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County Hall
Rhadyr
Usk
NP15 1GA

Wednesday, 27 February 2019

Notice of meeting

County Council

Thursday, 7th March, 2019 at 2.00 pm,
Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA

AGENDA

Prayers will be said prior to the Council meeting at 1.55pm. All members are welcome to join the Chairman for prayers should they wish to do.

Item No	Item	Pages
1.	**Apologies for absence**	
2.	**Declarations of interest**	
3.	**Public Questions**	
4.	**Chairman's announcement and receipt of petitions**	1 - 2
5.	**Notices of Motion:**	
5.1.	**From County Councillor D. Batrouni** That this Council notes and welcomes the Welsh government's announcement to increase its capital grant to 65% - or 75% if the school has an additional learning needs or pupil referral unit – for the 21st century school programme. Further notes that the Mutual Investment Model's (MIM) intervention rate has been increased to 81% if that option is chosen. Therefore, the Labour group asks the Tory administration to bring forward the rebuilding of Chepstow Comprehensive school, so the families and young people of Chepstow get a 21st century school sooner than currently planned.	
6.	**Members Questions:**	
6.1.	**From County Councillor P. Pavia to County Councillor S. Jones** Given the growing digital divide in our county, can the Cabinet Member update us on the rollout of the Superfast Cymru project and what the council itself is	

	doing to address the issue of digital deprivation?	
6.2.	**From County Councillor P. Pavia to County Councillor P. Fox** In light of the recent report published by the Wales Audit Office into Brexit preparedness of public sector organisations, can the Leader provide an update into the measures the authority is taking to prepare our county for Britain's exit from the European Union?	
6.3.	**From County Councillor P. Pavia to County Councillor P. Fox** Following the publication of the Welsh Transport Appraisal Guidance (WelTAG) Stage 1 for the A48 Chepstow, can the Leader provide an update on the progress the authority is making to jointly commission WelTAG Stage 2?	
6.4.	**From County Councillor L. Jones to County Councillor R. John** Would the Cabinet Member for Education make a statement on the results of 2018/19 national categorisation?	
7.	**County Councillor R. John - Statement on childcare provision in Monmouthshire**	
8.	**Report of the Head of Legal Services/Monitoring Officer:**	
8.1.	**Appointment of Standards Committee Independent Members**	
9.	**Reports of the Chief Officer for Resources:**	
9.1.	**Treasury Management Strategy 2019/20**	3 - 40
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11.	**To confirm the minutes of the meeting held on 17th January 2019**	59 - 66
12.	**To confirm the minutes of the extraordinary meeting held on 21st February 2019**	67 - 72

Paul Matthews

Chief Executive / Prif Weithredwr

MONMOUTHSHIRE COUNTY COUNCIL
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:

P. Clarke
D. Batrouni
J.Becker
D. Blakebrough
L.Brown
A.Davies
D. Dovey
L.Dymock
A. Easson
R. Edwards
D. Evans
M.Feakins
P.A. Fox
R.J.W. Greenland
M.Groucutt
L. Guppy
R. Harris
J. Higginson
G. Howard
S. Howarth
R.John
D. Jones
L.Jones
P. Jones
S. Jones
S.B. Jones
P. Jordan
M.Lane
P. Murphy
P.Pavia
M. Powell
J.Pratt
R.Roden
V. Smith
B. Strong
F. Taylor
T.Thomas
J.Treharne
J.Watkins
A. Watts
A. Webb
K. Williams
S. Woodhouse

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Aims and Values of Monmouthshire County Council

Our purpose

Building Sustainable and Resilient Communities

Objectives we are working towards

- Giving people the best possible start in life
- A thriving and connected county
- Maximise the Potential of the natural and built environment
- Lifelong well-being
- A future focused council

Our Values

Openness. We are open and honest. People have the chance to get involved in decisions that affect them, tell us what matters and do things for themselves/their communities. If we cannot do something to help, we'll say so; if it will take a while to get the answer we'll explain why; if we can't answer immediately we'll try to connect you to the people who can help – building trust and engagement is a key foundation.

Fairness. We provide fair chances, to help people and communities thrive. If something does not seem fair, we will listen and help explain why. We will always try to treat everyone fairly and consistently. We cannot always make everyone happy, but will commit to listening and explaining why we did what we did.

Flexibility. We will continue to change and be flexible to enable delivery of the most effective and efficient services. This means a genuine commitment to working with everyone to embrace new ways of working.

Teamwork. We will work with you and our partners to support and inspire everyone to get involved so we can achieve great things together. We don't see ourselves as the 'fixers' or problem-solvers, but we will make the best of the ideas, assets and resources available to make sure we do the things that most positively impact our people and places.

CHAIRMAN'S REPORT
19th December – 26th February

Wednesday 19th December ***11.30 a.m.***	***Monmouthshire County Council Carol Service*** ***County Hall, Usk***
Thursday 20th December 7 p.m.	Evening of Music for Christmas Caldicot School, Mill Lane, Caldicot
Friday 21st December 9 a.m.	Assembly and Presentation King Henry VIII School, Abergavenny
Friday 21st December 1 p.m.	Annual Awards Ceremony for Post 16 students Caldicot School, Mill Lane, Caldicot
Thursday 10th January ***11 a.m.***	***Citizenship Ceremony*** ***Registrar's Office, Usk***
Wednesday 16th January 7 p.m.	School Production of 'Anything Goes' Monmouth Comprehensive School
Thursday 24th January 12 – 2 p.m.	VIP Tour of Foxhunters Care Community Foxhunters, Iberis Road, Llanfoist
Friday 25th January 11 a.m.	Wales National Commemoration of Holocaust Memorial Day City Hall, Cardiff
Friday 1st February 7 p.m.	Gwent Young Farmers Entertainments Competition – Abergavenny, Crucorney, Raglan and USK YFC Dolman Theatre, Newport
Saturday 2nd February 7 p.m.	Gwent Young Farmers Entertainments Competition – Bedwas, Wentwood YFC Dolman Theatre, Newport
Saturday 9th February 11.30 a.m.	Undy AFC Ground Official Opening Event and Match The Causeway, Undy
Tuesday 12th February 7 p.m.	Musical Concert in aid of Mayor's Charity The Chase Hotel, Ross on Wye
Monday 18th February 2.15 p.m.	Funeral of Joy Robson Trinity Methodist Church, Glasllwch Lane, Rogerstone
Saturday 23rd February 6.15 p.m.	Gwent & Powys Army Cadet Force – 22nd Rorke's Drift Concert Andrew Lamont Gallery, Theatre Brycheiniog, Brecon
Tuesday 26th February 7 p.m.	Gwent Music Youth Jazz Orchestra Concert Whiteheads Sport and Social Club, Park View, Bassaleg, Newport

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monmouthshire county council sir fynwy

REPORT

SUBJECT:	**Treasury Policy and Strategy Report 2019/20**
DIRECTORATE:	**Resources**
MEETING:	**Council**
DATE:	**21st February 2019**
DIVISION/WARDS AFFECTED: Countywide	

1. PURPOSE:

1.1 To agree the 2019-20 Treasury policy and strategic framework for officers to follow. This is to ensure that an appropriate level of care is taken of the Authority's funds and that a prudent budget is set to cover these activities.

