

Pecyn Dogfennau Cyhoeddus

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Tredomen Park,
Ystrad Mynach,
Hengoed CF82 7PG

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

Dyddiad: Dydd Gwener, 18 Chwefror 2022

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

Mae croeso i chi siarad Cymraeg yn y cyfarfod, mae angen rhybudd cyfnod lleiafswm o 3 diwrnod gwaith os ydych yn dymuno gwneud hynny..

Annwyl Syr/Fadam,

Bydd cyfarfod arbennig o'r **Cyngor** yn cael ei gynnal trwy Microsoft Teams **Dydd Iau, 24ain Chwefror, 2022 am 5.00 pm** i ystyried materion a gynhwysir yn yr agenda canlynol.

Yr eiddoch yn gywir,

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

Christina Harrhy
PRIF WEITHREDWR

A G E N D A

Tudalennau

1 I dderbyn ymddiheuriadau am absenoldeb

2 Datganiadau o Ddiddordeb.

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

A greener place Man gwyrddach



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

3 Adroddiad Strategaeth Gyfalaf 2022/2023.

1 - 8

4 Strategaeth Flynyddol Rheoli'r Trysorlys, Dangosyddion Darbodus Cyllid Cyfalaf a'r Polisi Darpariaeth Isafswm Refeniw ar gyfer 2022/23.

9 - 42

5 Cynigion Y Gyllideb Ar Gyfer 2022/23 A'r Rhagolwg Ariannol Tymor Canolig.

43 - 74

6 Penderfyniad Gosod Treth y Cyngor 2022/23.

75 - 82

Cylchrediad:

Pob Aelod a Swyddog Priodol

SUT FYDDWN YN DEFNYDDIO EICH GWYBODAETH

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

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

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



SPECIAL COUNCIL – 24TH FEBRUARY 2022

SUBJECT: CAPITAL STRATEGY REPORT 2022/2023

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To submit for approval the Authority's Capital Strategy report for the 2022/23 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 Report for 2022/2023.

2. SUMMARY

- 2.1 The Capital Strategy outlines the principles and framework at the very high level that shape the Authority's capital investment proposals. The principal aim is to deliver an affordable programme of capital consistent with the financial strategy that contributes to the achievement of the Council's priorities and objectives as set out in the Authority's Corporate Plan; consider associated risks; recognise financial constraints over the longer term; and represent value for money.
- 2.2 The Strategy defines at the highest level how the capital programme decision making identifies the issues and options that influence capital spending and sets out how the resources and capital programme will be managed. In addition, the Capital Strategy should comply with the Prudential Code for local authority capital investment introduced through the Local Government Act 2003. The key objectives of the Code are to ensure that capital investment plans are affordable, prudent, and sustainable.
- 2.3 The Capital Strategy sets out the framework for capital investment decisions. The strategy for funding this investment is underpinned by the Prudential Code for Local Authority investment, which was introduced by The Local Government Act 2003. The Prudential Code has the following key objectives:
 - That capital investment plans are affordable, prudent, and sustainable;
 - That treasury management decisions are taken in accordance with good professional practice;
 - That local strategic planning, asset management and proper option appraisal are supported.

3. RECOMMENDATIONS

3.1 That the annual Capital Strategy Report be approved.

4. REASONS FOR THE RECOMMENDATIONS

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

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

5. THE REPORT

5.1 Corporate Priorities

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

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

[Corporate Plan 2018-2023](#)

5.2 Capital Expenditure and Financing

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

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

- The acquisition or creation of a new fixed asset - capitalisation will depend on the creation of rights to future economic benefits controlled by the Authority;
- The enhancement of an existing fixed asset - capitalisation will depend on the works substantially increasing the value of the asset, extending its useful life, or increasing its use in service provision.

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

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

5.2.5 The Authority's three-year core capital programme from 2022/23 is summarised below:

	2021/22 Approved Budget	2022/23 budget	2023/24 budget	2024/25 budget
	£000s	£000s	£000s	£000s
Council Fund	11,349	10,021	10,021	9,668
Housing Revenue Account	35,200	43,290	26,912	17,304
TOTAL	46,549	53,311	36,933	26,972

Table 1: Prudential Indicator: Estimates of Capital Expenditure

- 5.2.6 Further details of the 2022/23 – 2024/25 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, 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:

[Corporate Asset Management Strategy](#)

- 5.3.3 As at 31st March 2021 the Authority's fixed assets (property, plant, and equipment) had a net book value of £1.170bn. 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 2020/21 Statement of Accounts:

[Financial Accounts for the year ended 31 March 2021](#)

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

5.4 Treasury Management

- 5.4.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) defines treasury management as "The management of the organisation's borrowing; investments and cash flows; its banking; money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

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

- 5.4.3 Due to decisions taken in the past, the Authority currently has £313.7m nominal debt outstanding as at 31 March 2021, at an average interest rate of 4.36% and £124.9m nominal treasury investments at an average rate of 0.33%.

- 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 – 2021/22 capital budget of £98k). 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 Performance, 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 Financial Services and S151 Officer, who will in turn make a recommendation to Cabinet and Full Council once an appraisal exercise has been undertaken. The decision to award will need to be funded from the capital programme and will be subject to a robust business case in the first instance.

5.6 Commercial Activities

- 5.6.1 A number of local authorities in England are investing in commercial property, in order to generate enhanced treasury returns above the rate of inflation. The returns generated from this type of investment are supporting revenue budgets in an environment when central government revenue support funding in real terms has been declining year on year.
- 5.6.2 In the event of the Authority purchasing a commercial investment, the Authority may seek to finance the purchase through borrowing, (for debt to yield purchases the Authority will not be able to borrow from the PWLB). In any such case arising the Authority will prepare a detailed report for Council that includes a full option appraisal and risk assessment of the investment. The report will highlight the rationale for the commercial investment.
- 5.6.3 With financial return being the main objective, the Authority would accept higher risk on a commercial investment than with treasury investments. The principal risk exposures include a decline in the property market; volatility in the capital value of property; capital being tied up in the medium/long-term horizon and active management of properties when purchased directly.
- 5.6.4 In recognition of the risks stipulated in the above paragraph, the Authority will adopt a policy whereas any surplus generated over and above the amount required to support the base budget and frontline services will be ringfenced in an earmarked reserve to offset any fall in capital values or capital income; or fund any other associated cost. Periodic reviews will take place at least once a year to review this policy. The Head of Financial Services and S151 Officer would recommend changes to the policy, if appropriate, at any time by way of a report to Cabinet.
- 5.6.5 **Governance:** Treasury management decisions on commercial investments are made in accordance with the approved Treasury management Strategy. Non treasury investments will be referred to the Head of Financial Services and S151 Officer and the Corporate Management Team to consider with further referral to Cabinet and Full Council for the final decision. Monitoring of the commercial investments (treasury management related) will be included within the treasury management monitoring reports (or other Council reports) that are presented to the Policy and Resources Committee. Non-treasury management commercial investments will be reported separately by the Head of Financial Services and S151 Officer.
- 5.6.6 The Authority will seek expert independent and external advice whenever a commercial investment opportunity arises prior to investing. Legal advice will also be sought from within the Authority, and where necessary externally.

5.7 Revenue Budget Implications

- 5.7.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP repayments are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.
- 5.7.2 Further details on the revenue implications of capital expenditure are set in Appendix 6 of the Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy report for 2022/2023.
- 5.7.3 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years.

5.8 Knowledge and Skills

- 5.8.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.
- 5.8.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.
- 5.8.3 The Council will employ, where necessary, consultants and other professional experts to advise upon technical issues relating to non-treasury management commercial investments.
- 5.8.4 **Training:** Key relevant staff will undertake training as and when opportunities arise or whenever there are changes in regulations. The contract for Treasury Consultancy Services includes requirements for Member and Officer training to be provided during any year. Officers will look to schedule treasury management training for Members for Spring 2022. Further Member training will be undertaken as and when required.

6. ASSUMPTIONS

- 6.1 The details set out in the report are based on information collected from Heads of Service for the delivery of capital works.
- 6.2 It has been assumed that the Authority will fund a proportion of its capital programme through supported borrowing.
- 6.3 It has been assumed that the HRA's borrowing needs are based on the current Business Plan at the time of writing this report.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

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

8. FINANCIAL IMPLICATIONS

8.1 There are no financial implications arising from this report.

9. PERSONNEL IMPLICATIONS

9.1 There are no personnel implications.

10. CONSULTATION

10.1 The report was presented to the Policy and Resources Scrutiny Committee on the 20th January 2022 for consideration. The Scrutiny Committee made the following comments: -

- A query was received regarding the Council's stance on commercial activities. The Cabinet Member for Performance, Economy & Enterprise confirmed that the Authority has established a group to examine commercial activities and the Council's investment in commercial properties to ensure they are ethical in nature. The Head of Financial Services & S151 Officer also explained that CIPFA Codes of Practice have recently been revised to address concerns arising from some local authorities investing in major retail parks etc. He also explained that local authorities are no longer able to borrow from the Public Works Loan Board (PWLB) where the investment is purely for yield.
- A Member referred to Section 5.7.3 of the report in relation to sustainability of the Capital Strategy, which stated that the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years. The Member asked the Officer to confirm the number of loans the Council had acquired for that length of time and expressed some concern over the level of interest charges that could be accrued. Officers confirmed that although in principle the loans would not generally be extended over that period of time, the Authority sets aside revenue to fund the underlying need to borrow over that period, which is the purpose of the Minimum Revenue Provision. Officers confirmed that the Authority has not taken out any significant borrowing in recent years and that the Council's longest loan is due to expire in 2067. Officers also offered to send Members a list of maturity loan analysis for their information upon request. It was noted that this information is also available in the Council's Annual Financial Statements.
- Following consideration of the item and having provided comments on its content, the Policy and Resources Scrutiny Committee noted the Annual Capital Strategy Report for 2022/23, prior to its presentation to Special Council for approval.

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

11. STATUTORY POWER

11.1 Local Government Act 1972

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

Consultees: Policy & Resources Scrutiny Committee
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 Performance, Economy and Enterprise

Gadewir y dudalen hon yn wag yn fwriadol



SPECIAL COUNCIL – 24TH FEBRUARY 2022

SUBJECT: TREASURY MANAGEMENT ANNUAL STRATEGY, CAPITAL FINANCE PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY FOR 2022/2023

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To submit for approval the Authority's Annual Strategy for Treasury Management.
- 1.2 To submit for approval a dataset of Prudential Indicators relevant to Treasury Management and Capital Finance. The report also cross-references to the report by the 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 of the Minimum Revenue Provision (MRP) policy to be adopted by the Authority for 2022/2023.

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 2022/23 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 2021/22 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 £42.0m for the General Fund to support the 2022/23 capital programme and £17.7m 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] increased Bank Rate in December 21 to 0.25% to maintain the total Quantitative Easing programme at £895 billion.
- 5.1.3 The ongoing impact on the UK from coronavirus, together with higher inflation and the likelihood of higher interest rates will be major influences on the Authority's treasury management strategy for 2022-23.
- 5.1.4 Consumer price inflation was registered as 5.1% year on year in November 2021, continuing the trend of recent increases. The most recent labour market data for the three months to August 2021 showed the unemployment rate fell to 4.5% while the employment rate rose to 75.3%. Both measures were helped by the extension of the government's furlough scheme, but this ended in September 2021 and while this may put some pressure on the jobs market, it is not expected to be material, with the BoE forecasting unemployment will only increase modestly in Q4 2021 according to its November 2021 Monetary Policy Report but remain low overall.
- 5.1.5 GDP growth grew by 5.5% in the second quarter of 2021, compared to a fall of -1.6% quarter on quarter in the previous 3 months. Monthly GDP estimates have shown the economy is recovering with the economy now just 0.8% below its pre-pandemic level. Looking ahead, the BoE's November Monetary Policy Report forecast economic growth will rise by 1.0% in Q4 2021 with the economy expected to get back to its pre-pandemic level in Q1 2022. GDP growth is now expected to be around 5% in 2022. GDP growth in the eurozone increased by 2.2% in Q3 following a gain of 2.1% in the second quarter. Headline inflation has been strong, with CPI registering 4.1% year on year in October. The fourth successive month of inflation.
- 5.1.6 The Authority's treasury management adviser Arlingclose is forecasting that the Bank Rate will rise in Q2 2022. The risk to this forecast is to the upside over the new few months, shifting to the downside in the medium term.

5.2 Interest Rate Prospects- Long-term

- 5.2.1 Gilt yields are expected to remain broadly at the current levels over the medium-term with the 5, 10 and 20 year gilt yields expected to average around 0.60%, 1.0% and 1.35% respectively. The risks around the gilt yield forecasts are judged to be broadly balanced in the near-term and to the downside over the remainder of the forecast horizon, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.
- 5.2.2 Arlingclose interest rate forecasts are shown in **Appendix 2**.

