	-	-	-
RCCO Budget	128	128	128
Capital underspends frm previous years		-	-
General Fund working balances	-	-	-
One off funding- MRP Review	1,578	1,514	1,449
RCCO- (HRA)	23,850	15,450	16,550
Unsupported Borrowing HRA- WHQS			
Unsupported Borrowing HRA- Affordable Housing	4,000	13,000	13,700
Major Repairs Allowance (HRA)	7,350	7,350	7,350
Total	47,058	45,813	47,326
Surplus C/f	509	287	

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Appendix 8 MRP 2021/22 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 2021/22 is stated below.

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- 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 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.
- 4 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.
- 5 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 2021/22 that is financed by debt will not be subject to an MRP charge until 2022/23.



POLICY AND RESOURCES SCRUTINY COMMITTEE – 12TH JANUARY 2021

SUBJECT: UPDATE ON RESERVES

REPORT BY: CORPORATE DIRECTOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

1.1 To present the Scrutiny Committee with details of the usable reserves held by the Authority.

2. SUMMARY

2.1 The report provides details of the usable reserves held by the Authority. Details are provided of the audited balances as at the 1st April 2020 along with updated balances reflecting in-year adjustments actioned o date for the 2020/21 financial year.

3. RECOMMENDATIONS

3.1 Members of the Scrutiny Committee are asked to note the content of the report.

4. REASONS FOR THE RECOMMENDATIONS

4.1 To ensure that the Scrutiny Committee is provided with details of the usable reserves held by the Authority.

5. THE REPORT

5.1 Appendix 1 provides details of the Authority's usable reserves which totalled £139.425m as at the 1st April 2020. Based on an assessment of in-year adjustments actioned to date the current balance on usable reserves is £140.501m. The following paragraphs provide a detailed commentary on the balances held.

5.2 General Fund

5.2.1 The opening balance on the General Fund as at the 1st April 2020 was £15.022m. After adjusting for 2020/21 approved in-year use of General Fund balances the current General Fund balance is £10.684m. This is summarised in the table below: -

	£m	£m
General Fund Opening Balance as at 01/04/20		15.022
In-Year Use of General Fund Balance: -		
2019/20 Council Tax Surplus to support 2020/21 Budget (Special Council 20/02/20)	(1.050)	
Funding of deficit on Communities Directorate Reserve (Council 10/09/20)	(0.575)	
Establishment of Covid-19 Earmarked Reserve (Council 10/09/20)	(2.713)	
		(4.338)
Current General Fund Balance		10.684

5.2.2 In line with the Council's Reserves Strategy the Section 151 Officer provides advice on the appropriate level of the General Fund Reserve annually as part of the budget setting process and this is subject to approval by Cabinet and Full Council. Typically, the Section 151 Officer has recommended in previous budget reports to Council that the minimum balance on the General Fund Reserve should be circa 3% of the Council's net revenue budget.

5.2.3 At its meeting on the 20th February 2020 Council approved a recommendation from the Acting Section 151 Officer that the General Fund balance should be maintained at 3% of the 2020/21 net revenue budget i.e. £10.684m. This position was subsequently reconsidered by Council on the 10th September 2020 and a further recommendation to maintain the General Fund balance at £10.684m was approved.

5.3 Housing Revenue Account (HRA)

5.3.1 HRA funds must be ring-fenced and cannot be transferred into General Fund balances. The balance on the HRA usable reserves as at the 1st April 2020 was £12.841m. Most of this funding will be utilised to complete the Welsh Housing Quality Standard (WHQS) Capital Programme.

5.4 Capital Reserves

5.4.1 The current balance on capital reserves is £66.670m. These reserves are ring-fenced for the Authority's Capital Programme. Capital balances are currently being reviewed with a view to releasing further uncommitted sums to support proposed investments in the 'Place Shaping' agenda. Members may recall that the Update on Reserves Report presented to the Policy and Resources Scrutiny Committee on the 14th January 2020 included a recommendation to set-aside £24.543m in a Capital Earmarked Reserve to support the 'Place Shaping' agenda. This recommendation was supported by the Scrutiny Committee and was subsequently approved by Cabinet at its meeting on the 29th January 2020.

5.4.2 The ongoing review of capital balances will identify further sums that can be earmarked, and a report is scheduled for Cabinet consideration in February 2021. This report will include details of proposed 'Place Shaping' investments and a Members Seminar will be scheduled to ensure that Members are fully consulted on the proposed investments prior to Cabinet consideration.