2. RECOMMENDATIONS:

2.1 That Council approves the following reports endorsed by Audit Committee on the 31st January 2019

- the proposed Treasury Management and Minimum Revenue Provision Policy Statement for 2019/20 (Appendix 1);and
- the proposed Treasury Management Strategy 2019/20 (Appendix 2) including the Investment & Borrowing Strategies

2.2 That Council agrees that Audit Committee should continue to review the Council's treasury activities on behalf of the Council by receiving & scrutinising the mid-year report and year-end report and also scrutinising the Treasury Policy & Strategy before passing to Council for approval.

2.3 The Council agrees that although the Treasury Indicators will continue to be a part of the Treasury Strategy, the Prudential Indicators will be presented directly to full Council with the Capital Strategy.

3 BACKGROUND:

3.1 The Treasury Strategy proposals and recommendations went to Audit Committee on the 31st January 2019. Audit Committee debated its content and provided the following feedback, to assist with Strategy development ultimately volunteered to Council.

3.2 A member asked if older long term debt incurring higher interest charges could be restructured to shorter term or newer debt incurring lower interest charges. Opportunities to restructure debt are periodically reviewed by Arlingclose, the Authority's treasury advisors. Due to an increase in PWLB borrowing rates by 1% following the Government's October 2010 spending review, this has not been economically beneficial for some time as a prohibitive premium would have to be incurred up front when restructuring.

3.3 A member asked if fixed rate debt was indexed. The majority of the Authority's debt is fixed rate and not indexed. The Authority has £13.6m of PWLB variable rate debt, the rate of which is adjusted by H M Treasury to reflect its short term borrowing costs every 6 months.

3.4 A member asked about the effects of Brexit. It was commented that the main issue for the Authority's treasury position was the uncertainty and volatility which the process is creating in money markets and the economy.

3.5 A number of new codes of practice, regulations and guidance notes have been issued recently or are in the process of being drafted. There are a number of actions resulting from these which are likely to impact upon Treasury management considerations including:

- Preparation of a capital strategy for the Council to tie together related strategies as required by the revised prudential code.
- Reference within the Capital Strategy of the management of non-treasury investments and the control of the associated risks in line with the requirements of the revised treasury management code. A property investment Strategy has already been produced.
- Reviewing the mechanism which approve reports relating to treasury matters.
- Reporting 19/20's prudential indicators more widely than just the Treasury Strategy. (It is proposed to include in final budget report to Council).

3.6 So far in 2018/19, the Authority has invested £1 million in one mixed asset class pooled fund, the Kames fund. This proposal was presented to the November 2018 Audit Committee. A second investment of £1 million is expected to be made shortly. These 2 funds over the 5 years to September 18 yielded an average of 4.5% income return and 5.5% total return per annum so are attractive, with the income return typically being steady. They do however not have their capital values guaranteed. Capital values can and do fluctuate up and down. Cumulative capital gains could be negative at the end of 2018/19. This is the reason that these investments are entered into with the intention of holding them for 3-5 years. It is believed over this period that cumulative capital gains will be positive. It is the intention of the Authority to use an earmarked reserve at year end to absorb some/all of these capital gains and losses to smooth out the effect of these capital movements on the revenue account, if desirable when closing the annual accounts for 2018/19.

4 Treasury Management Policy Statement and Treasury Management Strategy

4.1 The Council or its delegated body (Audit Committee) must receive as a minimum a semi-annual report and an annual report after its close on treasury management activities. This condition continues to be met by existing practices

4.2 Similarly the Treasury management strategy is traditionally considered by Audit Committee and volunteered to full Council for approval. The Code now requires that full Council also approve annually an Investment Strategy. It is proposed to subsume the Investment strategy within the Treasury strategy, and continue for Audit Committee to review proposals and endorse or otherwise the Strategy for approval by full Council. Appendix 2 contains the Councils detailed proposed investment strategy.

4.3 Overall responsibility for treasury management remains with the Full Council. In application, that body delegates the execution and administration of treasury management decisions to the Head of Finance (S151 officer) or deputy who will act in accordance with the treasury management policy statement (appendix 1) and treasury management practices and CIPFA's Standard of Professional Practice on treasury management.

4.4 As stated in the treasury management policy statement, the Council adopts the key recommendations of CIPFA's Code of Practice for Treasury Management in the Public Services (the "Code") (as revised in 2017) which is designed to provide effective control of the risks of treasury management activities, prioritising security and liquidity of investments above yield. It includes the requirement for a number of treasury management indicators.

4.5 The Council also adheres to the Prudential Code for Capital Finance in Local Authorities (as revised in 2011) which outlines requirements for the manner in which capital spending plans are to be considered and approved. Authorities are required to demonstrate value for money when borrowing in advance of need and ensure the security of such funds. The Prudential Code further requires the Council to set a number of prudential indicators which can be reported either through the Treasury report or as part of the capital budget consideration. The Council will report such through the report that agrees the annual budget.

4.6 The revised Prudential Code and Treasury Management Code were issued in December 2018. The LA (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018 came into force in March 2018. Changes required as a result, are being incorporated into the relevant revised strategies.

Considerations influencing the strategy

4.7 The limits proposed in the 2019/20 treasury strategy have not changed significantly from the 2018/19 strategy which means that most of our investments will be limited to £2 million per counterparty – see the table 'Approved Investment counterparties & Limits' in Appendix 2 para 5.6 onwards. The counterparty rating limits and investment maturities in this table are ultimate limits and are further informed by bespoke periodic advice from our treasury advisers as to sustainability and financial robustness of specific counterparties.

4.8 The section on External context within the treasury strategy in Appendix 2, Section 2 explains the backdrop which has been considered when setting the limits for borrowing & investing. These include:

- The effect of the Brexit process on Sterling, GDP and UK growth & the likelihood that European banks may create UK subsidiaries to trade in the UK.
- The increase in Bank of England interest rate up to 0.75% with further increases forecast over the coming years.
- CPI (Consumer Price index) is now 2.4%, higher than this time last year.
- The big four UK banks have now separated their retail banking functions from their Investment banking activities during 2018. The retail element being "ring-fenced" to protect retail investors.
- The Authority has chosen to take Professional status under the MifID II regulations, which came into force on the 3rd January 18, with its counterparties and other financial institutions.
- Money market funds which the Authority uses to hold a lot of its overnight cash are gradually moving from CNAV (constant net asset value) to LVNAV (Low volatility net asset value). It is believed that this will not have a significant effect on the Authority.

Annual Minimum Revenue Provision (MRP) Policy Statement

4.9 The annual Minimum Revenue Provision is the mechanism used for spreading the capital expenditure financed by borrowing over the years to which benefit is provided. Regulations state that the authority must calculate for the current financial year an amount of minimum revenue provision which it considers to be prudent. In addition there is the requirement for an Annual Minimum Revenue Provision Policy Statement to be drafted and submitted to full Council. This is attached in Appendix 1, Section 4.