5.3 Credit Outlook

- 5.3.1 Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low and have steadily edged down throughout the year to almost pre-pandemic levels. The improved economic outlook during 2021 helped bank profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.
- 5.3.2 The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable.
- 5.3.3 Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the Authority's counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign. Duration limits for counterparties on the Authority's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

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 £72m (as at 31st March 2021) 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 £42.0m will need to be taken up in 2022/23 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 £17.7m in 2022/23, though some of the HRA borrowing may be deferred to future years subject to the Business Plan revisions.

5.4.5 Therefore, the total 2022/23 borrowing requirement will be £59.7m comprising of

- 2022/23 supported borrowing approvals - £4.8m
- 2021/22 supported borrowing approvals - £4.9m
- 2020/21 supported borrowing approvals - £4.9m
- 2019/20 supported borrowing approvals - £4.9m
- 2018/19 supported borrowing approvals - £4.9m
- 2017/18 supported borrowing approvals - £5.0m
- 2016/17 supported borrowing approvals - £5.0m
- 21st Century Schools LGBI- £4.2m
- 21st Century Schools prudential borrowing (Band A) - £3.4m
- HRA - £17.7m

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

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 are likely to rise during 2022/23. The use of internal borrowing to fund the 2022/23 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 £42.0m 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)
- UK Infrastructure Bank
- Local Authorities
- European Investment Bank (NB the EIB will only lend up to 50% towards the funding of a specific project and needs to meet the EIB's specific criteria. The project cost must also be at least €10m)

- Leasing
- Capital market bond investors
- Other commercial and not for profit sources
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds
- UK Municipal Bonds Agency and other special purpose companies created to enable local authority bond issues
- Any counterparty approved for investments

5.4.10 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 2022/23, 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). 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 (2021/22)** - At present the Authority lends to financial institutions, corporates and the UK Government using a range of financial instruments to diversify risk. These include unsecured corporate bonds; covered bonds (secured); fixed term deposits; certificate of deposits (CDs); T-Bills; the DMADF (DMO) money market funds and call accounts. The Authority has also invested in pooled funds (property funds; equity funds; multi-asset funds) and for the purpose of enhancing returns. Pooled funds will be held for minimum of five years to offset any premature exit costs. A lesser period would be considered only if it is cost neutral to the Authority.

- 5.12.3 **The 2022/23 Investment Strategy** will continue with the lending approach as set out in the 2021/22 Strategy.

- 5.12.4 This Strategy (2022/23), 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 **0.25% (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 2022/23 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 online access to the CIPFA Treasury Forum and the CIPFA Technical Information Service.
- Relevant staff are encouraged to study professional qualifications from CIPFA; the Association of Corporate Treasurers; and other relevant organisations.

9.2 Officers will look to schedule Member training for Spring 2022 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.

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

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

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 2022/23 financial year, together with General Capital Grant funding of £3.02m.

10.4.3 For calculation purposes, it has been assumed that the supporting borrowing element of funding support and the capital grant received will remain static for 2023/24 and for 2024/25. HRA provisional values for the years 2023-2025 are based on the 2022/23 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. In the case of negative interest rates, monies may be held in the Authority's main bank account.

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. Pooled fund investments will be elected to be carried at 'Fair Value through Other Comprehensive Income (FVOCI).

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 2022/23 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. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

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

15. FINANCIAL IMPLICATIONS

15.1 As detailed throughout the report.

16. PERSONNEL IMPLICATIONS

16.1 There are no personnel implications.

17. CONSULTATION

17.1 The report was presented to the Policy and Resources Scrutiny Committee on the 20th January 2022 for consideration. The Scrutiny Committee made the following comments and recommendation to Council: -

- In relation to internal and external borrowing, a Member asked whether there had been a fundamental change of policy or if the existing strategy of internal borrowing was a continuation of an old policy. The Head of Financial Services & S151 Officer confirmed that there was no fundamental change of policy and explained that as the cost of borrowing is higher than the returns that the Authority can achieve on its investments, it is more financially beneficial at the present time for the Council to undertake a practice of internal borrowing and to use any cash balances available to fund the capital programme instead of borrowing externally. He confirmed that the Authority will continue with the existing policy as long as it is feasible to do so, but once this is no longer feasible, this practice will end and there will be a need to replenish funds through external borrowing.
- Clarification was sought in relation to Section 5.2 of the report (Interest Rate Prospects - Long-term) specifically around the impact of inflation and the costs the Council would have to meet as a result of inflation increasing. The Head of Financial Services & S151 Officer confirmed that although there is expected to be an upward trend in interest rates, this is not anticipated to be a sharp increase, with it instead expected that the increase would be moderate over time. The inflation increase was acknowledged but it is expected that will reduce moving forward, however an allowance of 4% non-pay inflation has been factored into the 2022/23 draft budget proposals. It was also explained that if interest rates increase, then the Authority may well see better returns on its investments, although the cost of borrowing would also be higher, and that all these factors would need to be balanced and taken into consideration during these challenging times arising from the impact of the Covid-19 pandemic and Brexit.
- With regards to the increase in interest rates, Members asked if there were any alternative ratings agencies that the Authority could turn to acquire information, given that the year-on-year increase predicted by the Bank of England had not materialised. Officers confirmed that only a limited field of specialist financial agencies are able to provide these ratings and explained that finance staff also regularly consult our Treasury Advisors (Arlingclose) for advice and guidance on a range of issues.
- A question was raised on whether the Authority would be able to achieve its predicted returns on investment for this year. Officers confirmed that the Authority is beginning to see an improved position in terms of investment returns, and that for the 2020/21 financial year returns of around £786k had been achieved. It was noted that investment returns in 2021/22 have further improved with circa £1.1m expected, which compares favourably with the Welsh average.
- Reference was made to the borrowing of £42.0m for the General Fund to support the 2022/23 capital programme and £17.7m for the HRA WHQS and Affordable Homes programme, and a Member asked if borrowing was needed to this extent, given the level

of funds held in reserve by the Authority. Officers explained that although the Authority is currently utilising internal borrowing, there is a need to seek Members' approval to borrow externally in the future when needed.

- Having considered and commented upon the content of the report and appendices, it was moved and seconded that the recommendations be forwarded to Council for approval

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

18. STATUTORY POWER

18.1 Local Government Act 1972

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

Consultees: 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 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 December 2021 and subject to change)

	Arlingclose (Central case)
2022/23 Q1	0.50%
2022/23 Q2	0.50%
2022/23 Q3	0.50%
2022/23 Q4	0.50%
2023/24	0.50%
2024/25	0.50%

PWLB (Forecasts as at December 2021 and subject to change- Source Arlingclose (Upside case))

	Q1 – 2022/23	Q2 – 2022/23	Q3 – 2022/23	Q4 – 2022/23
5 Year	1.75%	1.85%	1.95%	1.95%
10 Year	1.90%	1.90%	1.95%	2.00%
20 year	2.25%	2.35%	2.35%	2.40%
50 Year	1.85%	2.00%	2.10%	2.20%

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

Budget Period	Investment Returns	Borrowing Rates (PWLB 50 Years)
2022/23	0.25%	2.20%
2023/24	0.25%	2.20%
2024/25	0.25%	2.20%
2025/26	0.25%	2.20%
2026/27	0.25%	2.20%

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 (unless interest rates are negative) or invested in government treasury bills or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

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

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

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

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

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

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

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

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

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

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

Pooled Funds: Shares or units in diversified investment vehicles consisting of 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 2022/23 of at least **0.25%**.

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.

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Appendix 5 Treasury Management Strategy Indicators 2022/23-2024/25

	Budget 2022-23	Budget 2023-24	Budget 2024-25
	£000	£000	£000
Authorised limit for external debt -			
Borrowing	478,730	482,862	484,469
Other long term liabilities	24,162	21,923	19,655
Total	502,892	504,785	504,124
Operational boundary for external debt -			
Borrowing	382,984	386,289	387,575
Other long term liabilities	24,162	21,923	19,655
Total	407,146	408,212	407,230
Capital Financing Requirement	417,763	429,770	437,053
Upper limits for interest rate exposure			
Principal outstanding on borrowing	382,984	386,289	387,575
Principal outstanding on investments	100,000	90,000	80,000
Net principal outstanding	282,984	296,289	307,575
Fixed rate limit – 100%	282,984	296,289	307,575
Variable rate limit – 30%	84,895	88,887	92,273
Upper limit for total invested for over 365 days	60,000	60,000	60,000

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

Gross Debt and Net Debt	Budget 2022-23	Budget 2023-24	Budget 2024-25
	£000	£000	£000
Outstanding Borrowing	382,984	386,289	387,575
Other long term liabilities	24,162	21,923	19,655

Gross Debt	407,146	408,212	407,230
Less investments	100,000	90,000	80,000
Net Debt	307,146	318,212	327,230

Gross and The CFR	Budget	Budget	Budget
	2022-23	2023-24	2024-25
	£000	£000	£000
Gross Debt	407,146	408,212	407,230
CFR	417,763	429,770	437,053

Appendix 6 - Prudential Indicators - Capital Finance

Ratio of Financing costs to net revenue stream	Budget	Budget	Budget
	2022-23	2023-24	2024-25
	£000	£000	£000
General Fund			
Principal repayments	2,673	2,943	3,308
Interest costs	7,724	7,881	8,252
Debt Management costs	41	42	43
Rescheduling discount			
Investment income	(1,443)	(1,443)	(1,443)
Interest applied to internal balances	812	812	812
Total General Fund	9,807	10,236	10,972
Net revenue stream	394,474	406,778	416,224
Total as percentage of net revenue stream	2.49%	2.52%	2.64%
Housing Revenue Account			
Principal repayments	1,903	1,864	1,827
Interest costs	5,895	5,930	5,783
Rescheduling discount			
Debt Management costs	37	38	39
Total HRA	7,834	7,833	7,649
Net revenue stream	50,227	51,713	54,285
Total as percentage of net revenue stream	15.60%	15.15%	14.09%

Capital financing requirement [end of year position]	Budget	Budget	Budget
	2022-23	2023-24	2024-25
	£000	£000	£000
Council Fund	273,566	283,921	294,185
Housing Revenue Account	144,197	145,849	142,868
Total Authority	417,763	429,770	437,053

Appendix 7 - Capital Expenditure and Funding

	Budget	Budget	Budget
	2022-23	2023-24	2024-25

Expenditure	£000	£000	£000
Council Fund	10,021	10,021	9,668
Housing Revenue Account	43,290	26,912	17,304
Total	53,311	36,933	26,972
Funding			
Surplus/ (Deficit) Balance b/f	509	287	
Borrowing - Supported (GF)	4,829	4,829	4,829
General Capital Grant - WG	3,328	3,328	3,328
Internal Borrowing	-	-	-
RCCO Budget	128	128	128
Capital underspends frm previous years		-	-
General Fund working balances	-	-	-
One off funding- MRP Review	1,514	1,449	1,383
RCCO- (HRA)	22,886	15,008	10,000
Unsupported Borrowing HRA- WHQS			
Unsupported Borrowing HRA- Affordable Housing	13,100	4,600	
Major Repairs Allowance (HRA)	7,304	7,304	7,304
Total	53,598	36,933	26,972
Surplus C/f	287		

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Appendix 8 MRP 2022/23 Policy

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

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

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

Supported Borrowings

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

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

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

Unsupported Borrowings

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

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

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

MRP Charges Relating to Other Capital Expenditure

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

- 2 For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement

instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the WG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.

- 3 For schemes whereby capital receipts generated from the sale of assets created from the project are used to finance the capital expenditure on the project, this will be regarded as meeting the requirements of prudent provision and no MRP will be charged.
- 4 MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- 5 The MRP charge for the HRA will be determined by using an interest rate of 2% on the opening capital financing requirement on a reducing balance basis.
- 6 The Authority has the option to make voluntary overpayments on MRP where possible to reduce the revenue charge in later years.

Capital expenditure incurred during 2022/23 that is financed by debt will not be subject to an MRP charge until 2023/24.



SPECIAL COUNCIL – 24TH FEBRUARY 2022

SUBJECT: **BUDGET PROPOSALS FOR 2022/23 AND MEDIUM-TERM FINANCIAL OUTLOOK**

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

- 1.1 The attached report is due to be considered by Cabinet at its meeting on the 23rd February 2022.
- 1.2 Feedback from the Cabinet meeting will be reported verbally to the Special Meeting of Council on the 24th February 2022.
- 1.3 Subject to consideration of the views of Cabinet, Council is asked: -
- 1.3.1 To approve the revenue budget proposals for 2022/23 of £395.071m as detailed throughout the report and summarised in Appendix 1.
 - 1.3.2 To note the movements on the General Fund in Appendix 3 and the current projected balance as at the 31st March 2022 of £14.516m.
 - 1.3.3 To agree that the General Fund balance will be subject to review when the 2021/22 Provisional Revenue Budget Outturn Report is presented to Cabinet and Council in July 2022.
 - 1.3.4 To approve the proposed Capital Programme for the period 2022/23 to 2024/25 as set out in Appendix 4.
 - 1.3.5 To approve the proposals for the use of £3.8m capital grant funding recently announced by the Welsh Government as detailed in paragraph 5.8.4.
 - 1.3.6 To approve the proposal to increase Council Tax by 1.9% for the 2022/23 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,253.95).
 - 1.3.7 To note the updated MTFP in Appendix 5 showing an indicative potential savings requirement of £9.759m for the two-year period 2023/24 to 2024/25.