5.5 Corporate Services

5.5.1 The current balance on Corporate Services reserves after updating for in-year adjustments actioned to date is £32.155m. The following table provides details of individual balances and the purpose of the reserves: -

Reserve	Amount £m	Description
Trehir Reserve	0.235	Required for potential works on former landfill site.
Invest to Save Reserve	0.469	To provide repayable one-off financial support for service initiatives that deliver cashable savings.
Insurance Earmarked Reserve	6.140	Self-insurance facility. The Authority's insurance excess is £250k. All claims below this level are funded through the insurance earmarked reserve.
Risk Management Reserve	0.334	To support risk management initiatives that mitigate insurance claims.
Corporate Property Service Initiatives Reserve	0.126	To fund a fixed-term Asset Management Co-ordinator and to support Corporate building schemes.
Electoral Admin Reserve	0.459	Cumulative balance on funding set aside annually for local elections.
Health & Safety Initiatives	0.263	To meet one-off unavoidable cost pressures in Council establishments.
PC Replacement Reserve	0.377	This reserve funds the ongoing replacement of essential IT hardware and software across the Authority and is fully committed in the current financial year.
Private Finance Initiative (PFI) Equalisation Reserves	9.873	Committed to funding approved PFI Schemes.
Corporate Services - Service Initiatives Reserves	13.442	<ul style="list-style-type: none"> • Care-line (£269k) – Retained underspends on the Care First budget. • Counsel Fees (£289k) – Retained underspends on the Counsel Fees revenue budget. • Council Tax Reduction Scheme (£531k) – Retained underspends on the CTRS budget. • Apprenticeship Scheme (£366k) – Committed to ongoing apprenticeships and for match-funding ESF projects. • Member Services (£211k) – Ring-fenced retained underspends on the Member Services budget. • Voluntary Sector Grants (£125k) – Retained underspends on the Grants to the Voluntary Sector budget. This budget is monitored by Members on the Grants to the Voluntary Sector Panel. • I.T. Systems – Various sums set aside to fund system upgrades and new

		<p>software and hardware investments (£1.233m).</p> <ul style="list-style-type: none"> • Contingency for one-off cost of MTFP staffing reductions (£381k). • Fixed-Term Posts – Funding set-aside to fund approved fixed-term posts (£257k). • Caerphilly 2022 Leadership Development (£1k). • Ty Penallta – Replacement lighting (£17k). • Storm Dennis – Funding for grant payments to residents suffering flood damage to properties (£147k). • Caerphilly Academy Gateway to Employment – Development of a pilot skills and apprenticeship academy from April 2020 for an initial period of one year (£127k). • Flexible Working – Reserve established to support the roll-out of new flexible ways of working (£500k). • Education contributions to ESF Programmes (£322k). • Municipal Mutual Insurance (MMI) Levy (£391k) – Funding set aside to meet future liabilities arising from the MMI Scheme of Arrangement. • Contingency for cost pressures in Waste Management (£400k). • MTFP Savings Delivery Earmarked Reserve (£1.728m). • Teachers Pensions Funding Allocation 2019/20 (£2.434m). Options for utilising this one-off funding are currently under consideration and will be subject to a further report. • Brexit Earmarked Reserve (£1m). • Covid-19 Earmarked Reserve – Funding set aside to meet unfunded additional costs arising from the Covid-19 pandemic (£2.713m).
Salix Finance	0.299	To support energy saving initiatives.
Retained Underspends Reserves	0.138	Accumulated service underspends.
Total: -	32.155	

5.5.2 Members will note from the above that £138k is held in 'Retained Underspends Reserves'. Cabinet has previously agreed a policy whereby service areas retain 50% of reported underspends at the financial year-end. Conversely, any service based overspends are carried forward by the service areas responsible for generating the overspends. This approach has worked well as there is full ownership and accountability by budget holders in respect of delivering a balanced budget. At its meeting on the 27th July 2016, Cabinet agreed a Reserves Strategy which included the introduction of a cap on the cumulative amount that can be held by Directorates in service underspend reserves. This will be covered in more detail in section 5.9 of this report.