4.10 Additionally Welsh Government is consulting on changes to MRP guidance, this may have an impact upon treasury practice longer term but requirements have not yet been confirmed to influence 2019-20 Treasury Strategy.

5. REASONS:

5.1 The Authority is required to produce a treasury management policy and strategy and an annual investment strategy in order to comply with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code").

5.2 The Authority is required to produce an MRP policy statement in order to comply with the Local Authorities (Capital Finance and Accounting) (Wales) Regulations, last amended in 2009.

6. RESOURCE IMPLICATIONS:

6.1 In summary, the Treasury Policy and Strategy remains very similar to previous years, such that the Council remains a net borrower, and utilises internal resources to reduce net borrowing costs, known as internal borrowing.

6.2 It also favours short term recurrent borrowing over longer term fixed rates, given the disparity between short and longer term rates still. Interest rates are anticipated to rise slightly over next year, and the Treasury team is increasingly looking towards advantageous longer term fixed rate deals to keep the loans portfolio diverse and minimise interest rate exposure risk.

6.3 Current treasury activity as at end of December 2018 is also provided in Appendix 4, to illustrate to Members extent of current loans and investments.

6.4 The medium-term treasury budgets contained within the 2019-20 revenue budget proposals to be presented to Council in March 2019, were constructed in accordance with the strategy documents appended to this report. Consequently there are no additional resource implications directly arising from this report.

The Council's Treasury budgets for the next 4 years are illustratively

Subjective Classification	Indicative Base Budget 2019/20	Indicative Base Budget 2020/21	Indicative Base Budget 2021/22	Indicative Base Budget 2022/23
Interest and Investment Income	(205,300)	(206,300)	(206,300)	(208,300)
Interest Payable and Similar Charges	3,397,995	3,409,995	3,478,995	3,475,995
Contributions to Earmarked Reserves	444,378	63,000	63,000	63,000
Contributions from Earmarked Reserves	(534,835)	(95,507)	(218,038)	(88,038)
Charges required under Regulation (MRP)	4,479,760	4,636,760	4,531,760	4,765,760
Fixed Asset Disposal Costs	107,833	0	0	0
Evidence based pressure and virement from services	95,000	95,000	95,000	95,000
Total Appropriations	**7,784,831**	**7,902,948**	**7,744,417**	**8,103,417**

6.5 However there are some key future financial risks on medium-term treasury budgets concerning:

- There remains reliance on utilising capital receipts in the year when predicted, which introduces the potential need to temporarily borrow and add to Council costs if those receipts don't come in in the timeframe volunteered.
- The capital medium term financial plan for 2019/20 has been shared with members as part of the capital budget setting process which won't conclude until late February. Should additions be required funded from borrowing, then Treasury figures and consequences on capital financing requirement and external borrowing requirement would need to be recast.
- The strategy continues to recommend that the chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. Traditionally this has resulted in Treasury staff undertaking short term recurrent borrowing as short term rates are still more cost effective than equivalent fixed longer term opportunities. It is anticipated that borrowing rates will rise over the next year, and as such this balance will be monitored regularly in order to decide whether to instead borrow additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

- It should be noted that as a result of the expenditure plans of the Authority and the forecasts for interest rates in the future, that borrowing costs are expected to rise in the medium/long term. As far as the forecast increased can be predicted they are allowed for in the medium term financial plan.

7 EQUALITY IMPACT ASSESSMENT:

There is no equality impact arising directly from this report.

8 SUSTAINABLE DEVELOPMENT IMPLICATIONS:

None

9 BACKGROUND PAPERS:

Appendix 1 – Treasury Management & Minimum Revenue Provision (MRP) Policy Statement 2019/20

Appendix 2 – Treasury Management Strategy Statement 2019/20 including the Investment & Borrowing Strategies

Appendix 3 – Arlingclose Economic & Interest Rate Forecast December 2018

Appendix 4 – Existing Investment & Debt Portfolio Position

Appendix 5 – Glossary of terms (Arlingclose)

10. AUTHORS:

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Appendix 1

TREASURY MANAGEMENT POLICY STATEMENT 2019/20

1 INTRODUCTION AND BACKGROUND

1.1 The Council is required by law to have regard to CIPFA's Treasury Management in the Public Services: Code of Practice 2017 (The Code)...

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

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

1.3 The revised code allows the Audit Committee to approve the treasury strategy providing the Authority produces a capital strategy, while being clear that overall responsibility remains with full council. Full Council is required to approve the investment strategy which is currently included in the same document as the treasury policy and treasury strategy so the combined document will continue to be approved by full Council in the current year.

1.4 The Council delegates responsibility for the implementation, monitoring and scrutiny of its treasury management policy, strategy and practices to the Audit Committee and for the execution and administration of treasury management decisions to the Head of Finance (S151 officer), who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.5 As a minimum, the Audit Committee will receive reports on its treasury management policies, practices and activities including, an annual strategy and plan in advance of the year, and a semi-annual report, mid year and an annual report after its close.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

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

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management."

As CIPFA states the policy statement should also include the Council's high level policies for borrowing and investments:

2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk, refinancing risk and budgetary risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

3. Approach to Risk Management

3.1 This section identifies the risks that the Council faces as a result of it undertaking treasury management activities.

Liquidity risk
Credit (or counterparty) risk
Interest rate risk
Inflation rate risk
Exchange rate risk
Market risk
Refinancing risk
Procedural risk
Legal and regulatory risk

The Council manages these down to an acceptable level within the regulatory framework through the consideration and application of its treasury strategy and appropriate monitoring against agreed treasury & prudential indicators and limits.

4. MRP Policy Statement 2019/20

4.1 The Welsh Government's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Welsh Ministers and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

4.2 Authorities are permitted discretion in terms of the charge levied, albeit within certain parameters. A "prudent" period of time for debt repayment is defined as being one which reflects the period over which the associated capital expenditure provides benefits.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

Note: This does not preclude other prudent methods.

MRP in 2019/20:

4.3 Options 1 and 2 can only be used for supported Non-HRA capital expenditure funded from borrowing (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government). Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Authority chooses).

4.4 The MRP Statement will be submitted to Council before the start of the 2019/20 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Authority at that time.

MRP on Supported Borrowing funded Expenditure

4.5 The Authority's policy is to apply Option 3 in respect of supported capital expenditure funded from borrowing. A report received by Council on 17th November 2016 approved this change to 2% straight line, asset life basis.

MRP on Unsupported Borrowing funded Expenditure

4.6 The Authority's policy is to apply Option 3 in respect of unsupported capital expenditure funded from borrowing. The MRP is calculated on an annuity basis within the asset life method, whereby the MRP element increases over time to reflect a consistent charge over the assets life taking into account the real value of money.

MRP in respect of leases and PFI

4.7 MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the CIPFA Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

The 2019/20 budget proposals reflect these 3 positions.