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Appendix Report to Cabinet 23rd February 2022.

Gadewir y dudalen hon yn wag yn fwriadol



CABINET – 23RD FEBRUARY 2022

SUBJECT: **BUDGET PROPOSALS FOR 2022/23 AND MEDIUM-TERM FINANCIAL OUTLOOK**

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

1. PURPOSE OF REPORT

- 1.1 To seek Cabinet endorsement of the 2022/23 budget proposals contained within this report prior to final determination by Council on the 24th February 2022.
- 1.2 To provide an update on the Medium-Term Financial Plan (MTFP).

2. SUMMARY

- 2.1 At its meeting on the 19th January 2022, Cabinet endorsed the 2022/23 Draft Budget Proposals based on the Welsh Government (WG) Provisional Local Government Financial Settlement for 2022/23.
- 2.2 The report provided details of a range of cost and service pressures that require funding, along with a proposed increase of 2.5% in Council Tax to enable the Authority to set a balanced budget for the 2022/23 financial year.
- 2.3 Following a period of consultation this report now presents Final Budget Proposals for the 2022/23 financial year, with a revised proposed increase in Council Tax of 1.9%. The report also contains additional information for Cabinet consideration in respect of movements on the General Fund, and the proposed Capital Programme for the three-year period 2022/23 to 2024/25.
- 2.4 An updated indicative Medium-Term Financial Plan (MTFP) is also appended to the report showing a potential savings requirement of £9.759m for the two-year period 2023/24 to 2024/25.

3. RECOMMENDATIONS

- 3.1 Prior to consideration and determination at the Council meeting on the 24th February 2022, Cabinet is asked: -
 - 3.1.1 To endorse the revenue budget proposals for 2022/23 of £395.071m as detailed throughout the report and summarised in Appendix 1.

- 3.1.2 To note the movements on the General Fund in Appendix 3 and the current projected balance as at the 31st March 2022 of £14.516m.
- 3.1.3 To agree that the General Fund balance will be subject to review when the 2021/22 Provisional Revenue Budget Outturn Report is presented to Cabinet and Council in July 2022.
- 3.1.4 To endorse the proposed Capital Programme for the period 2022/23 to 2024/25 as set out in Appendix 4.
- 3.1.5 To endorse the proposals for the use of £3.8m capital grant funding recently announced by the Welsh Government as detailed in paragraph 5.8.4.
- 3.1.6 To support the proposal to increase Council Tax by 1.9% for the 2022/23 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,253.95).
- 3.1.7 To note the updated MTFP in Appendix 5 showing an indicative potential savings requirement of £9.759m for the two-year period 2023/24 to 2024/25.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 Council is required annually to approve proposals to set a balanced budget and agree a Council Tax rate.
- 4.2 Council is required to put in place a sound and prudent financial framework to support service delivery.

5. THE REPORT

5.1 Background and Context

- 5.1.1 The Council's financial position underpins its ability to make strategic decisions in order to deliver high quality effective services to our residents.
- 5.1.2 The financial picture of the Council is complex, but in summary it consists of the following four key elements: -
 - **The Revenue Budget** – This funds the day-to-day expenditure on the range of services that we provide to our citizens including staff costs, maintaining our buildings and other assets such as the highway network, utility costs, maintaining our fleet of vehicles, and the cost of servicing debt (i.e. loan and interest payments).
 - **The Capital Budget** – This funds one-off investments to create or enhance our assets such as schools, libraries, and the highway network. This would include the construction of new buildings, major refurbishments and the acquisition of specialist vehicles and equipment.
 - **Reserves** – These are approved one-off sums that have been set aside or earmarked for a range of different purposes. A report is prepared annually providing details of the reserves held by the Council and identifying any reserves that are uncommitted and can be released for other purposes such as supporting the Capital Programme.
 - **Grants** - The Council receives a number of grants from external bodies such as the Welsh Government. These grants are for specific purposes and the Council must comply

with detailed grant terms and conditions. Some of the grants are also subject to audit by our External Auditors.

- 5.1.3 To date the Council has managed the austerity measures using a “salami slicing” approach i.e. reducing budgets gradually across the whole organisation, whilst trying to protect key services such as Education and Social Services. This approach has served us well, with £106m of savings being achieved since the 2008/09 financial year.
- 5.1.4 However, if we are to remain an innovative, modern, and adaptive organisation, whilst managing increasing demands against reducing funding, we must take a longer-term strategic approach that mobilises our staff, our elected members, our partners, and our communities.
- 5.1.5 This new whole-authority transformation operating model was approved by Cabinet in June 2019 and is entitled “Team Caerphilly – Better Together”, with the underlying principle of being a Council that has a “social heart and a commercial head”. The key elements of this new operating model are:-
 - Improving the way we work.
 - Enhancing relationships with our communities and partners.
 - Developing proud and trusted staff.
- 5.1.6 It is important that we strike a balance between investing in our day-to-day services and providing financial support to improve how we deliver services.
- 5.1.7 Our revenue budget is used to support service delivery on an annual basis and our capital budget is used to fund infrastructure projects across the county borough. We also make use of our reserves wherever we can to support the Council’s capital expenditure and approval has already been given to set aside £30.2m to boost the Capital Programme by investing in our Well-being & Place Shaping Framework.
- 5.1.8 It is crucial that we manage our revenue and capital budgets and our reserves closely and as a collective, in order to maximise the return on investments. As part of our new operating model we are undertaking a forensic review of our financial position through the following:-
 - Introducing a structured programme of Service Reviews that will evaluate the services that we provide to ensure that they remain relevant, are provided in the most effective and efficient way and are providing value for money.
 - Encouraging and supporting more innovative approaches to service delivery.
 - Embracing new technologies to modernise the way that we work, streamline processes, improve workflow and drive out efficiencies.
 - Adopting a more commercial approach to service delivery to generate additional income to reinvest in services to help them remain resilient i.e. “profit for purpose”.
 - Routinely reviewing our reserves to identify further sums that may be available to support the Capital Programme moving forward.

5.2 Welsh Government (WG) Provisional Local Government Financial Settlement for 2022/23

- 5.2.1 The Local Government Financial Settlement received from WG on an annual basis is referred to as Aggregate External Finance (AEF). This consists of a Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates (business rates). Details of the Provisional Local Government Financial Settlement are normally announced by WG in early October each year.

However, due to the delay in undertaking the UK Government spending review, details of the Provisional Local Government Financial Settlement for 2022/23 were not released until the 21st December 2021.

5.2.2 The key points of the WG Provisional 2022/23 Local Government Financial Settlement are the following: -

- An overall increase of 9.4% in Aggregate External Finance (Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates) on an all-Wales basis. This increase includes a specific grant of £5m that has been transferred into the Settlement (Social Care Workforce and Sustainability Grant).
- The level of increase for individual Local Authorities is determined by changes in datasets that drive the funding formula. For Caerphilly CBC there is a cash uplift of 8.5% in the Aggregate External Finance (AEF) for 2022/23, which equates to £25.1m.
- Caerphilly CBC's element of the £5m specific grant transferred into the Settlement is £297k and this will be passported to the Social Services budget.
- Changes to other pass-ported grants in the Provisional Settlement result in a net reduction of £202k in relation to the tapering of WG funding for PFI Schemes.
- The capital allocations available to Caerphilly CBC in the RSG and from the General Capital Grant have decreased by £1.541m from the 2021/22 financial year.
- The Provisional Financial Settlement includes funding to enable Local Authorities to meet the additional costs of introducing the Real Living Wage for care workers. This is intended to apply to staff employed directly by Local Authorities and for services commissioned from the independent sector.
- The Provisional Financial Settlement also includes indicative uplifts in Aggregate External Finance (AEF) for 2023/24 and 2024/25 on an all-Wales basis. These are 3.5% and 2.4% respectively.

5.2.3 WG has provided substantial grant funding to Local Authorities in both the 2020/21 and 2021/22 financial years through the Covid-19 Hardship Fund to meet additional costs and income losses arising from the pandemic. The Hardship Fund will cease on the 31st March 2022 so Local Authorities will be required to meet ongoing financial pressures due to the pandemic from the funding provided in the Provisional Financial Settlement. The impact of this is considered in more detail in Section 5.7 of this report.

5.2.4 Details of the 2022/23 Final Local Government Financial Settlement will not be announced until the 2nd March 2022, however it is anticipated that this will not vary significantly from the position set out in the Provisional Settlement.

5.3 2022/23 Budget Proposals

5.3.1 The proposals contained within this report will deliver a balanced budget for 2022/23 on the basis that Council Tax is increased by 1.9%. Table 1 provides a summary: -

Table 1 – Summary

Paragraph	Description	£m	£m
5.2.2	Aggregate External Finance (8.5% uplift)		25.086
5.3.3 – 5.3.11	Schools cost pressures	5.775	
5.3.12 – 5.3.19	General Fund Services inflationary cost pressures and transfers in	12.479	

5.3.20 – 5.3.24	General Fund inescapable service pressures/proposed new investments	8.946	
5.4.1 – 5.4.3	2022/23 savings	0.356	
5.6.1 – 5.6.2	Proposed Council Tax increase (1.9%)	1.759	
	TOTAL: -	27.200	27.200

5.3.2 The significant increase in the Provisional Financial Settlement is very welcome during these challenging times but Members should note that circa £17.3m of the increase will be needed to fund inescapable inflationary pressures. However, based on Council Tax being increased by 1.9% there will be circa £9.6m available for investment in key service areas as the Authority recovers from the ongoing pandemic. Some of the key features of this investment are the following: -

- £5.7m for Social Services to meet the commitment to pay the Real Living Wage for care workers, address increases in demand in both Adult and Children's Services, and to provide funding to assist with additional costs that may continue to arise as a consequence of the ongoing pandemic.
- Protection of budgets for schools.
- £250k for a new apprenticeship scheme.
- Significant investment in public protection services to increase capacity in key teams such as Trading Standards, Enforcement and Environmental Health.
- Additional investment in the Community Safety Warden Service.
- £235k to help target flood prevention and £180k in the Business Enterprise & Renewal Team to lever in external funding and to promote the development of our town centres.

5.3.3 The Schools cost pressures totalling £5.775m are set out in Table 2 below -

Table 2 – Schools Cost Pressures

	£m
Teachers' Pay Award at 1.75% (Sept 2021) and 3% (Sept 2022)	2.389
APT&C Pay Award at 3% (April 2022)	0.441
Teachers' NI Increase (1.25% from April 2022)	1.058
APT&C NI Increase (1.25% from April 2022)	0.176
APT&C Increase in Employer Pension Contributions at 1%	0.141
Real Living Wage	0.050
Non-Pay Inflation at 4%	0.909
Other Service Pressures	0.612
TOTAL: -	5.775

5.3.4 **Teachers' Pay** – Teachers' pay increased by 1.75% with effect from September 2021 and funding has been provided in the Provisional Settlement to reflect the 2022/23 impact of this. In respect of the 2022/23 teachers' pay award from September 2022, WG will not be making any further funding available in-year so Local Authorities will need to meet the cost of this through the funding provided in the Financial Settlement.

5.3.5 In light of the significant increases in inflation over recent months it is considered prudent at this stage to include provision in budgets for a 3% increase in teachers' pay from September 2022. This funding will be held corporately in the first instance and released to school budgets once the actual pay award has been determined.

5.3.6 **APT&C Pay** – The pay award for APT&C staff for the 2021/22 financial year is yet to be finalised, with a final offer of 1.75% still not being accepted at this stage. In terms of the budget for the 2022/23 financial year it is currently assumed that the 2021/22 pay award will be 1.75% with a further increase of 3% from April 2022. The 3% uplift will be held corporately in the first instance and released to school budgets once the actual pay award has been determined.