5.6 Communities

5.6.1 The current balance on Communities reserves after updating for in-year adjustments actioned to date is £5.854m. The following table provides details of individual balances and the purpose of the reserves: -

Reserve	Amount £m	Description
DLO Surplus/Deficit	0.038	Retained cash surplus for Network Contracting Services (NCS) for work arising from the Sirhowy Enterprise Way PFI contract.
Planning - Community Infrastructure Levy	2.211	Revenue generated from the Community Infrastructure Levy.
Planning - Service Initiatives Reserve	0.277	<ul style="list-style-type: none"> LDP related expenditure (£140k). Funding for fixed-term post (£84k). I.T. Reserve - IDOX software and DAS maintenance (£53k).
Highways – Service Specific Reserve	0.029	Ring-fenced winter maintenance reserve.
Economic Development – Service Initiatives Reserve.	0.075	<ul style="list-style-type: none"> Valleys Taskforce Crowdfunding for fixed-term post (£73k). Footfall counters (£2k) – This will be removed at year-end if not utilised.
Area Forum Reserve	0.039	This is being utilised to support agreed MTFP savings in this area.
Cemeteries	0.702	Reserve established to fund works in CCBC owned cemeteries.
Communities Directorate - Service Initiatives Reserve.	2.000	<ul style="list-style-type: none"> Regeneration Board - Fund created to develop projects to stimulate economic development in the county borough (£1.500m). Cabinet has approved schemes totalling £1.392m and the funding will be transferred to specific projects at year-end. This will leave a balance of £108k. Environmental Projects – Reserve established to fund one-off schemes (£500k). Schemes are progressing and this funding will be utilised by year-end.
Catering - Service Initiatives Reserve.	0.483	Funding for the rollout of cashless catering in schools.
Total: -	5.854	

5.7 Education & Lifelong Learning

5.7.1 The current balance on Education & Lifelong Learning reserves after updating for in-year adjustments actioned to date is £6.534m. The following table provides details of individual balances and the purpose of the reserves: -

Reserve	Amount £m	Description
Service Initiatives Reserve	2.327	<ul style="list-style-type: none"> • Transport Equalisation Account (£23k). • Voluntary Early Release (VER) costs (£471k) – Required to meet ongoing liabilities in schools. • ESF Bridges into Work – Match-funding contribution (£537k). • ESF Working Skills for Adults 2 - Match-funding contribution (£267k). • ESF Inspire to Work – Match-funding contribution (£22k). • Contribution to Grade 9 Fire Officer (£23k). • Traffic Calming Islwyn High (£1k). This will be removed at year-end if not utilised. • Budget Pressures - Behaviour & Mental Health (£140k). • Post 16 / Single Sex Review (£91k). • Period Products (2018-19 Displaced Funding) (£85k). • Fixed-Term Health & Safety Officer for schools (£35k). • Pupil achievement in secondary schools (£110k). • Leadership development in schools (£100k). • Guest Wi-Fi in schools (£49k). • Core textbooks for years 10 and 11 (£302k). • Schools improvement (£71k).
Schools PFI Earmarked Reserves	1.193	Contingent sum for unforeseen cost pressures for 2 PFI schools.
School Balances	1.269	Net overall retained underspends ring-fenced to schools.
Local Management of Schools (LMS) Contingency.	1.745	Accumulated underspends on LMS revenue budget. This reserve is maintained to support potential redundancy costs in schools, statutory maintenance costs and other unforeseen unavoidable cost pressures.
Total: -	6.534	

5.8 Social Services & Housing

5.8.1 The current balance on Social Services & Housing reserves after updating for in-year adjustments actioned to date is £5.763m. The following table provides details of individual balances and the purpose of the reserves: -

Reserve	Amount £m	Description
Community Activities Reserve	0.041	To support trading activities in Day Centres.
Social Services - Service Initiatives Reserve	1.786	<ul style="list-style-type: none"> • Finance IT System (£62k) – Reserve established to meet finance related development costs linked to the implementation of the Welsh Community Care Information System (WCCIS). • AMHP training backfill (£10k). • Feasibility Study for regional Deputyship Service (£41k). • Additional Service Manager capacity (£254k). • Family aid for parents with Learning Disabilities (£113k). • Equipment to enable single-handed Home Care calls (£152k). • Expansion of MyST Intensive Fostering Service (£150k). • Development of the Safeguarding Hub (£110k). • Reserve established to mitigate the potential withdrawal of ICF grant funding (£500k). • Backfill for staff seconded to undertake Social Work qualification (£170k). • Feasibility study in respect of delivering Telecare options (£40k). • Contributions to Buddy Scheme and Caerphilly Cares (£184k).
Reserves Held for Partnerships	1.879	<p>Reserves held on behalf of partnerships led by Caerphilly CBC: -</p> <ul style="list-style-type: none"> • North Resource Centre (£27k). • SE Wales Shared Lives Scheme (£131k). • Youth Offending Service (£705k). • SE Wales Safeguarding Children Board (£475k). • SE Wales Emergency Duty Team (£93k). • Gwent Frailty Programme (£448k).
Service Initiatives Reserve (General Fund Housing)	0.464	<ul style="list-style-type: none"> • Renewal fund for the replacement of white goods and internal decoration at Ty Fesen family accommodation (£169k). • Renewal Fund for future building costs at Ty Croeso single persons' accommodation (£148k). • Homelessness prevention (£106k). • Shortfall in Shelter contract payments (£41k).