Appendix 2- Treasury Management Strategy Statement 2019/20

1. Introduction

1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

1.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code). Providing full Council has approved a Capital Strategy, the CIPFA code allows a delegated Audit Committee to approve a treasury management strategy before the start of each financial year. In addition, the Welsh Government (WG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Authority's full Council to approve an investment strategy before the start of each financial year. By being scrutinised by Audit Committee and then approved by full Council, this report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.

1.3 **Revised strategy:** In accordance with the WG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Authority's capital programme or in the level of its investment balance.

2. External Context

2.1 **Economic background:** The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20.

2.2 UK Consumer Price Inflation (CPI) for October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

2.3 The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around

1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

2.4 Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.

2.5 While US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Markets continued to expect one more rate rise in December, but expectations are fading that the further hikes previously expected in 2019 will materialise as concerns over trade wars drag on economic activity.

2.6 **Credit outlook:** The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

2.7 The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

2.8 European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

2.9 **Interest rate forecast:** Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

2.10 The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. Whilst assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a “no deal” Brexit still hangs over economic activity *(at the time of writing this commentary in January).* As such, the risks to the interest rate forecast are considered firmly to the downside.

2.11 Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose’s interest rate projections, due to the strength of the US economy and the ECB’s forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix 3.

2.12 For the purpose of setting the 2019/20 budget, it has been assumed that new investments will attract an average rate of interest of 1.30%, that new short term loans will be borrowed at an average of 1.08% and as an example of long term rates, a new 20 year PWLB annuity loan would be borrowed at 1.92%.

3. Local Context

3.1 On 31st December 2018, the Authority held £159.8m of borrowing and £16.7m of investments. This is set out in further detail at Appendix 4. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority’s current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

Table 1: Balance sheet summary and forecast

	31.3.18 Actual £m	31.3.19 Estimate £m	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m
General Fund CFR	146.1	175.8	196.8	202.1	210.9	209.5
Less: Other debt liabilities *	-1.8	-2.5	-2.5	-2.5	-2.5	-2.5
Loans CFR	**144.3**	**173.3**	**194.3**	**209.7**	**208.4**	**207.1**
Less: Existing External borrowing undertaken (debt)**	-129.0	-111.4	-89.7	-70.2	-62.3	-60.6
Internal borrowing requirement	**15.3**	**61.9**	**104.6**	**139.5**	**146.1**	**146.5**
Less: Usable reserves	-18.2	-16.4	-20.9	-26.7	-27.3	-27.1
Less: Working capital	-14.2	-14.2	-14.2	-14.2	-14.2	-14.2
Net New External borrowing requirement/ (Investments)	**(17.1)**	**31.4**	**69.5**	**98.6**	**104.6**	**105.2**

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

** shows only loans to which the Authority is committed and excludes optional refinancing

3.3 The Authority will be required to borrow up to £105m over the forecast period above due to the rising CFR and also due to maturing debt. The Authority has an increasing CFR due to annual capital programmes, including £50m of Property Investments (which whilst increasing CFR is expected to be afforded by additional income). £52m of short term loans held at 31st March 2018 will need to be refinanced as well as other current loans maturing later in the forecast period.

Table 2: Summary Comparison of Capital Financing Requirement against Borrowing Anticipation

Loans CFR	**144.3**	**173.3**	**194.3**	**209.7**	**208.4**	**207.1**
Anticipated debt levels (existing external borrowing levels +net new external borrowing requirement)	**111.9**	**142.8**	**159.2**	**168.8**	**166.9**	**165.8**

3.4 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. Table 2 shows that the Authority expects to comply with this recommendation during 2019/20.

3.5 Liability benchmark: To show this information in a different way, a liability benchmark has been calculated showing the lowest level of borrowing required to meet the capital programme. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept at £10m at each year-end to comply with the requirements of a professional investor under Mifid (Markets in Financial Instruments Directive) II.

Table 3: Liability benchmark

	31.3.18 Actual £m	31.3.19 Estimate £m	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m
CFR	144.3	173.3	194.3	209.7	208.4	207.1
Less: Usable reserves	-18.2	-16.4	-20.9	-26.7	-27.3	-27.1
Less: Working capital	-14.2	-14.2	-14.2	-14.2	-14.2	-14.2
Plus: Actual/ Target level of Investments	17.1	10.0	10.0	10.0	10.0	10.0
Liability Benchmark	**129.0**	**152.8**	**169.2**	**178.8**	**176.9**	**175.8**

4 Borrowing Strategy

4.1 As mentioned in para 3.1, the Authority held £159.8 million of loans at 31st December 2018, an increase of £30.8 million from 31st March 2018, as part of its strategy for funding previous years' capital programmes. Table 2 shows that the Authority expects its gross borrowing level to fall to £152.8m at 31st March 2019 and then rise again to £169.2m by 31st March 2019 to allow £10m of investments to be maintained.

4.2 The balance sheet forecast in table 1 shows that the Authority anticipates needing £69.5m of loans at 31st March 2020 that it did not hold at the 31st March 2018. Some of this amount relates to existing short term loans which may need to be replaced more than once during that 2 year period. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £224.4 million.

4.3 **Objectives:** The Authority's chief 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.

4.4 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to aim for a balance between addressing the key issue of affordability and compromising the longer-term stability of the debt portfolio. With short-term interest rates remain 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. A roughly equal balance of long and short term debt is, at the time of writing, taken as the right balance to maintain sufficient long term stability.

4.5 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring long term borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this ‘cost of carry’ and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.6 Alternatively, the Authority may arrange forward starting loans during 2019/20, 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.

4.7 In addition, the Authority may borrow further short-term loans to cover unplanned cash flow shortages.

4.8 Appropriate Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Greater Gwent Pension Fund)
- capital market bond investors
- Special purpose companies created to enable local authority bond issues
- CSC Foundry Ltd

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

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- the MIMs (Mutual Investment Model) being developed by Welsh Government

4.10 The Authority has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.

4.11 **LOBOs:** The Authority holds £13.6m of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOs have options during

2019/20, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Short term borrowing would be taken out as an interim solution, followed by a long term solution in line with the borrowing strategy above.

4.12 **Short-term and variable rate loans**: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

4.13 Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

5 Investment Strategy

5.1 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. From 1st April to 31st December 2018, the Authority's average investment balance was £18m, ranging between £7 and £35 million. The Authority is committed to holding a minimum of £10m as mentioned above due to the Mifid II regulation. Fluctuations above that, from a monthly cycle of + £10m/- £0m and unexpected income are difficult to avoid increasing investment levels. The treasury team aim to keep balances above £20m to a minimum. This is sometimes difficult to avoid if borrowing is taken out to coincide with a specific project or to take advantage of a good rates. When balances do go above £20m, longer term investments are sort to minimise the impact on the bottom line.

5.2 Objectives: Both the CIPFA Code and the WG 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. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

5.3 Negative interest rates: If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

5.4 Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to continue to diversify into higher yielding asset classes during 2019/20 by using pooled funds. This is especially the case for the estimated £10m that is available for longer-term investment due to the Mifid II regulations. The remainder of the Authority's surplus cash remains invested in short-term unsecured bank deposits, certificates of deposit, with other Local Authorities, the Debt Management Office and money market funds. This diversification builds on the changes started in Q4 of 2018/19.