- 5.3.7 **NI Increases** – The UK Government has announced an increase of 1.25% in National Insurance contributions from April 2022. This increase results in an additional cost of £1.058m for teaching staff and £176k for APT&C staff in schools.
- 5.3.8 **APT&C Employer Pension Contributions** - The Greater Gwent (Torfaen) Pension Fund is subject to an independent triennial valuation of its assets and liabilities. The results of the latest valuation concluded that no increase would be required in the employer contributions for the 2020/21 and 2021/22 financial years, with an increase of 1% being required for 2022/23.
- 5.3.9 **Real Living Wage** – Caerphilly CBC is a Living Wage Foundation employer, so a sum is included in the budget proposals in respect of relevant school staff to allow for annual increases in the Foundation Living Wage hourly rate.
- 5.3.10 **Non-pay Inflation at 4%** - The Consumer Prices Index (CPI) inflation rate has been steadily increasing in recent months with the rate in the 12 months to January 2022 being 5.5%. This is the highest 12-month inflation rate since September 2011, when it stood at 5.2%. Although it is expected that there will be a return to lower inflation rates over time it is considered prudent to include provision in the 2022/23 budget for a 4% increase in non-pay inflation.

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

- Floor area related changes.
- Additional pupils at Trinity Fields School along with an associated increase in transport costs.
- Potential for further costs arising from formula changes linked to updated Free School Meals data.

5.3.12 The General Fund Services inflationary cost pressures totalling £12.479m are set out in Table 3 below: -

Table 3 – General Fund Services Inflationary Cost Pressures and Transfers In

	£m
APT&C Pay Award at 3% (April 2022)	4.352
APT&C NI Increase (1.25% from April 2022)	1.273
APT&C Increase in Employer Pension Contributions at 1%	1.017
Living Wage	0.218
Non-pay Inflation at 4%	5.936
Non-pay inflation (Fees and Charges) at 4%	(0.614)
Transfer In – Social Care Workforce and Sustainability Grant	0.297
TOTAL: -	12.479

5.3.13 **Pay at 3% (APT&C staff)** – As outlined in paragraph 5.3.6 the pay award for APT&C staff for the 2021/22 financial year is yet to be finalised and it is also considered prudent to budget for a further 3% increase in pay from April 2022. The 3% uplift will be held corporately in the first instance and released to budgets once the actual pay award has been determined.

5.3.14 **NI Increase (1.25%)** – The cost of the 1.25% increase in NI contributions for General Fund Services is £1.273m

5.3.15 **Employer Pension Contributions (APT&C staff)** – As mentioned in paragraph 5.3.8 the results of the latest triennial valuation of the Pension Fund concluded that no increase would be required in the employer contributions for the 2020/21 and 2021/22 financial years, with an increase of 1% being required for 2022/23.

- 5.3.16 **Foundation Living Wage (APT&C staff)** – £218k is included in the 2022/23 Budget Proposals to allow for an increase in the Foundation Living Wage hourly rate for General Fund Services staff.
- 5.3.17 **Non-pay Inflation at 4%** - The proposed uplift of 4% for non-pay inflation requires additional budget provision of £5.936m for General Fund Services.
- 5.3.18 **Non-pay Inflation (Fees and Charges) at 4%** - A generic increase of 4% is assumed for Fees and Charges.
- 5.3.19 **Transfer In** – There is a transfer into the Settlement of £297k in relation to the Social Care Workforce and Sustainability Grant which will be passported to the Social Services budget.
- 5.3.20 Table 4 provides a summary of the 2022/23 General Fund Services inescapable service pressures and proposed new investments totalling £8.946m. Full details are provided in Appendix 2 for Members' consideration.

Table 4 – Summary of General Fund Inescapable Service Pressures and Proposed New Investments

	£m
Corporate Services	1.374
Education & Lifelong Learning	0.341
Economy & Environment	1.599
Social Services	5.715
Miscellaneous Finance	0.051
Other Pass-ported Grants (PFI)	(0.202)
City Deal (Partnership revenue contribution)	0.007
City Deal (debt charges)	0.062
TOTAL: -	8.946

- 5.3.21 The 2022/23 Draft Budget Proposals presented to Cabinet on the 19th January 2022 included proposed growth of £6.166m for Social Services. This sum has now been reduced to £5.715m due to the revised proposal to increase Council Tax by 1.9% instead of the original proposed increase of 2.5%.
- 5.3.22 For some time now, independent sector social care providers have reported difficulties in recruiting care staff due to the relatively low rates of pay that they can afford to offer compared with other sectors of the job market. WG has recognised this in the Provisional Financial Settlement by including funding to enable Local Authorities to meet the additional costs of introducing the Real Living Wage (RLW) for care workers. This is intended to apply to staff employed directly by Local Authorities and for services commissioned by Social Services from the independent sector. The current RLW hourly rate is £9.90 until November 2022. Further detailed work will now be required with providers on an open book basis to establish fee rates moving forward that will ensure that all care staff in commissioned services can be paid the RLW.
- 5.3.23 Throughout the 2021/22 financial year, the Social Services Directorate has experienced a significant increase in demand for supported living placements for adults, residential placements for children, and after care support for adolescents. Short-term grant funding, service restrictions due to the Covid-19 pandemic and social care staff shortages have all helped to smooth the financial impact of this increased demand in 2021/22. However, as we begin to recover from the pandemic the demand for these services is likely to remain, but the short-term savings experienced in 2021/22 will not. As a result, further investment will be required in these service areas in 2022/23.
- 5.3.24 Given the detailed work that needs to be undertaken with providers in respect of the RLW and the uncertainties around the budgetary impact of demand as we begin to recover from the

pandemic, the proposed growth of £5.715m will be held corporately in the first instance and subsequently released into the Social Services budget in-year once fee levels have been confirmed and the increasing demand on services is evidenced.

5.4 2022/23 Savings

- 5.4.1 The following savings totalling £356k are included in the 2022/23 Budget Proposals: -

Table 5 – 2022/23 Savings

	£m
Termination of lease at Ty Pontygwindy	0.180
Fire Service Levy	0.176
TOTAL: -	0.356

- 5.4.2 The lease at Ty Pontygwindy is due to be terminated at the end of March 2022 with staff being relocated to other council premises. This will result in a net revenue budget saving of circa £180k. A one-off cost will be payable in respect of dilapidations and the funding of this will be subject to a Cabinet report once agreement has been reached with the landlord.

- 5.4.3 The 2022/23 Budget Proposals include provision for a 4% uplift in non-pay inflation. The 2022/23 budget for the South Wales Fire & Rescue Service requires an increase in Caerphilly CBC's contribution of 2.06%, resulting in a reduction of £176k against the 4% uplift that has been assumed corporately.

5.5 General Fund Balances

- 5.5.1 Details of the projected movement on General Fund balances are provided in Appendix 3.

- 5.5.2 The current General Fund balance is £11.047m, which reflects the position previously agreed by Council.

- 5.5.3 Based on the Whole Authority Revenue Budget Monitoring Report that is also being considered by Cabinet on the 23rd February 2022, it is currently anticipated that there will be a net transfer to the General Fund of £4.519m from a projected year-end net underspend across all Directorates. This assumes that a number of proposals in the Whole Authority Budget Monitoring Report for the ring-fencing of underspends totalling £2.535m will be approved by Cabinet.

- 5.5.4 Cabinet will recall that in previous years the Council Tax surplus has been channelled through the General Fund each year to support the base budget in the following financial year. In normal years this surplus is estimated to be circa £1.050m but Members will be aware that Council Tax collection has been adversely impacted during the pandemic. It would not be prudent at this stage to assume that the Council Tax surplus for 2021/22 will be at the levels achieved prior to the pandemic. It is therefore recommended that the £1.050m required to support the 2022/23 budget should be funded through a call on the General Fund.

- 5.5.5 After allowing for the above movements the updated projected balance for the General Fund as at the 31st March 2022 is £14.516m. The Section 151 Officer usually recommends a minimum General Fund balance of 3% of the Net Revenue Budget which for 2022/23 is £11.852m. The current projected balance of £14.516m is £2.664m higher than the minimum recommended. However, given the range of financial uncertainties that we currently face, in particular inflation levels, it is recommended that the projected balance is noted at this stage and is reviewed again when the 2021/22 Provisional Revenue Budget Outturn Report is presented to Cabinet and Council in July 2022.

5.6 Council Tax Implications 2022/23

- 5.6.1 The budget proposals within this report include a proposed increase of 1.9% in Council Tax for the 2022/23 financial year. This will increase the Caerphilly CBC Band D precept from £1,230.57 to £1,253.95 i.e. an annual increase of £23.38 or weekly increase of £0.45.
- 5.6.2 The proposed increase of 1.9% for 2022/23 will result in the following totals for the Caerphilly CBC element of the Council Tax (the Police & Crime Commissioner and Town/Community Council precepts will be added to these totals): -

Table 6 – 2022/23 Council Tax (CCBC Element) at 1.9% Increase

Band	Council Tax (CCBC Element) £	Weekly Increase £
A	835.97	0.30
B	975.29	0.35
C	1,114.62	0.40
D	1,253.95	0.45
E	1,532.61	0.55
F	1,811.26	0.65
G	2,089.92	0.75
H	2,507.90	0.90
I	2,925.88	1.05

5.7 Ongoing Financial Impact of Covid-19

- 5.7.1 WG has provided substantial grant funding to Local Authorities in both the 2020/21 and 2021/22 financial years through the Covid-19 Hardship Fund to meet additional costs and income losses arising from the pandemic. The Hardship Fund will cease on the 31st March 2022 and Local Authorities will be required to meet ongoing financial pressures linked to the pandemic from the funding provided in the Financial Settlement.
- 5.7.2 Alongside the funding received from WG, the Council has also previously approved the establishment of a Covid-19 Earmarked Reserve totalling £3.5m to meet potential unfunded additional costs arising from the pandemic. The balance on this reserve is currently £2.516m.
- 5.7.3 Whilst the 2022/23 Budget Proposals include significant budgetary growth in a number of key service areas, additional pandemic related costs will continue to be incurred at least in the short to medium-term. These include additional costs in relation to waste collection, cleaning, protective equipment, sickness cover, homelessness etc. Furthermore, income levels will take some time to recover in a number of service areas as restrictions are eased moving forward. It is therefore recommended that the Covid-19 Earmarked Reserve is topped-up to £5m by transferring uncommitted balances on other previously approved reserves, along with a small contribution from the projected underspend on the 2021/22 Revenue Budget.

Table 7 – Proposed Top-Up of Covid-19 Earmarked Reserve

	£m	£m
Current balance on Covid-19 Earmarked Reserve		2.516
Proposed transfer of uncommitted balances on reserves: -		
- Trehir Reserve	0.235	
- Contingency for MTFP staffing reductions	0.381	
- MTFP savings delivery reserve	1.173	
- Brexit reserve	0.686	2.475
Contribution from 2021/22 projected revenue budget underspend		0.009
TOTAL: -		5.000

- 5.7.4 Significant uncertainty remains in relation to the ongoing financial impact of the pandemic and this will be kept under close review as we progress through the 2022/23 financial year.

5.8 Capital Programme

- 5.8.1 The proposed Capital Programme for the three-year period 2022/23 to 2024/25 is detailed in Appendix 4 of this report and summarised in Table 8.

Table 8 – Summary of Capital Programme 2022/23 to 2024/25

	2022/23	2023/24	2024/25
	£m	£m	£m
Capital Programme proposals	10.021	10.021	9.668
WG funding available	(8.157)	(8.157)	(8.157)
Capital funding gap	1.864	1.864	1.511
Funded by: -			
Surplus/(Deficit) b/fwd	0.509	0.287	0.000
One-Off funding from MRP Policy Review	1.514	1.449	1.383
RCCO budget (Miscellaneous Finance)	0.128	0.128	0.128
Total Additional Funding	2.151	1.864	1.511
Surplus/(Deficit) carried forward	0.287	0.000	0.000

- 5.8.2 As outlined in paragraph 5.1.7, approval has already been given to set aside £30.2m to boost the Capital Programme by investing in our Well-being & Place Shaping Framework. This funding is not currently shown in the above table and will be released into the Capital Programme as and when specific schemes are approved.
- 5.8.3 WG has recently announced a £70m capital grant injection for Local Authority's, with Caerphilly CBC's share being £3.8m. The grant letter states, "*One area that Local Authorities have specifically highlighted as an area of pressure is the maintenance of the existing highways network. I hope that additional funding enables improvement to be planned instead of less effective reactive patch and mend repairs to make makes roads safer, especially for active travel users.*"

5.8.4 There are many areas within the highway infrastructure that are in need of urgent replacement and upgrades that will improve safety on the highway network. Following a review of the highest priorities Cabinet is asked to endorse a proposal to utilise the £3.8m grant funding in the following areas of work: -

- Highway resurfacing (£2.2m).
- Verge removal and creation of off-road parking areas - Ty Sign plus other priority areas if viable (£400k).
- Footway reconstruction (£300k).
- Drainage schemes from priority list to prevent property flooding (£300k).
- Vehicle Restraint System replacement on the A467 near Abercarn (£200k).
- Cattle grid renewals (£100k).
- Speed hump renewals (£100k).
- Telemetry for culverts to provide early warning of possible blockages (£100k).
- Dolyfelin Street highway improvement (£100k).