Service Initiatives Reserve (Private Housing)	0.008	Unfunded costs associated with the administration of the Improvement Loan scheme.
Accumulated Service Underspends	1.585	As per agreed policy (see paragraph 5.5.2). Social Services (£1.282m), Housing (£303k).
Total: -	5.763	

5.9 Cap on Retained Underspend Reserves

5.9.1 As mentioned in paragraph 5.5.2, at its meeting on the 27th July 2016 Cabinet agreed a Reserves Strategy which included the introduction of a cap on the cumulative amount that can be held by Directorates in service underspend reserves. This cap is set at 3% of the net revenue budget for each Directorate and where this is exceeded then proposals must be presented to utilise the excess, or a justification must be made to hold the reserves above the 3% level.

5.9.2 No Directorates have current balances that exceed the 3% cap.

6. ASSUMPTIONS

6.1 There are no assumptions within this report.

7. LINKS TO RELEVANT COUNCIL POLICIES

7.1 Ensuring that adequate General Fund balances are maintained to meet any unforeseen expenditure and the establishment of specific reserves to meet known future financial commitments are key elements of prudent financial management.

7.2 Prudent financial management contributes to the following Well-being Goals within the Wellbeing of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

8 WELL-BEING OF FUTURE GENERATIONS

8.1 Effective financial management including the utilisation of reserves is a key element in ensuring that the Well-being Goals within the Well-Being of Future Generations (Wales) Act 2015 are met.

9. EQUALITIES IMPLICATIONS

9.1 An EIA screening has been completed in accordance with the Council's Strategic Equality Plan and supplementary guidance. No potential for unlawful discrimination and/or low

level or minor negative impact has been identified regarding this report; therefore, a full EIA has not been carried out.

10. FINANCIAL IMPLICATIONS

10.1 As detailed throughout the report.

11. PERSONNEL IMPLICATIONS

11.1 There are no direct personnel implications arising from this report.

12. CONSULTATIONS

12.1 There are no consultation responses that have not been reflected in this report.

13. STATUTORY POWER

13.1 The Local Government Acts 1998 and 2003.

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Mike Jones, Financial Services Manager, Social Services
Lesley Allen, Principal Accountant, Housing
Cllr Eluned Stenner, Cabinet Member for Finance, Performance and Customer Service

Background Papers:

Cabinet (27/07/16) – Reserves Strategy
Council (20/02/20) – Budget Proposals for 2020/21 and Medium-Term Financial Outlook
Council (10/09/20) – Financial Outlook

Appendices:

Appendix 1 - List of Usable Reserves

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List of Usable Reserves

Appendix 1

Directorate / Service Area	Cost Centre	Subjective	Description	Opening Balance 1.4.2020	2020/21 In-Year Adjustments	Updated Balance Relecting In-Year Adjustments
1 General Fund						
Corporate	9931	D781	General Fund	-15,022,116	4,338,435	-10,683,680
Total General Fund				-15,022,116	4,338,435	-10,683,680
2 Housing Revenue Account						
Housing Revenue Account			Various	-12,841,087	0	-12,841,087
Total HRA				-12,841,087	0	-12,841,087
3 Capital Reserves						
Useable Capital Receipts			Various	-10,610,143	0	-10,610,143
Capital Grants Unapplied			Various	-15,427,358	0	-15,427,358
Capital Earmarked Reserves			Various	-36,734,109	-3,898,680	-40,632,789
Total Capital Reserves				-62,771,610	-3,898,680	-66,670,290
4 Corporate Services						
Corporate	9931	D861	TREHIR RESERVE	-234,549	0	-234,549
Corporate - Capital	9985	D857	RESERVE - INVEST TO SAVE	-469,483	0	-469,483
Insurance Fund	9987	D911	INSURANCE EARMARKED RESERVE	-6,139,528	0	-6,139,528
Insurance Fund	9987	D935	RISK MANAGEMENT RESERVE	-334,416	0	-334,416
Property Services	9924	D899	SERVICE INITIATIVES RESERVE	-125,997	0	-125,997
Corporate Services	9926	D948	ELECTORAL ADMIN RESERVES	-458,829	0	-458,829
Corporate Services	9928	D952	HEALTH & SAFETY INITIATIVES	-262,606	0	-262,606
Corporate Services	9928	D953	CORPORATE PC REPLACEMENT RESER	-377,280	0	-377,280
Corporate Services	9928	D828	SEW PFI EQUALISATION RESERVE	-1,900,695	0	-1,900,695
Corporate Services	9928	D850	EDUC PFI EQUALISATION RESERVE	-7,972,416	0	-7,972,416
Corporate	9931	D899	SERVICE INITIATIVES RESERVE	-5,953,006	-2,713,000	-8,666,006
Corporate Services	9928	D899	SERVICE INITIATIVES RESERVE	-4,148,578	-627,000	-4,775,578
Property - Capital	9979	D944	SALEX FINANCE	-298,864	0	-298,864
Property Services - Building Consultancy	9925	D856	RESER - UNDER/ OVER SPEND C/F	-54,203	0	-54,203
Corporate Services	9928	D856	RESER - UNDER/ OVER SPEND C/F	-1,512,390	1,427,600	-84,790
Total Corporate Services				-30,242,840	-1,912,400	-32,155,240
5 Communities						
Infrastructure	9908	D882	DLO SURPLUS / DEFICIT C/F	-38,335	0	-38,335
Planning	9923	D877	COMMUNITY INFRASTRUCTURE LEVY	-2,210,938	0	-2,210,938
Planning	9923	D899	SERVICE INITIATIVES RESERVE	-277,268	0	-277,268
Infrastructure	9932	D899	SERVICE INITIATIVES RESERVE	-29,453	0	-29,453
Economic Development and Tourism	9927	D899	SERVICE INITIATIVES RESERVE	-74,516	0	-74,516
Planning	9923	D891	RESERVE - AREA FORUM	-38,797	0	-38,797
Community and Leisure Services	9939	D865	RESERVES - CEMETERIES	-701,727	0	-701,727
Communities Directorate	9936	D899	SERVICE INITIATIVES RESERVE	-1,500,000	-500,000	-2,000,000
Communities Directorate	9936	D856	RESER - UNDER/ OVER SPEND C/F	575,435	-575,435	0
Economic Development and Tourism	9927	D856	RESER - UNDER/ OVER SPEND C/F	-198	0	-198
Trading Standards	9937	D899	SERVICE INITIATIVES RESERVE	0	-482,500	-482,500
Total Communities				-4,295,796	-1,557,935	-5,853,732
6 Education & Lifelong Learning						
Education and Lifelong Learning	9919	D899	SERVICE INITIATIVES RESERVE	-1,694,156	-633,100	-2,327,256
Education and Lifelong Learning	9919	D949	PFI SCHOOLS EARMARKED RESERVES	-1,192,853	0	-1,192,853
Schools	9920	D785	RESERVES - DELEGATED SCHOOLS	-1,269,456	0	-1,269,456
Education and Lifelong Learning	9919	D868	RESERVES LMS EARMARKED	-1,744,511	0	-1,744,511
Total Education and Lifelong Learning				-5,900,975	-633,100	-6,534,075
7 Social Services & Housing						
Social Services	9922	D859	RESER - SOC SERV COMM ACTIVI	-72,375	31,513	-40,862
Social Services	9922	D899	SERVICE INITIATIVES RESERVE	-1,004,028	-781,769	-1,785,797
Social Services	9922	D951	RESERVES HELD FOR PARTNERSHIPS	-2,463,721	584,873	-1,878,848
Social Services	9922	D856	RESER - UNDER/ OVER SPEND C/F	-4,034,637	2,752,165	-1,282,473
General Fund Housing	9917	D899	SERVICE INITIATIVES RESERVE	-464,134	0	-464,134
General Fund Housing	9917	D856	RESER - UNDER/ OVER SPEND C/F	-206,063	0	-206,063
Private Housing	9918	D856	RESER - UNDER/ OVER SPEND C/F	-96,676	0	-96,676
Private Housing	9918	D899	SERVICE INITIATIVES RESERVE	-8,480	0	-8,480
Total Social Services				-8,350,116	2,586,782	-5,763,334
Grand Total				-139,424,540	-1,076,898	-140,501,438

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