5.5 **Business models:** Under the new 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 the majority of 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 with the income appearing as a credit in the Surplus or Deficit on Provision of Services (SDPS). The newer pooled fund investments will be held on balance sheet at Fair Value. The movements in Fair Value as well as dividend income are most likely to be seen as a credit or debit to the SDPS. An alternative treatment option is being assessed.

5.6 **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 4 below, subject to the cash limits (per counterparty) and the time limits shown. Any formal recommendations received from the Authority's treasury advisors which places additional restrictions on certain counterparties in terms of eligibility or duration of Investments will supersede the limits set below. Any Investments with a maturity of more than one year are classed in WG Guidance as "Non Specified" so explicit approval must be obtained from the S151 Officer or Deputy or more senior line manager and also the Authority's treasury advisors, before being made.

Table 4: Approved investment counterparties and limits

Counterparty / Instrument	Instrument Limit of Portfolio	Counterparty Limit of Portfolio	Country Limit	Other Limits	Maturity Limit
UK Central Government including Debt Mgt deposit facility, Gilts and T Bills.	100%	100%	N/A	N/A	50 Years
Any investment with UK Local Authorities * (irrespective of credit rating)	75%	The higher of £2m or 10% of total investments (at the time of deposit)	N/A	NA	2 Years
'Unsecured' investments with Banks, Building Societies, Other Organisations and Securities whose lowest published rating from Fitch, Moody's and S&P's is (A-) As above but (A) As above but (A+)	75% of total investments at the time of deposit For Non-UK 50% of total investment at the time of deposit	Upper limit of £2m. An additional £1m can be held in the Authority's bank current account to cover the total of credit	£4m per foreign country	Limit for negotiable instruments held in Brokers nominee accounts: the lower of 50% or £10m per	6 months 13 months 2 years

		balances		Broker	
Secured Investments with Banks, Building Societies, Other Organisations and Securities, (including Re-po's) whose lowest published rating from Fitch, Moody's and S&P's is (A-) As above but (A) or (A+)	75% of total investments at the time of deposit (both secured and unsecured) For Non-UK 50% of total investments at the time of deposit (both secured and unsecured)	£4m per counterparty (both secured and unsecured)	£4m per foreign country for all investm ent types	N/A	13 months 2 years
Deposits with unrated UK Building Societies which have been assessed by our Treasury advisers as comparable with the Building Societies that have an A- credit rating or higher	25% of total investments	£1m per Counterparty	UK only	N/A	6 months
Money Market Funds with a Constant Net Asset Value (CNAV) or Low Volatility NAV if assessed by our Treasury advisers as being of high credit worthiness	50% of total investments at the time of deposit increased to 75% if total investments is £10m or less	The lower of £2m and 10% of investments rounded up to next £0.5m; not exceeding 0.50% of MMF size or 2% for Government MMFs	N/A	N/A	N/A
Pooled funds & Real Estate Investment Trusts (REITS) without credit ratings which are not classed as capital expenditure - if assessed by our Treasury advisers as a suitable investment for a L. A. and as being managed in a way which is consistent with the objectives of the fund	£6m total investment at the time of deposit	£2m per fund	N/A	N/A	N/A

Investments with UK Registered Providers (e.g. Housing Associations) where the lowest published credit rating is A- or higher	£4m of total investments at the time of deposit.	£2m per issuer	N/A	N/A	5 years

* unless advised against lending by our Treasury Advisors

5.7 **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.

5.8 **Banks unsecured:** Accounts, 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. See below for arrangements relating to operational bank accounts.

5.9 **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 higher 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.

5.10 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years. For other Government entities, see table 4.

5.11 **Corporates:** (See Secured and Unsecured investments in Table 4). 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 either following an external credit assessment or to a maximum of £1,000,000 per company as part of a diversified pool in order to spread the risk widely.

5.12 **Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

5.13 Pooled funds: Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares, property and some minority holdings such as derivatives. 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. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods. Where more than one fund is managed by the same organisation, the limits per counterparty will be applied to all investments in that organisation's funds unless advice is obtained to support an adequate degree of differentiation in approach between funds to reduce correlation between those funds to a similar level as funds in different organisations.

5.14 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.

5.15 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.

5.16 Operational bank accounts: The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £50,000 per bank. 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.

5.17 Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, 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.

5.18 **Other information on the security of investments**: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

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

5.20 **Investment limits**: The Authority's revenue reserves available to cover investment losses are forecast to be £13.3 million on 31st March 2019. In order that no more than 31% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) is £4.0 million for secured investments or £2.0 million for unsecured investments to banks & building societies. These levels are considered prudent. (See Table 4) A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits have also been placed on investments in brokers' nominee accounts and countries. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

5.21 **Liquidity management**: The Authority is a net borrower and does not have an overdraft set up due to the high cost to do so. The Authority therefore uses a detailed excel cash flow forecasting spreadsheet for the current financial year to determine the maximum period for which funds may prudently be invested and the time at which the Authority will need to borrow either long or short term in order to have sufficient liquid cash to make the payments required. This is backed up by a second excel cashflow model showing the net cashflow movements expected per year based on the medium term financial plan. The aim of short term liquidity management is to borrow only when the need arises and therefore to minimise net borrowing costs while still having sufficient free cash to fund required payments. The amount of investments, with duration over one day, held at any one time is a balance between increased returns and the time taken/ dealing costs of identifying and implementing those investments.

5.22 The revised Treasury Management Code requires the Authority to put in place an Investment Strategy for the management and control of the risks associated with non Treasury investments in addition to the Treasury investments described above.

This will be outlined and referenced in the proposed new Capital Strategy. The Authority built a solar farm in 2017/18 and purchased Castlegate business park in 2018/19 in addition to the portfolio of investment properties which the Authority has held for a number of decades.

6 Treasury Management Indicators

6.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

6.2 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating / credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	**Target**
Portfolio average credit rating / score	A- / 5.0

6.3 **Interest rate exposures**: The new treasury management code allows the Authority to define its own Interest rate exposure management process and limits. A sensitivity analysis is provided in the Authority's accounts which shows the revenue impact of a 1% rise/fall in interest rates at year end. The indicator below similarly provides the anticipated effect of a 1% rise/fall in interest rates on the revenue account for a year starting 21st Jan 2019 (time of writing). This provides information to the reader about the potential impact of movements in interest rates.

Interest rate risk indicator	
Forecast impact on revenue over the next 12 months of a 1% rise in interest rates	£241,000
Forecast impact on revenue over the next 12 months of a 1% fall in interest rates	-£241,000

6.4 In the medium term financial plan, forecast increases in interest rates have already been taken into account in setting future years' budgets. The sensitivity analysis above indicates the possible value of overspends resulting from further rises in interest rates. As has been previously stated in this report, the Authority aims to strike a balance between saving costs in this/next year and achieving cost certainty in future years by taking out more long term debt. At the time of writing, the medium term forecasts for interest on 3-12 month debt are no higher than the current interest rates on 10-20 year debt so it seems reasonably prudent and cost effective to continue with utilising short term debt. To supplement this prudence, the Treasury team also set a proportionate on net variable rate debt as a percentage of total net debt. As a useful clarification whilst PWLB variable rate debt is 'variable' but 'long term' and LOBO loans can be called in under one year, neither represent an interest rate risk as their rates are above current PWLB maturity loan rates available. Hence they are treated as 'fixed' for the proportionate limit calculation.