5.8.5 The biggest impact to benefit the travelling public will be the proposed significant £2.2m cash injection into much needed highway resurfacing. There are clear budget pressures within the other areas identified and this funding will make a significant difference in providing new infrastructure to benefit residents, and also upgrades to some ageing assets helping achieve a much safer highway network.

5.9 Financial Outlook for Future Years

5.9.1 Due to the ongoing programme of austerity and increasing demand for a number of services, the financial position for Local Government has been very challenging in recent years. During the period 2008/09 to 2021/22 Caerphilly CBC has delivered savings of £106m to address reductions in funding and inescapable cost and service pressures.

5.9.2 Whilst the 8.5% uplift in the 2022/23 Financial Settlement is welcomed, the future funding situation for Local Government is likely to be more challenging due to the unprecedented fiscal impact of Covid-19 and the strain that will put on public finances.

5.9.3 The UK Government spending review undertaken in 2021 focussed on the 3-year period 2022/23 to 2024/25 and this resulted in details of indicative funding allocations being provided to the devolved administrations for 2023/24 and 2024/25. As a result, the Provisional Local Government Financial Settlement includes indicative uplifts in Aggregate External Finance (AEF) for 2023/24 and 2024/25 on an all-Wales basis. These are 3.5% and 2.4% respectively and provide a useful base in terms of financial planning for the medium-term.

5.9.4 The Council's Medium-Term Financial Plan (MTFP) has been updated based on a range of assumptions, resulting in a potential savings requirement of £9.759m for the two-year period 2023/24 to 2024/25. Details are provided in Appendix 5 and the following is a summary of the key assumptions: -

- An uplift in WG funding of 3.16% for 2023/24 and 2.17% for 2024/25. This is based on the all-Wales indicative uplifts adjusted for Caerphilly CBC's position in terms of the average uplift for 2022/23.
- An increase of 2.5% per annum for Council Tax.
- 2% per annum for pay inflation (all staff including teachers).
- 1% per annum for APT&C employer pension contributions.
- Non-pay inflation at 2.5% for 2023/24 and 2% for 2024/25

5.9.5 In addition to the above, significant work has been undertaken with Directors and Heads of Service to identify further potential service cost pressures that will need to be considered in future years. These are currently estimated at circa £5.9m for 2023/24 and £2.4m for 2024/25. This is work in progress and the figures will be subject to change moving forward.

5.9.6 Detailed work will be undertaken in the coming months to further refine the MTFP, and the Council's Transformation Programme and associated Corporate Reviews will be key components in addressing the projected financial gap. A report will be presented to Cabinet in early autumn providing a further updated MTFP alongside detailed proposals in terms of addressing the savings requirement moving forward.

5.10 Conclusion

5.10.1 This report provides details of the Budget Proposals for 2022/23 based on the WG Provisional Local Government Financial Settlement.

5.10.2 A balanced budget can be delivered based on a proposed Council Tax increase of 1.9%.

5.10.3 Details of the 2022/23 Final Local Government Settlement will not be announced until the 2nd March 2022, however it is anticipated that this will not vary significantly from the position set out in the Provisional Settlement.

5.10.4 There will be ongoing financial impacts as a result of Covid-19 in the 2022/23 financial year and in recognition of this it is proposed to increase the Covid-19 Earmarked Reserve to £5m.

5.10.5 The report also provides details of the updated Medium-Term Financial Plan (MTFP), which currently shows a potential savings requirement of £9.759m for the two-year period 2023/24 to 2024/25.

6. ASSUMPTIONS

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

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1 Draft Budget Proposals

An Impact Assessment was conducted on the draft budget proposals and this has now been updated to reflect responses to the budget consultation process. There are no negative effects identified in any of the budget proposals for any protected characteristic groups and there is no socio-economic impact (please see separate integrated impact assessment that considers the proposed increase in Council Tax). The budget is allowing for investment in essential services and, as such, the impacts on delivery of the well-being objectives are positive.

<https://www.caerphilly.gov.uk/CaerphillyDocs/IIA/IIA-main-2022>

7.2 Proposed Increase in Council Tax

The proposed below inflation increase in Council Tax of 1.9% will result in weekly increases ranging from 30p for Band A properties to £1.05 for Band I properties. 75.91% of properties in the county borough are in bands A to C. The proposed increase is the lowest since 2017. The level of increase, combined with funding from Welsh Government, will allow the Council to invest a total of circa £9.6m in service provision, including circa £5.7m for social care services to support the most vulnerable. Vulnerability is associated with socio-economic disadvantage and for individuals with one or more protected characteristics. The Council Tax Reduction Scheme (CTRS) mitigates against the socio-economic impacts on the most vulnerable households. 16,300 households receive support with their Council Tax payments from the

scheme, representing 20.34% of all households in the county borough. 11.27% (9,034 households) receive the maximum 100% level of support.

<https://www.caerphilly.gov.uk/CaerphillyDocs/IIA/IIA-council-tax-2022>

8. FINANCIAL IMPLICATIONS

8.1 As detailed throughout the report.

9. PERSONNEL IMPLICATIONS

9.1 There are no direct impacts on existing staff arising from the 2022/23 Budget Proposals.

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

9.3 Details of the 2022/23 Draft Budget Proposals were shared with Trade Unions.

10. CONSULTATIONS

10.1 Before finalising the budget proposals for 2022/23, the Council undertook a consultation between 12th January and 13th February 2022. The key purpose of this consultation was: -

- to identify whether those who live and work in the county borough think we are still on the right track in relation to the services that we should prioritise when planning our services and budgets for 2022/23 and beyond; and
- to gather residents' views on the proposed 2.5% increase in Council Tax.

10.2 A survey was made available on the Council's website, either for online completion or as a printable version. The survey was promoted widely through digital media channels including NewsOnline. During the consultation period Covid-19 restrictions were still in place, which precluded face-to-face engagement so to help ensure as many people as possible were able to have their say, a leaflet was delivered to homes across the county borough detailing how to take part. Banners were displayed at main libraries and other prominent locations, including the vaccination centre at Pontllanfraith. Paper copies of the survey were also made available in libraries. Key stakeholder groups were contacted directly via e-mail wherever possible.

10.3 A total of 449 completed surveys were returned by the closing date. A key question asked related to preference for Council Tax levels for the 2022/23 financial year. The following responses were received: -

- 30% supported an increase in Council Tax of 2.5%.
- 17% supported a lower increase in Council Tax.
- 8% supported an increase in council tax of greater than 2.5%.
- 45% did not support any increase in Council Tax.

10.4 When we consulted with our communities a year ago, they identified the services that were most important to them. The current survey asked whether residents still agree or disagree that these are the areas that the Council should prioritise when planning our services and budgets for 2022/23 and beyond.

- 10.5 The priority areas previously identified by our communities are still important to them and residents still feel that these are the key areas that the Council should prioritise when planning services and budgets moving forward. Social Care services were considered a priority by 95% of respondents. Over 90% of respondents also felt that parks and green spaces, education and schools, roads and highways, and waste collection and recycling services are a priority.
- 10.6 The wider results of the consultation are currently being analysed in more detail and will be available on our website in due course.
- 10.7 The initial proposal to increase Council Tax by 2.5% for the 2022/23 financial year has now been reviewed, and the revised proposed increase as detailed in this report is 1.9%.
- 10.8 On the 24th January 2022 a Joint Scrutiny Committee meeting was held to consider the 2022/23 Draft Budget Proposals that were presented to Cabinet on the 19th January 2022. Details of the key points raised during the meeting are provided below: -
- A number of Members voiced their support for the proposals and welcomed the proposed budget. They were particularly pleased to note the lack of cuts to Council services for 2022/23 and investment in key services, particularly after many years of austerity measures. They were also pleased to see the protection of the Education budget, investment in the Apprenticeship Scheme and Business and Enterprise Renewal Team, and proposals to invest in the Community Safety Team to create additional resources.
 - A Member queried the purpose of the balances held in reserves and the rationale for the proposed Covid-19 reserve top-up. The Head of Financial Services and S151 Officer explained that an Update on Reserves Report is prepared annually and presented to the Policy and Resources Scrutiny Committee. The next report is scheduled for the Scrutiny meeting on the 22nd February 2022 and will provide details of all the balances that are currently earmarked and the reasons why these are held in reserve. He also explained that the proposed top-up of the Covid-19 reserve will utilise balances which have been identified as uncommitted in other areas, and that this is prudent in the current uncertain financial climate.
 - The Scrutiny Committee discussed the proposed 2.5% increase in Council Tax and queries were received around the number of households benefiting from the Council Tax Reduction Scheme. It was confirmed that 16,300 households currently receive a reduction in their Council Tax payments and of these 9,034 households receive a 100% reduction. Officers provided clarification on the Band D rate compared with neighbouring Local Authorities and it was also confirmed that Caerphilly CBC currently has the second lowest Council Tax in Wales. A Member asked if the Cabinet had considered alternative levels of Council Tax increase when preparing the draft budget, ranging from zero to an increase greater than 2.5%. The Cabinet Member for Performance, Economy and Enterprise confirmed that both lower and higher increases had been considered but the proposed increase of 2.5% will facilitate the £10m investment in essential services
 - One Member stated that the proposed 2.5% increase in Council Tax within the draft proposals was causing confusion from some residents who believe this increase to be set in stone. The Cabinet Member gave assurances that nothing has been pre-determined and that all consultation responses from the public on the Draft Budget Proposals, including the proposed Council Tax increase, will be taken on board in the preparation of the Final Budget Proposals to be presented to Cabinet and Council. However, she emphasised that if the Council were to significantly deviate from the proposed level of increase, savings would be needed elsewhere in order to deliver a balanced budget for 2022/23.
 - Members discussed the proposed level of investment in staffing and the costs attached to particular posts relating to a new Senior Relationship Manager and additional capacity in the FOI Team. Officers explained that these costs include salary on-costs and that

further details of the Senior Relationship Manager role will be reported back to Members once the job description and salary are confirmed. Clarification was provided on the rationale for the Senior Relationship Manager post and it was also noted that the two new Freedom of Information Officer posts will help to improve and exceed targets around FOI requests

- During the course of the meeting, Mrs. Lianne Dallimore (UNISON) was invited to deliver the Trade Union position on the Draft Budget Proposals. Mrs. Dallimore stated that overall the proposals were very positive and better than anticipated, particularly after 12 years of budget cuts and austerity. However, she emphasised the increasing financial pressures already faced by residents as a result of inflation and increasing costs and asked the Committee to bear these in mind. Mrs. Dallimore also referred to those Council employees working from home and highlighted the costs around working from home in terms of increased lighting, heating, and a general increase in energy costs. She therefore asked the Council, as part of its budget proposals, to consider offering a home working allowance to these staff and expressed the need for the Council to address this cost in order to sustain an agile workforce.
- A Member sought clarification on the reason for the proposed growth of £6.166m for Social Services being held corporately in the first instance, rather than being released directly into the Social Services budget. Officers explained that the Council needs to carry out detailed work around the Real Living Wage before the funding can be passed on to independent sector providers. Once the work is completed the funding will be released into the Social Services budget. In addition, there are underlying increases in demand across both Adult Services and Children's Services, and it will be necessary to monitor the budgetary impact of this as we move into the 2022/23 financial year. Once this is evidenced funding will be released into the Social Services budget.
- A Member sought clarification regarding the £235k investment in flood prevention. Officers confirmed that this will consist of general investment in staff resources in order to increase capacity across the department, with it noted that the Drainage Team is currently under-resourced.
- Clarification was sought on the reasons for the APT&C pay award for 2021/22 not yet being finalised. Officers explained that this is a national issue and trade unions are currently out to ballot on the pay award. It was confirmed that any pay award to staff would be backdated.
- Queries were received on a number of individual items in the report, including National Insurance contributions, the 4% uplift in non-pay inflation, free school meals costs, and costs listed across Miscellaneous Finance. Officers provided clarification on each of these items in turn.
- A Member sought further detail on the investment for the establishment of the new apprenticeship opportunities across the Council. Officers highlighted the value of apprenticeships to the organisation and it was noted that under previous schemes many apprentices have gone on to be successfully employed into full-time posts in the Council.
- The Chief Executive addressed the Joint Scrutiny Committee, and in referring to comments made by Members on the investment in posts, sought to provide context around the rationale and background to these particular budget proposals. It was emphasised to Members that since 2019/20 the Council has seen a reduction of 237 members of staff, which means that the Authority has been delivering more work with less resources over a significant period of time. This position is unsustainable in the long-term and having considered the concerns of Members and Trade Unions, along with the need to take the organisation from a good to excellent level, the proposed investments will provide much needed additional staffing capacity.