Limit on net variable rate debt as a % of total net debt	Forecast £m		Limit £m
	31st Mar 2019	31st Mar 2020	
Variable rate debt	64.2	64.1	
Variable rate investments #	10.0	10.0	
Net variable rate debt	54.2	54.1	
Fixed rate debt	84.9	95.9	
Fixed rate investments	0.0	0.0	
Net fixed rate debt	84.9	95.9	
% net variable rate debt to total net debt	39.0%	36.1%	50%

Investments in pooled funds are excluded as they are only partially interest rate driven.

6.5 The % of net variable rate debt to total net debt is forecast to fall from close to 50% in previous years due to the long term debt taken out/forecast to be taken out to cover the new Property Investments budgeted and also the waste vehicles budgeted.

6.3 **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing risk indicator	Forecast 31st Mar 2019	Lower limit	Upper limit
Under 12 months – LOBO loans	9.1%	0%	60%
Under 12 months – short term loans	32.9%		
Under 12 months – maturing LT loans	1.2%		
12 months and within 24 months – variable rate LT loans	9.1%	0%	20%
12 months and within 24 months – other	3.8%		
24 months and within 5 years	8.1%	0%	40%
5 years and within 10 years	16.0%	0%	30%
10 years and above	20.0%	0%	100%

N.B.Time periods start on the first day of each financial year or the trade date for new loans. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

6.4 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on principal sums invested for more than one year to final maturity dates in each financial year will be:

Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£6m	£6m	£3m

This excludes Pooled funds which although intended to be held for 3 – 5 years can be redeemed at 6 month notice or less, typically, depending on the fund.

7. Related Matters

7.1 The CIPFA Code requires the Authority to include explicitly the following in its treasury management strategy.

- **Financial Derivatives:** In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

- **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 Section 151 officer or deputy believes this to be the most appropriate status.

7.2 A Council must also have regard for any Government Guidance provided. To date Welsh Government has provided the following directions,

Specified investments: The WG Guidance defines specified investments as those:
- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
- the UK Government,
- a UK local authority, parish council or community council, or
- a body or investment scheme of "high credit quality".

Relatedly, 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.

Non-specified investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any treasury investments denominated in foreign currencies nor any defined as capital expenditure. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 5 below.

Table 5: Non-specified investment limits

	Cash limit
Total long-term investments excluding pooled funds	£6m
Total shares in pooled funds excluding Money Market Funds	£6m
Total investments without credit ratings or rated below [A-] (except the UK Government and UK local authorities)	£3m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below [A-]	£0m

N.B. Money market funds are no longer non-specified investments as they are no longer capital expenditure since the 2018 amendment regulations.

7.3 **Investment training:** The needs of the Authority's treasury management staff for training in investment management are assessed on an ongoing basis as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.
Staff attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

7.4 **Investment advisers:** The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is assessed at the contract tender stage by comparing to other market leaders and their historical track record. It is then monitored by on-going interaction with treasury personnel. The Authority maintains the quality of the service from its advisors by holding quarterly meetings and tendering periodically.

7.5 **Investment of money borrowed in advance of need**: The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.
The total amount borrowed will not exceed the authorised borrowing limit of £224.4 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

N.B. This is slightly higher than the highest CFR over the next 3 years £211m. The CFR is lower due to the MRP which is taken off the amounts budgeted to be funded by borrowing to arrive at this figure. The authorised borrowing limit contains contingency to cover such things as unpredictable fluctuations in cash, new projects not in MTFP, capital receipts not materialising, vehicles budgeted to be leased – funded by borrowing

8. Financial Implications

8.1 The budget for investment income in 2019/20 is £205,000, based on an average investment portfolio of £15.8 million at an interest rate of 1.3%. The budget for debt interest paid in 2019/20 is £3.4 million, based on an average debt portfolio of £129.7 million at an average interest rate of 2.6%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

9 Other Options Considered

9.1 The WG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The S151 Officer or Deputy, having consulted the Audit Committee, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategic approaches are considered in the following table, together with their financial and risk management implications.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a

		default; however long-term interest costs may be less certain

Appendix 3 – Arlingclose Economic & Interest Rate Forecast December 2018
Underlying assumptions:

- Our central interest rate forecasts are predicated on there being a transitionary period following the UK's official exit from the EU.

- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.

- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.

- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.

- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.

- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening – previous hikes and heightened expectations will, however, slow economic growth.

- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.

- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitionary period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.17**
Arlingclose Central Case	**0.75**	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.13**
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	**-0.85**
3-mth money market rate														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	**0.17**
Arlingclose Central Case	**0.90**	**0.95**	**1.10**	**1.30**	**1.40**	**1.40**	**1.40**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.27**
Downside risk	-0.20	-0.45	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	**-0.76**
1-yr money market rate														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.33**
Arlingclose Central Case	**1.15**	**1.25**	**1.35**	**1.50**	**1.70**	**1.60**	**1.50**	**1.40**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.40**
Downside risk	-0.35	-0.50	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	**-0.77**
5-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**1.15**	**1.25**	**1.35**	**1.50**	**1.50**	**1.40**	**1.35**	**1.35**	**1.30**	**1.30**	**1.30**	**1.30**	**1.30**	**1.33**
Downside risk	-0.50	-0.60	-0.65	-0.80	-0.80	-0.70	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	**-0.66**
10-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**1.50**	**1.65**	**1.70**	**1.80**	**1.80**	**1.75**	**1.75**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**
Downside risk	-0.55	-0.70	-0.70	-0.80	-0.80	-0.75	-0.75	-0.70	-0.70	-0.70	-0.70	-0.70	-0.70	**-0.71**
20-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**2.00**	**2.10**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.18**
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
50-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**1.90**	**1.95**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**1.99**
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Upside and downside risk is a common convention when reporting investments, returns and interest rate changes being different than predicted. So an upside risk equates to the extent to which/likelihood that the forecasting assumption will be beneficially outperformed by reality. The opposite is true for a downside risk.