- The Leader of Council reminded all Members that the budget proposals were currently at the draft stage and emphasised the importance of consultation and gathering views in preparing final budget proposals. She also gave assurances that all comments around the draft proposals will be taken on board. The Leader also highlighted the importance of the investments being proposed at this time, together with the need to ensure financial resilience in future years, in order to develop the Council and deliver the best possible services for residents of the county borough.
 - The Chair thanked Members and Officers for their contributions and confirmed that the comments of the Joint Scrutiny Committee would be reported to Cabinet and Council as part of the consultation process, and be included in the Final Budget Proposals report being presented to Cabinet and Council in February 2022.
- 10.9 On the 27th January 2022 the 2022/23 Draft Budget Proposals were presented to the Voluntary Sector Liaison Committee. A summary of the key points raised during the meeting is provided below:-
- Clarification was sought on the Real Living Wage and how it will be enforced for services commissioned by Social Services from the independent sector. The Head of Financial Services & S151 Officer informed the Committee that the current Real Living Wage hourly rate is £9.90. Further detailed work will now be required with providers on an open book basis to establish fee rates moving forward that will ensure all care staff in commissioned services can be paid the Real Living Wage. Members of the Committee were also assured that this will be monitored by the Commissioning Team in Social Services.
 - A query was raised regarding additional staffing in a number of areas, including Town Centre Management, Community Safety and Environmental Health. The Committee was advised that there is a commitment to increasing staffing capacity in key teams and to maintain these posts moving forward.
 - A request was made for the Third Sector to be involved in the budget setting process at an earlier stage and this was acknowledged by Officers.
 - In response to a Member's query it was confirmed that official notification of the Police precept has not yet been received.
 - A concern was raised in relation to raising awareness of climate change as it was felt that members of the public should be made more aware and be involved. The Head of Financial Services & S151 Officer advised the Committee that the Council has approved a Decarbonisation Strategy and also set aside £500k in reserves to drive the Strategy forward. The Committee was also advised that it is proposed to appoint a Lead Officer to support the delivery of the Council's Decarbonisation Strategy. It was noted the Decarbonisation Strategy and Action Plan are available on the Caerphilly County Borough Council website.
 - The Senior Policy Officer advised that the comments from the meeting will be captured as part of the consultation response and asked Members of the Committee to promote the consultation to the wider community.

11. STATUTORY POWER

11.1 The Local Government Acts 1998 and 2003.

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Appendices: -

Appendix 1 – Net Revenue Budget 2022/23.

Appendix 2 – General Fund Inescapable Service Pressures and Proposed New Investments.

Appendix 3 – Movement on General Fund.

Appendix 4 - Capital Programme 2022/23 to 2024/25.

Appendix 5 – Updated Medium-Term Financial Plan.

Background Papers: -

[Cabinet \(12/06/19\)](#)

Future Caerphilly Transformation Strategy - #TeamCaerphilly – Better Together.

[Council \(13/07/21\)](#)

Provisional Revenue Budget Outturn for 2020/21.

[Cabinet \(19/01/22\)](#)

Draft Budget Proposals for 2022/23.

[Policy & Resources Scrutiny Committee \(22/02/22\)](#)

Whole-Authority Revenue Budget Monitoring Report.

Gadewir y dudalen hon yn wag yn fwriadol

APPENDIX 1

NET REVENUE BUDGET 2022/23

	£'000	£'000
Base Budget 2021/22		368,227
Schools Cost Pressures		
Teachers' Pay Award at 1.75% (Sept 2021) and 3% (Sept 2022)	2,389	
APT&C Pay Award at 3% (April 2022)	441	
Teachers' NI Increase (1.25% from April 2022)	1,058	
APT&C NI Increase (1.25% from April 2022)	176	
APT&C Increase in Employer Pension Contributions at 1%	141	
Real Living Wage	50	
Non-Pay Inflation at 4%	909	
Other Service Pressures	<u>612</u>	5,775
General Fund Services Inflationary Cost Pressures		
APT&C Pay Award at 3% (April 2022)	4,352	
APT&C NI Increase (1.25% from April 2022)	1,273	
APT&C Increase in Employer Pension Contributions at 1%	1,017	
Living Wage	218	
Non-pay Inflation at 4%	5,936	
Non-pay inflation (Fees and Charges) at 4%	(614)	
Transfer In – Social Care Workforce and Sustainability Grant	<u>297</u>	12,479
General Fund Inescapable Service Pressures and Proposed New Investments		
Corporate Services	1,374	
Education & Lifelong Learning	341	
Economy & Environment	1,599	
Social Services	5,715	
Miscellaneous Finance	51	
Other Pass-ported Grants (PFI)	(202)	
City Deal (Partnership revenue contribution)	7	
City Deal (debt charges)	<u>62</u>	8,946
2022/23 Savings		(356)
Proposed Expenditure		395,071
Funding		
WG Support	(317,452)	
Council Tax (1.9 %)	(76,569)	
One-off Contribution from General Fund in lieu of Council Tax Surplus	(1,050)	
Total Funding		(395,071)

Gadewir y dudalen hon yn wag yn fwriadol

General Fund Inescapable Service Pressures and Proposed New Investments

Directorate	Service Division	Service Area	Description	£000's
Corporate Services	People Services	CMT Support	Additional Grade 7 Support Officer.	39
Corporate Services	People Services	Communications	Additional budget to meet job evaluation costs.	25
Corporate Services	People Services	Communications	Annual support costs for a Digital Asset Management Software solution for the management of photographs, videos, branding etc.	18
Corporate Services	People Services	Human Resources	Additional staffing capacity to support the delivery of the Council's Workforce Development Strategy.	179
Corporate Services	People Services	Human Resources	Establishment of new Apprenticeship opportunities across the Council.	250
Corporate Services	People Services	Human Resources	Establishment of Leadership Development Programmes.	65
Corporate Services	People Services	Health & Safety	Fixed-Term Senior Schools Support Officer role to be made permanent.	48
Corporate Services	People Services	Human Resources	Budget realignment to address the loss of income from payslip inserts.	15
Corporate Services	Digital Services	Information Technology	Implementation of a new Intranet.	60
Corporate Services	Digital Services	Information Technology	Cyber Security Officer to support resilience and the development/implementation of the Cyber Security Strategy.	65
Corporate Services	Digital Services	Information Technology	Regrading of a post in the Server Team.	6
Corporate Services	Digital Services	Information Governance	Additional staffing capacity to deal with FOI Act requests and to improve access to information through the automation of processes wherever possible.	88
Corporate Services	Legal & Governance	Legal	Increase in hours for Admin Support role.	15
Corporate Services	Legal & Governance	Legal	Retention fee payment for Childcare solicitor due to achieving relevant qualification and experience.	5
Corporate Services	Legal & Governance	Committee Services	Additional staffing capacity for Committee Services/Member Support.	58
Corporate Services	Legal & Governance	Members	Uplift in Member Allowances in line with the recommendations of the Independent Remuneration Panel for Wales.	140
Corporate Services	Policy	Equalities	Regrading of post to incorporate additional duties in relation to Integrated Impact Assessments (IIA's)	10
Corporate Services	Policy	Equalities	Additional Translator post to meet demands on service area.	41
Corporate Services	Policy	Transformation	New post to support the delivery of the Council's Decarbonisation Strategy.	76
Corporate Services	All	All	Senior Business Partner role in Corporate Services to liaise with other Directorate Management Teams to understand the challenges being faced by services, clearly articulate requirements in terms of support services; and to ensure alignment of service delivery with relevant policies and strategies.	85
Corporate Services	All	All	Senior Relationship Manager role to engage with Members and work across Directorates and organisational boundaries where required to help address issues that emerge.	85
Sub-Total: -				1,374
Education & Lifelong Learning	Education	EOTAS, Additional Support and Out-of-County Provision	Provision of 2 additional classes at Glan Y Nant (Pupil Referral Unit).	170
Education & Lifelong Learning	Education	Additional Learning Needs	Increase in capacity to support Health & Safety assessments for our most vulnerable pupils.	25
Education & Lifelong Learning	Education	Sensory Service (SENCOM)	Torfaen CBC hosts this service and has requested additional financial contributions due to increasing demand and pay award pressures.	90
Education & Lifelong Learning	Education	Psychology Service	Additional budget to address recruitment issues and capacity in the service.	56
Sub-Total: -				341
Economy & Environment	Community & Leisure	Waste	Project Gwyrdd contractual price increases.	60
Economy & Environment	Community & Leisure	Fleet	Additional staffing capacity to meet demands on service, to ensure that the Authority's fleet of some 600 vehicles is serviced and maintained in a timely fashion to support frontline service delivery, and to ensure compliance with our Operator's Licence.	120
Economy & Environment	Community & Leisure	Parks	A number of years ago weed spraying was reduced to 1 spray per annum as part of required MTFP savings at that time. However, our change to wetter/warmer weather has resulted in weed growth representing a significant concern for residents as reflected in service request, complaint and satisfaction survey data. The proposal is therefore to reintroduce an additional weed spray and provide 2 per annum.	40

General Fund Inescapable Service Pressures and Proposed New Investments

Directorate	Service Division	Service Area	Description	£000's
Economy & Environment	Community & Leisure	Leisure	The Authority has a legal duty to deliver play opportunities through a play sufficiency assessment and action plan across a broad spectrum including sport, leisure, education and early years services. A new play sufficiency assessment is currently being prepared which needs to be submitted to Welsh Government this summer and reviewed and updated every 3 years. Over £0.5m of additional funding has been secured over the last year in this regard and there are significant opportunities to deliver new and/or enhanced programmes in accordance with the strategy, as well as the potential to secure additional funding but there are currently no designated staff resources in place to achieve this. It is therefore proposed that a Play Sufficiency Officer post is established to create the level of capacity required to make a significant difference to play opportunities and delivery of the play sufficiency strategy across the county borough.	44
Economy & Environment	Infrastructure	SuDS Approving Body (SAB)/Drainage Team	The Drainage Team has taken on the new SAB legislation. Current staffing levels are insufficient to be able to deal with emergency flooding instances, climate change impacts and future planning, flood prevention scheme development and implementation plus the new SAB legislation given the ever increasing demands on this critical frontline service. There is therefore a need for additional staffing capacity in this area.	235
Economy & Environment	Infrastructure	Traffic Management	Following the implementation of the new Civil Parking Enforcement powers a review of the Traffic Order Regulation (TRO) process was agreed with Scrutiny Committee and Cabinet. To implement the proposed changes to multiple TRO's around the county borough it is estimated to take approximately 4 years with current resources. This increase in proposed staffing levels will help reduce this timeframe.	92
Economy & Environment	Infrastructure	Highways Maintenance (Gully Cleansing)	As part of previously approved savings a joint initiative was introduced with Merthyr CBC for Caerphilly CBC to provide gully cleansing for 50% of the time to ensure Merthyr had a gully cleansing function under a Service Level Agreement (SLA). Merthyr CBC subsequently decided that this 50% was not sufficient for them to respond to emergencies etc. in flooding situations and have now withdrawn from the SLA and purchased their own gully machine. This funding is required to maintain Caerphilly CBC with 3 full-time gully machines which are needed particularly during flooding situations.	65
Economy & Environment	Infrastructure	Street Lighting	Increase in energy costs.	45
Economy & Environment	Various	Various	Establishment of budget to support Remembrance Day events.	35
Economy & Environment	Director	Director	Bank Charges and Audit Fee recharges budget realignment.	58
Economy & Environment	Public Protection	Licensing	Additional post to assist with increasing workloads in relation to alcohol licensing applications, temporary event notices and major changes to taxi legislation and conditions of licensing. Currently the service is unable to progress any Licensing Policy developments and other required changes as all officers' time is committed to applications, Hearings, and day-to-day operational matters. The proposed additional post will help to address these issues.	34
Economy & Environment	Public Protection	Trading Standards	2 new Fair Trading Officer posts to assist with a significant increase in criminal activity in relation to doorstep crime/rogue traders, illicit tobacco, scrap metal dealers and illegal dog breeding linked to organised crime groups. Officers currently cannot investigate every offence reported and are having to prioritise the most serious cases.	88
Economy & Environment	Public Protection	Food Team	The demands upon this Environmental Health Team are significant with reactive responses to incidents and outbreaks regularly diverting resource away from important programmed work such as food and health & safety inspections of high risk premises. The Covid-19 response has left a large backlog of food safety and health and safety work due to the entire team being redeployed to respond to the pandemic since March 2020. The response to the pandemic is likely to continue for some time, but has also exposed the need to strengthen this team. It is proposed that 2 new Environmental Health Officer posts are established to address the range of pressures faced by the team.	109
Economy & Environment	Public Protection	Health Div. Admin	Re-introduction of Secretary/Office Manager post to remove many of the administrative burdens from Officers to release them to focus on managing core operational and technical functions.	39
Economy & Environment	Public Protection	Enforcement	Increased enforcement due to Covid-19 and enviro-crime requires 2 new Environmental Health Officer posts and a Technical post to be established. These additional posts will provide the necessary resources to deal with the increase in service requests for the General Team and will enable EHOs to devote more time to the more significant public health cases.	116

General Fund Inescapable Service Pressures and Proposed New Investments

Directorate	Service Division	Service Area	Description	£000's
Economy & Environment	Public Protection	Community Safety	Anti-Social Behaviour work has increased in recent years with regular Dispersal Orders in place across the county borough to target tasking priorities that Community Safety Wardens (CSWs) work on jointly with the Police and in support of partners. There are currently 8 CSWs (6 permanent and 2 fixed-term). It is proposed that the number of CSWs is increased to 10 FTEs by making the 2 fixed-term roles permanent and recruiting to 2 new permanent roles.	137
Economy & Environment	Public Protection	Community Safety	In response to the increasing demand for Anti-Social Behaviour work it is proposed to increase the current staffing establishment with one additional Community Safety Officer (CSO). Due to the increased workload of the team arising from additional statutory duties, there is a need for an additional CSO to cover all aspects of the Community Safety agenda, including partnership tasking, problem-solving, and the ASB 4 strike process, for example. This post would also support the Senior Community Safety Officer and the local and regional Community Safety Partnership, focus on the new serious violence duty that will soon be in place and assist with organised crime work.	48
Economy & Environment	Public Protection	Emergency Planning	In response to the increasing number of risks and threats it is proposed that a Senior Emergency Planning Officer role is established which will increase the core establishment from 2 to 3. This will provide greater resilience in terms of the Council's preparedness and response to incidents and emergencies and ensure that the organisation fulfils its responsibilities under the Civil Contingencies Act and commitment to the Local Resilience Forum.	54
Economy & Environment	Regeneration	Regeneration	The launch of the Community Renewal Fund and Levelling Up Fund has opened up bids to UK Government directly to Local Authorities across the UK and it is anticipated that this model will be replicated for the Shared Prosperity Fund when this is launched. This new model of delivery dictated by UK Government, requires local authorities to undertake functions previously conducted by WEFO, specifically that of sifting, assessing and monitoring of successful bids made by third parties to these programmes. In addition the Welsh Government Transforming Towns programme provides the opportunity for local authorities to bid for monies towards large capital projects in town centres. Several key projects are currently funded through this mechanism and the Council is seeking to benefit from this funding source in years to come. There will be a requirement for detailed project management and monitoring to fulfil conditions associated with these grant awards and there is a critical need to increase staff resource. It is therefore proposed that a new Project Officer post is established within the Business Enterprise & Renewal Team.	48
Economy & Environment	Regeneration	Regeneration	An improved understanding across the UK has emerged in terms of the key role that our town centres play at the heart of our communities and their role in sustaining and helping to stimulate the local economy. Funding schemes both at a Welsh and UK Government level are now being actively targeted at the regeneration, renewal and repurposing of town and urban centres. There is now a renewed need to increase the staff resource dedicated to town centre development and promotion and to implement the new model of town centre management being piloted with a key focus on delivering business events and enhancing stakeholder engagement in the five principal town centres in the county borough. It is therefore proposed to establish 2 new Town Centre Support Officer roles to provide the staffing capacity required.	88

General Fund Inescapable Service Pressures and Proposed New Investments

Directorate	Service Division	Service Area	Description	£000's
Economy & Environment	Regeneration	Regeneration	The first stage of economic recovery saw the Business Enterprise & Renewal Team deliver over £5m of Welsh Government and Council emergency funding to help protect the local economy using staff from other service areas within the department whose roles were curtailed due to the pandemic. As the Council moves to the 'revive' stage of our economic recovery framework the service has an opportunity to support the Welsh Government to deliver new funding programmes aimed at supporting businesses to grow and prosper through local authority grant schemes. There are over 4,000 businesses located in the county borough with a small number that are relationship managed by Welsh Government. Furthermore, in 2020 there were 741 start-up businesses created in the county borough which creates a demand for business help and support. To respond to the additional pressure on the service area the team requires additional resource and it is therefore proposed that a new Business Support Officer role is established.	44
Sub-Total: -				1,599
Social Services	Adult and Children's Services	All	It is proposed that budgetary growth of £6.166m should be set aside for the 2022/23 financial year in respect of cost pressures in Social Services. This funding is required to meet the cost of pledges in respect of the Real Living Wage, underlying increases in demand across a range of service areas, and for other legacy costs linked to the ongoing Covid-19 pandemic. The funding will be held corporately in the first instance and released to Social Services budgets in-year once specific funding requirements have been evidenced.	5,715
Sub-Total: -				5,715
Miscellaneous Finance	Miscellaneous Finance	Other	Reduction in employer NI rebates for the Tusker Green Auto Salary Sacrifice (GASS) Scheme.	16
Miscellaneous Finance	Miscellaneous Finance	Levies Upon the Council	8.9% increase in the budget for contributions to the Glamorgan Archives Service.	4
Miscellaneous Finance	Miscellaneous Finance	Levies Upon the Council	7.7% increase in the budget for contributions to the Gwent Archives Service.	5
Miscellaneous Finance	Miscellaneous Finance	Levies Upon the Council	12.8% increase in the budget for contributions to the Gwent Coroner Service. This uplift includes provision for a new full-time area coroner to deal with an increase in the volume of cases and the need to address a significant backlog in inquest hearings.	25
Miscellaneous Finance	Miscellaneous Finance	Private Finance Initiative (PFI)	Adjustment required to reflect the net reduction in the Provisional Financial Settlement of £202k in relation to the tapering of WG funding for PFI Schemes.	(202)
Miscellaneous Finance	Miscellaneous Finance	City Deal	The City Deal includes a borrowing requirement for the ten partner Local Authorities and an additional revenue budget of £62k is required for 2022/23 to meet the current anticipated cost for Caerphilly CBC's share of potential borrowing that may be undertaken during the year.	62
Miscellaneous Finance	Miscellaneous Finance	City Deal	There is a small increase of £7k required for 2022/23 in respect of the revenue contribution for the City Deal Partnership.	7
Sub-Total: -				(82)
TOTAL: -				8,946

APPENDIX 3

MOVEMENT ON GENERAL FUND

	£'000	£'000
Opening Balance 01/04/2021		21,312
2021/22 Proposed Use of Balances in lieu of Council Tax Surplus		(1,050)
Take From General Fund Previously Agreed by Council: -		
Covid-19 Reserve Top-up to £3.5m		(1,042)
Digital Transformation		(1,481)
IT Support for Transformation Programme		(500)
Local Development Plan (LDP)		(134)
Ash Die Back		(750)
Lawns and Ty Du (cost overruns)		(262)
Targeted Rate Relief		(225)
Community Co-ordinators		(227)
Cleaning & Greening		(1,000)
Decarbonisation Strategy		(500)
Regeneration Project Board		(1,000)
Licence to Innovate		(200)
Apprenticeship Scheme		(500)
Newbridge Leisure Centre fitness equipment		(200)
Equipment for Fleet and Vehicle Maintenance		(210)
Bedwas Leisure Centre - Replacement of ATP with 3G		(235)
2021/22 in-year impact of APT&C Pay Award @ 1.75%		(391)
2021/22 in-year impact of Teachers Pay @ 1.75%		(358)
		(9,215)
Current General Fund Balance		11,047
Net Take to General Fund from Projected 2021/22 Outturn:-		
Education & Lifelong Learning		194
Social Services		3,145
Economy & Environment		25
Corporate Services		47
Miscellaneous Finance		1,108
		4,519
Proposed Use of Balances in lieu of Council Tax Surplus to Support 2022/23 Budget		(1,050)
Projected Balance 31/03/2022		14,516

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APPENDIX 4

CAPITAL PROGRAMME 2022/23 to 2024/25

Scheme	2022/23 £000's	2023/24 £000's	2024/25 £000's
<u>Education and Lifelong Learning</u>			
Health & Safety Regulations Works	296	296	296
Basic Needs Accommodation	221	221	221
School Security	150	62	62
School Asset Management	420	590	590
School Boiler Replacement Programme	335	253	253
Total Education & Lifelong Learning	1,422	1,422	1,422
<u>Economy & Environment</u>			
Sport Pitches	30	30	30
Total Community & Leisure Services	30	30	30
Environmental Schemes	200	200	200
Total Countryside	200	200	200
Community Enterprise Fund Grants	80	80	80
Town Centres	18	18	18
Total Economic Regeneration	98	98	98
Infrastructure Retaining Walls	314	314	314
Street Lighting	50	50	50
Land Purchase-Future Schemes	40	40	40
Major Highway Reconstruction	739	739	739
Bridge Strengthening	441	441	441
Land Drainage- Corporate	123	123	123
Land Drainage - Non Corporate	123	123	123
Vehicle Restraint Systems	148	148	148
Corporate Maintenance - Tips Mines Spoils	246	246	246
Monmouth & Brecon Canal.	200	200	200
Footway Reconstruction	148	148	148
Total Infrastructure	2,572	2,572	2,572
CCTV Replacement	74	74	74
Kitchen Refurbishments	419	419	419
Total Public Protection	493	493	493
Corporate Asset Management	690	690	690
Total Property	690	690	690

Total Economy & Environment	4,083	4,083	4,083
<u>Social Services & Housing</u>			
Condition Surveys	340	340	340
Total Social Services	340	340	340
Disabled Facility Grants	1,133	1,133	1,133
Home Imp Grants/Miscellaneous	246	246	246
Home Repair Grant	788	788	788
Total Private Housing	2,167	2,167	2,167
Total Social Services & Housing	2,507	2,507	2,507
<u>Corporate Services</u>			
IT Hardware & Software	200	200	200
Total ICT	200	200	200
Total Corporate Services	200	200	200
Corporate Projects	1,809	1,809	1,456
Total Capital Programme	10,021	10,021	9,668

Updated Medium-Term Financial Plan

Description	2022/23 £000s	2023/24 £000s	2024/25 £000s
Increase in Aggregate External Finance (8.58%, 3.16%, 2.17%)	25,086	10,032	7,106
Increase in Council Tax (1.9%, 2.5%, 2.5%)	1,759	2,260	2,326
2022/23 Savings Proposals	356	-	-
Total Funding to Support Budget	27,201	12,291	9,433
Schools Cost Pressures			
Teachers Pay Award (3% in September 2022 then 2% per annum)	2,389	2,058	1,742
APT&C Pay Award (3% in April 2022 then 2% per annum)	441	287	296
Teachers - NI Increase (1.25% from April 2022)	1,058	0	0
APT&C - NI Increase (1.25% from April 2022)	176	0	0
APT&C - Increase in Employer Pension Contributions (1% per annum)	141	146	151
Living Wage	50	50	50
Non Pay Inflation (4%, 2.5%, 2%)	909	591	485
Schools Service Pressures	612	827	753
Total Schools Cost Pressures	5,775	3,960	3,476
General Fund Services Inflationary Cost Pressures and Transfers In			
APT&C Pay Award (3% in April 2022 then 2% per annum)	4,352	2,697	2,751
APT&C NI Increase (1.25% from April 2022)	1,273	0	0
APT&C - Increase in Employer Pension Contributions (1% per annum)	1,017	1,027	1,037
Living Wage	218	218	218
Non-Pay Inflation (4%, 2.5%, 2%)	5,936	4,520	3,952
Non-Pay Inflation (Fees and Charges) - (4%, 2.5%, 2%)	(614)	(399)	(327)
Transfer into the Settlement (Social Care Workforce and Sustainability Grant)	297	0	0
Total General Fund Services Inflationary Cost Pressures and Transfers In	12,479	8,063	7,631
General Fund Inescapable Service Pressures/Proposed New Investments			
Council Tax Reduction Scheme (CTRS) Additional Liability	0	401	411
Corporate Services	1,374	575	72
Education & Lifelong Learning	341	105	21
Economy & Environment	1,599	1,539	90
Social Services	5,715	3,135	1,566
Miscellaneous Finance	51	0	0
Other Passported Grants (PFI)	(202)	(202)	(202)
City Deal (Partnership Revenue Contribution)	7	7	8
City Deal (Debt Charges)	62	389	436
Total Inescapable Service Pressures/Proposed New Investments	8,946	5,950	2,402
Annual Shortfall	0	5,682	4,077
Cumulative Shortfall	0	5,682	9,759

Gadewir y dudalen hon yn wag yn fwriadol



SPECIAL COUNCIL – 24TH FEBRUARY 2022

SUBJECT: COUNCIL TAX SETTING RESOLUTION 2022/23

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

- 1.1 In accordance with the requirements of the Local Government Act 1992 (as amended) the attached resolutions are submitted for consideration along with the recommendation that they be approved.
- 1.2 Members should note that the precept for the Police and Crime Commissioner for Gwent is subject to final ratification at the meeting of the Gwent Police and Crime Panel on the 18th February 2022. However, the proposed precept is not expected to change.
- 1.3 Council is asked to approve the Council Tax Resolutions for the 2022/23 financial year.