Appendix 4 – Existing Investment & Debt Portfolio Position

	31st Dec 2018 **Actual Portfolio £m**	**Average Rate %**
External borrowing:		
Public Works Loan Board – Fixed rate	54.6	4.40
Public Works Loan Board – Variable rate	13.5	0.77
LOBO loans from banks	13.6	4.80
Welsh Government Loans	5.2	0.00
Local authority & other LT Loans	5.9	1.10
Local authority & other ST Loans	67.0	0.69
Total external borrowing	**159.8**	**2.31**
Other long-term liabilities:	**2.5**	NA
Total gross external debt	**162.3**	NA
Treasury investments:		
Banks & building societies (unsecured)	4.7	
Government (incl. local authorities)	8.6	
Money Market Funds	3.4	
Total treasury investments	16.7	0.60
Net debt	145.6	

Appendix 5 – Glossary of Terms (Arlingclose)

See next page

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Glossary of Treasury Terms

Authorised Limit	The affordable borrowing limit determined in compliance with the Local Government Act 2003 (English and Welsh authorities) and the Local Government in Scotland Act 2003. This Prudential Indicator is a statutory limit for total external debt. It is set by the Authority and needs to be consistent with the Authority's plans for capital expenditure financing and funding. The Authorised Limit provides headroom over and above the *Operational Boundary* to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit. (see *Operational Boundary*, below)
Balances and Reserves	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
Bail-in	Refers to the process which the banking regulatory authorities will use to restructure a financial institution which is failing or likely to fail. Unsecured creditors of and investors in that financial institution will participate in its restructure who will, as a consequence, incur a non-recoverable loss (commonly referred to as a 'haircut') on their obligation/investment. Local authority investments with banks and building societies such as term deposits, certificates of deposit, call accounts and non-collateralised bonds are unsecured investments and are therefore vulnerable to bail-in.
Bank Rate	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
Bond	A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of capital assets
Capital Financing Requirement (CFR)	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
Capital growth	Increase in the value of the asset (in the context of a collective investment scheme, it will be the increase in the unit price of the fund)
Capital receipts	Money obtained on the sale of a capital asset.
CIPFA	Chartered Institute of Public Finance and Accountancy
Constant Net Asset Value (CNAV)	Also referred to as Stable Net Asset Value. A term used in relation to the valuation of 1 share in a fund. This means that at all times the value of 1 share is £1/€1/US$1 (depending on the currency of the fund). The Constant NAV is maintained since dividend income (or interest) is either added to the shareholders' account by creating shares equal to the value of interest earned or paid to the shareholder's bank account, depending on which option is selected by the shareholder.
Collective Investment Schemes	Funds in which several investors collectively hold units or shares. The assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'Pooled Funds'). Unit Trusts and Open-Ended Investment Companies are types of collective investment

	schemes / pooled funds.
Corporate Bonds	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Corporate Bond Funds	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
CPI ***Also see RPI***	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
Credit Default Swap (CDS)	A Credit Default Swap is similar to an insurance policy against a credit default. Both the buyer and seller of a CDS are exposed to credit risk. Naked CDS, i.e. one which is not linked to an underlying security, can lead to speculative trading.
Credit Rating	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.
Cost of carry	When a loan is borrowed in advance of requirement, this is the difference between the interest rate and (other associated costs) on the loan and the income earned from investing the cash in the interim.
Credit default swaps	Financial instrument for swapping the risk of debt default; the buyer effectively pays a premium against the risk of default.
Diversification / diversified exposure	The spreading of investments among different types of assets or between markets in order to reduce risk.
Derivatives	Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded 'over the counter'.
ECB	European Central Bank
Federal Reserve	The US central bank. (Often referred to as "the Fed")
Floating Rate Notes	A bond issued by a company where the interest rate paid on the bond changes at set intervals (generally every 3 months). The rate of interest is linked to LIBOR and may therefore increase or decrease at each rate setting
GDP	Gross domestic product – also termed as "growth" in the economy. The value of the national aggregate production of goods and services in the economy.
General Fund	This includes most of the day-to-day spending and income. (All spending and income related to the management and maintenance of the housing stock is kept separately in the HRA).
Gilts (UK Govt)	Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
Housing Revenue Account (HRA)	A ring-fenced account of all housing income and expenditure, required by statute
IFRS	International Financial Reporting Standards

Income Distribution	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a 'dividend'
Investments - **Secured** - **unsecured**	Secured investments which have underlying collateral in the form of assets which can be called upon in the event of default Unsecured investments do not have underlying collateral. Such investments made by local authorities with banks and building societies are at risk of bail-in should the regulator determine that the bank is failing or likely to fail.
Liability Benchmark	Term in CIPFA's Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level (which may be zero).
LOBOs	LOBO stands for 'Lender's Option Borrower's Option'. The underlying loan facility is typically long term and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.
LVNAV (Low Volatilty Net Asset Value)	From 2019 Money Market Funds will have to operate under a variable Net Value Structure with minimal volatility (fluctuations around £1 limited to btween 99.8p to 100.2p)
Maturity	The date when an investment or borrowing is repaid.
Maturity profile	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by-quarter or month-by-month basis.
MiFID II	MiFID II replaced the Markets in Financial Instruments Directive (MiFID I) from 3 January 2018. It is a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.
Money Market Funds (MMF)	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.
Minimum Revenue Provision	An annual provision that the Authority is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets
Non-Specified Investments	Term used in the Communities and Local Government Guidance and Welsh Assembly Guidance for Local Authority Investments. It includes any investment for periods greater than one year or those with bodies that do not have a high credit rating, use of which must be justified.
Net Asset Value (NAV)	A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.
Operational Boundary	This is the limit set by the Authority as its most likely, i.e. prudent, estimate level of external debt, but not the worst case scenario. This limit links directly to the Authority's plans for capital expenditure, the estimates of the Capital Financing Requirement (CFR) and the estimate of cashflow requirements for the year.
Permitted Investments	Term used by Scottish Authorities as those the Authority has formally approved for use.
Pooled funds	See Collective Investment Schemes (above)
Premiums and Discounts	In the context of local authority borrowing, (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the

	discount is the gain arising when a loan is redeemed prior to its maturity date. If on a £1 million loan, it is calculated* that a £100,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,100,000 plus accrued interest. If on a £1 million loan, it is calculated that a £100,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £900,000 plus accrued interest. PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate. *The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.
Private Finance Initiative (PFI)	Private Finance Initiative (PFI) provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. Contracts can typically last for 30 years, during which time the asset is leased by a public authority.
Prudential Code	Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.
Prudential Indicators	Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators between authorities.
PWLB	Public Works Loans Board. It is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
Quantitative Easing	In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It "does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy". Source: Bank of England
Registered Provider of Social Housing	Formerly known as Housing Association
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges
RPI	Retail Prices Index. A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the CPI index.
SORP	Statement of Recommended Practice for Accounting (Code of Practice on

	Local Authority Accounting in the United Kingdom).
Specified Investments	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local authorities and bodies that have a high credit rating.
Supported Borrowing	Borrowing for which the costs are supported by the government or third party.
Supranational Bonds	Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry a AAA rating in their own right. Examples of supranational organisations are those issued by the European Investment Bank, the International Bank for Reconstruction and Development.
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services. The current Code is the edition released in autumn 2011.
Temporary Borrowing	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (interest)
Unsupported Borrowing	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
Usable Reserves	Resources available to finance future revenue and capital expenditure
Variable Net Asset Value (VNAV)	A term used in relation to the valuation of 1 share in a fund. This means that the net asset value (NAV) of these funds is calculated daily based on market prices.
Working Capital	Timing differences between income/expenditure and receipts/payments
Yield	The measure of the return on an investment instrument

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REPORT

SUBJECT:	**COUNCIL TAX RESOLUTION 2019/20 and REVENUE AND CAPITAL BUDGETS FOR 2019/20**
DIRECTORATE:	**Resources**
MEETING:	**Council**
DATE:	**7th March 2019**
DIVISION/WARDS AFFECTED:	**All**

1. PURPOSE

1.1 The Council is bound by Statute to specific timescales for Council Tax setting and is also required to make certain defined resolutions. The recommendations that form the major part of this report are designed to comply with those Statutory Provisions.