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Appendix Council Tax Setting Resolution 2022/23.

Gadewir y dudalen hon yn wag yn fwriadol



SPECIAL COUNCIL – 24TH FEBRUARY 2022

SUBJECT: COUNCIL TAX SETTING RESOLUTION 2022/23

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

RESOLUTIONS

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

- That it be noted that at its meeting on the 8th December 2021 the Cabinet calculated the following amounts for the year 2022/2023 in accordance with regulations made under Section 33(5) of The Local Government Finance Act 1992 and powers granted under The Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007 (as amended).

(a) **61,062.71** Being the amount calculated by the Cabinet, in accordance with Regulation (3) of The Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995 (as amended), as its council tax base for the year.

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

	<u>No. of D Band</u>
	<u>Equivalent Properties</u>
Aber Valley	2,016.21
Argoed	871.94
Bargoed	3,694.09
Bedwas, Trethomas & Machen	3,948.40
Blackwood	2,972.91
Caerphilly	6,293.38
Darren Valley	714.21
Draethen, Waterloo & Rudry	619.91
Gelligaer	6,285.34

	<u>Tax Base</u>
	<u>No. of D Band</u>
	<u>Equivalent Properties</u>
Llanbradach & Pwllypant	1,501.97
Maesycwmmer	905.37
Nelson	1,595.45
New Tredegar	1,338.76
Penyrheol, Trecenydd & Energlyn	4,516.18
Rhymney	2,551.88
Risca East	2,040.30
Risca West	1,813.84
Van	1,652.77
Remainder	<u>15,729.80</u>
Total	<u>61,062.71</u>

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

2. That the following amounts be now calculated by the Council for the year 2022/2023 in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992:-

- (a) £395,072,587 *being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (d) of the Act;*
- (b) £1,050,000 *being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) (a), (aa) and (c) of the Act;*
- (c) £394,950,653 *being the amount by which the aggregate at (2)(a) above exceeds the aggregate at (2)(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year;*
- (d) £317,453,001 *being the aggregate of the sums which the Council estimates will be payable for the year into its council fund in respect of redistributed non-domestic rates, revenue support grant, an authority's council tax reduction scheme or additional grant;*
- (e) £1,269.15 *being the amount at (2)(c) above less the amount at (2)(d) above, all be divided by the amount at (1)(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year;*
- (f) £928,066 *being the aggregate amount of all special items referred to in section 34(1) of the Act;*
- (g) £1,253.95 *being the amount at (2)(e) above less the result given by dividing the amount at (2)(f) above by the amount at (1)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates;*

(h) Part of the Council's Area

	Local Precept £	County Borough Levy £	Total County Borough & Community Council Band D Charge £
Aber Valley	19.84	1,253.95	1,273.79
Argoed	15.50	1,253.95	1,269.45
Bargoed	40.49	1,253.95	1,294.44
Bedwas, Trethomas & Machen	25.77	1,253.95	1,279.72
Blackwood	20.00	1,253.95	1,273.95
Caerphilly	15.50	1,253.95	1,269.45
Darren Valley	18.17	1,253.95	1,272.12
Draethen, Waterloo & Rudry	32.26	1,253.95	1,286.21
Gelligaer	21.13	1,253.95	1,275.08
Llanbradach & Pwllypant	23.12	1,253.95	1,277.07
Maesycwmmer	20.21	1,253.95	1,274.16
Nelson	18.18	1,253.95	1,272.13
New Tredegar	12.64	1,253.95	1,266.59
Penyrheol, Trecenydd & Energlyn	14.22	1,253.95	1,268.17
Rhymney	13.72	1,253.95	1,267.67
Risca East	12.00	1,253.95	1,265.95
Risca West	27.79	1,253.95	1,281.74
Van	16.55	1,253.95	1,270.50
Remainder	0.00	1,253.95	1,253.95

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

(i)

Valuation Bands	A 6.00	B 7.00	C 8.00	D 9.00	E 11.00	F 13.00	G 15.00	H 18.00	I 21.00
Valuation Bands	A £	B £	C £	D £	E £	F £	G £	H £	I £
County Borough Council	835.97	975.29	1,114.62	1,253.95	1,532.61	1,811.26	2,089.92	2,507.90	2,925.88
Community Councils									
Aber Valley	13.23	15.43	17.64	19.84	24.25	28.66	33.07	39.68	46.29
Argoed	10.33	12.06	13.78	15.50	18.94	22.39	25.83	31.00	36.17
Bargoed	26.99	31.49	35.99	40.49	49.49	58.49	67.48	80.98	94.48
Bedwas, Trethomas & Machen	17.18	20.04	22.91	25.77	31.50	37.22	42.95	51.54	60.13
Blackwood	13.33	15.56	17.78	20.00	24.44	28.89	33.33	40.00	46.67
Caerphilly	10.33	12.06	13.78	15.50	18.94	22.39	25.83	31.00	36.17
Darren Valley	12.11	14.13	16.15	18.17	22.21	26.25	30.28	36.34	42.40
Draethen, Waterloo & Rudyr	21.51	25.09	28.68	32.26	39.43	46.60	53.77	64.52	75.27
Gelligaer	14.09	16.43	18.78	21.13	25.83	30.52	35.22	42.26	49.30
Llanbradach & Pwllypant	15.41	17.98	20.55	23.12	28.26	33.40	38.53	46.24	53.95
Maesycwmmer	13.47	15.72	17.96	20.21	24.70	29.19	33.68	40.42	47.16
Nelson	12.12	14.14	16.16	18.18	22.22	26.26	30.30	36.36	42.42
New Tredegar	8.43	9.83	11.24	12.64	15.45	18.26	21.07	25.28	29.49
Peny rheol, Trecenydd & Energlyn	9.48	11.06	12.64	14.22	17.38	20.54	23.70	28.44	33.18
Rhymney	9.15	10.67	12.20	13.72	16.77	19.82	22.87	27.44	32.01
Risca East	8.00	9.33	10.67	12.00	14.67	17.33	20.00	24.00	28.00
Risca West	18.53	21.61	24.70	27.79	33.97	40.14	46.32	55.58	64.84
Van	11.03	12.87	14.71	16.55	20.23	23.91	27.58	33.10	38.62
Remainder	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Valuation Bands	A £	B £	C £	D £	E £	F £	G £	H £	I £
Totals For Community Council Areas									
Aber Valley	849.20	990.72	1,132.26	1,273.79	1,556.86	1,839.92	2,122.99	2,547.58	2,972.17
Argoed	846.30	987.35	1,128.40	1,269.45	1,551.55	1,833.65	2,115.75	2,538.90	2,962.05
Bargoed	862.96	1,006.78	1,150.61	1,294.44	1,582.10	1,869.75	2,157.40	2,588.88	3,020.36
Bedwas, Trethomas & Machen	853.15	995.33	1,137.53	1,279.72	1,564.11	1,848.48	2,132.87	2,559.44	2,986.01
Blackwood	849.30	990.85	1,132.40	1,273.95	1,557.05	1,840.15	2,123.25	2,547.90	2,972.55
Caerphilly	846.30	987.35	1,128.40	1,269.45	1,551.55	1,833.65	2,115.75	2,538.90	2,962.05
Darren Valley	848.08	989.42	1,130.77	1,272.12	1,554.82	1,837.51	2,120.20	2,544.24	2,968.28
Draethen, Waterloo & Rudyr	857.48	1,000.38	1,143.30	1,286.21	1,572.04	1,857.86	2,143.69	2,572.42	3,001.15
Gelligaer	850.06	991.72	1,133.40	1,275.08	1,558.44	1,841.78	2,125.14	2,550.16	2,975.18
Llanbradach & Pwllypant	851.38	993.27	1,135.17	1,277.07	1,560.87	1,844.66	2,128.45	2,554.14	2,979.83
Maesycwmmer	849.44	991.01	1,132.58	1,274.16	1,557.31	1,840.45	2,123.60	2,548.32	2,973.04
Nelson	848.09	989.43	1,130.78	1,272.13	1,554.83	1,837.52	2,120.22	2,544.26	2,968.30
New Tredegar	844.40	985.12	1,125.86	1,266.59	1,548.06	1,829.52	2,110.99	2,533.18	2,955.37
Peny rheol, Trecenydd & Energlyn	845.45	986.35	1,127.26	1,268.17	1,549.99	1,831.80	2,113.62	2,536.34	2,959.06
Rhymney	845.12	985.96	1,126.82	1,267.67	1,549.38	1,831.08	2,112.79	2,535.34	2,957.89
Risca East	843.97	984.62	1,125.29	1,265.95	1,547.28	1,828.59	2,109.92	2,531.90	2,953.88
Risca West	854.50	996.90	1,139.32	1,281.74	1,566.58	1,851.40	2,136.24	2,563.48	2,990.72
Van	847.00	988.16	1,129.33	1,270.50	1,552.84	1,835.17	2,117.50	2,541.00	2,964.50
Remainder	835.97	975.29	1,114.62	1,253.95	1,532.61	1,811.26	2,089.92	2,507.90	2,925.88

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

the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

3. That it be noted that for the year 2022/2023 the major precepting authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

<u>Valuation Bands</u>	A £	B £	C £	D £	E £	F £	G £	H £	I £
Precepting Authority									
Police and Crime Commissioner for Gwent	202.53	236.29	270.04	303.80	371.31	438.82	506.33	607.60	708.87

4. That having calculated the aggregate in each case of the amounts at (2)(i) and (3) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts of Council Tax for the year 2022/2023 for each of the categories of dwellings shown below:-

<u>Valuation Bands</u>	A £	B £	C £	D £	E £	F £	G £	H £	I £
Aber Valley	1,051.73	1,227.01	1,402.30	1,577.59	1,928.17	2,278.74	2,629.32	3,155.18	3,681.04
Argoed	1,048.83	1,223.64	1,398.44	1,573.25	1,922.86	2,272.47	2,622.08	3,146.50	3,670.92
Bargoed	1,065.49	1,243.07	1,420.65	1,598.24	1,953.41	2,308.57	2,663.73	3,196.48	3,729.23
Bedwas, Trethomas & Machen	1,055.68	1,231.62	1,407.57	1,583.52	1,935.42	2,287.30	2,639.20	3,167.04	3,694.88
Blackwood	1,051.83	1,227.14	1,402.44	1,577.75	1,928.36	2,278.97	2,629.58	3,155.50	3,681.42
Caerphilly	1,048.83	1,223.64	1,398.44	1,573.25	1,922.86	2,272.47	2,622.08	3,146.50	3,670.92
Darren Valley	1,050.61	1,225.71	1,400.81	1,575.92	1,926.13	2,276.33	2,626.53	3,151.84	3,677.15
Draethen, Waterloo & Rudyr	1,060.01	1,236.67	1,413.34	1,590.01	1,943.35	2,296.68	2,650.02	3,180.02	3,710.02
Gelligaer	1,052.59	1,228.01	1,403.44	1,578.88	1,929.75	2,280.60	2,631.47	3,157.76	3,684.05
Llanbradach & Pwllypant	1,053.91	1,229.56	1,405.21	1,580.87	1,932.18	2,283.48	2,634.78	3,161.74	3,688.70
Maesycwmmer	1,051.97	1,227.30	1,402.62	1,577.96	1,928.62	2,279.27	2,629.93	3,155.92	3,681.91
Nelson	1,050.62	1,225.72	1,400.82	1,575.93	1,926.14	2,276.34	2,626.55	3,151.86	3,677.17
New Tredegar	1,046.93	1,221.41	1,395.90	1,570.39	1,919.37	2,268.34	2,617.32	3,140.78	3,664.24
Peny rheol, Trecenydd & Energlyn	1,047.98	1,222.64	1,397.30	1,571.97	1,921.30	2,270.62	2,619.95	3,143.94	3,667.93
Rhymney	1,047.65	1,222.25	1,396.86	1,571.47	1,920.69	2,269.90	2,619.12	3,142.94	3,666.76
Risca East	1,046.50	1,220.91	1,395.33	1,569.75	1,918.59	2,267.41	2,616.25	3,139.50	3,662.75
Risca West	1,057.03	1,233.19	1,409.36	1,585.54	1,937.89	2,290.22	2,642.57	3,171.08	3,699.59
Van	1,049.53	1,224.45	1,399.37	1,574.30	1,924.15	2,273.99	2,623.83	3,148.60	3,673.37
Remainder	1,038.50	1,211.58	1,384.66	1,557.75	1,903.92	2,250.08	2,596.25	3,115.50	3,634.75

Gadewir y dudalen hon yn wag yn fwriadol