1.2 The recommended resolutions also draw together the Council Tax implications of precepts proposed by the Office of Police and Crime Commissioner for Gwent and Town and Community Councils, thereby enabling the County Council to establish its headline Council Tax levels at the various property bands within each Town or Community area.

2. RECOMMENDATIONS

2.1 It is recommended that the revenue and capital estimates for the year 2019/20 as attached in Appendix 1 and 2 be approved.

2.2 It is recommended it be noted that, at its meeting on 20th February 2019, Cabinet calculated the amounts set out below for the year 2019/20 in accordance with sections 32 and 33 of the Local Government Finance Act 1992 ("the Act").

For information, sections 32 and 33 of the 1992 Act have been extensively amended by Schedule 12 to the Local Government (Wales) Act 1994. Both are further amended by the Local Authorities (Alteration of Requisite Calculations) (Wales) Regulations 2002 (the "2002 regulations") and The Local Authorities (Alteration of Requisite Calculations) (Wales) Regulations 2013. Section 33 is further amended by the Local Government Reorganisation (Calculation of Basic Amount of Council Tax) (Wales) Order 1996. All necessary legislative and statutory amendments have been taken into account in calculating the following amounts: -

(a) 46,096.27 being the amount calculated by the Council, in accordance with Section 33 of the Act and The Regulations (as amended by Regulations 1999 no. 2935), as its Council Tax base for the year;

(b) Part of the Council's Area, being the amounts calculated by the Council, in accordance with Section 34 of the Act, as the amounts of its Council Tax base for the year for dwellings in those parts of the area to which one or more special items relate:

Community	**Council Tax Base for 2019/20**	**Community**	**Council Tax Base for 2019/20**
Abergavenny	4,917.55	Llanhennock	295.98
Caerwent	1,128.11	Llanover	813.86
Caldicot	3,957.66	Llantillio Croesenny	459.91
Chepstow	5,494.71	Llantillio Pertholey	1,642.19
Crucorney	755.04	Llantrissant Fawr	269.28
Devauden	648.26	Magor with Undy	2,886.90
Goetre Fawr	1,260.52	Mathern	611.57
Grosmont	516.04	Mitchell Troy	741.73
Gwehelog Fawr	294.80	Monmouth	5,263.83
Llanarth	495.41	Portskewett	1,059.19
Llanbadoc	468.68	Raglan	1,085.12
Llanelly Hill	1,986.90	Rogiet	747.07
Llanfoist Fawr	1,975.46	Shirenewton	766.18
Llangattock Vibon Abel	671.69	St.Arvans	467.67
Llangwm	272.66	Tintern	502.78
Llangybi	549.92	Trellech	1,713.80
		Usk	1,375.80
		Total	**46,096.27**

It is recommended that Council resolves:

2.3 That the following amounts be now calculated by the Council for the year 2019/20 in accordance with Sections 32 to 36 of the Act and sections 47 and 49 of the Local Government Finance Act 1988 (as amended):

(a) £156,568,357 being the aggregate of the amounts the Council estimates for the items set out in Section 32(2) (a) to (d) of the Act less the aggregate of the amounts the Council estimates for the items set out in Section 32 (3) (a) and (c) of the Act calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year

(b) £93,229,134 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 and revenue support grant in accordance with Section 33 (3)

(c) £6,000 being the cost to the authority of discretionary non-domestic rate relief anticipated to be granted (under sections 47 and 49 of the Local Government Finance Act 1988 , as amended)

(d) £1,374.19 being the amount at 2.3(a) and 2.3(c) above less the amount at 2.3(b) above, all divided by the amount at 2.2(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

(e) £2,699,126 being the aggregate amount of all special items referred to in Section 34 of the Act (Town and Community Precepts)

(f) £1,315.64 being the amount at 2.3(d) above less the result given by dividing the amount at 2.3(e) above by the amount at 2.2(a) above calculated by the Council in accordance with Section 34(2) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of the area to which no special item relates.

(g) Part of the Council's Area, being 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 amounts at 2.2(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 the area to which one or more special items relate:

Community Council	Precept Band D Equivalent £'s	Community Council	Precept Band D Equivalent £'s
Abergavenny	76.10	Llanover	15.36
Caerwent	49.64	Llantillio Croesenny	13.05
Caldicot	97.67	Llantillio Pertholey	29.41
Chepstow	102.11	Llantrissant Fawr	19.31
Crucorney	19.22	Magor with Undy	69.47
Devauden	12.59	Mathern	32.70
Goetre Fawr	24.99	Mitchell Troy	18.87
Grosmont	14.15	Monmouth	73.77
Gwehelog Fawr	15.26	Portskewett	29.74
Llanarth	14.13	Raglan	35.05
Llanbadoc	30.31	Rogiet	66.78
Llanelly Hill	46.36	Shirenewton	28.39
Llanfoist Fawr	32.90	St.Arvans	25.59
Llangattock Vibon Abel	13.85	Tintern	32.54
Llangwm	20.17	Trellech	20.42
Llangybi	20.00	Usk	105.87
Llanhennock	20.81		

(h) The County Council Area, being the amounts given by multiplying the amount at 2.3(f) 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 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.

Council Tax Band	A	B	C	D	E	F	G	H	I
Proportion	6	7	8	9	11	13	15	18	21
Council Tax Charge	877.09	1,023.28	1,169.46	1,315.64	1,608.00	1,900.37	2,192.73	2,631.28	3,069.83

(i) Part of the Council's Area, being the amounts given by multiplying the amounts at 2.3(g) and 2.3(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 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: -

County Council plus Town/Community Council

	A	B	C	D	E	F	G	H	I
Abergavenny	927.82	1,082.47	1,237.10	1,391.74	1,701.01	2,010.29	2,319.56	2,783.48	3,247.40
Caerwent	910.18	1,061.89	1,213.58	1,365.28	1,668.67	1,972.07	2,275.46	2,730.56	3,185.66
Caldicot	942.20	1,099.25	1,256.28	1,413.31	1,727.37	2,041.45	2,355.51	2,826.62	3,297.73
Chepstow	945.16	1,102.70	1,260.22	1,417.75	1,732.80	2,047.86	2,362.91	2,835.50	3,308.09
Crucorney	889.90	1,038.23	1,186.54	1,334.86	1,631.49	1,928.13	2,224.76	2,669.72	3,114.68
Devauden	885.48	1,033.07	1,180.65	1,328.23	1,623.39	1,918.56	2,213.71	2,656.46	3,099.21
Goetre	893.75	1,042.72	1,191.67	1,340.63	1,638.54	1,936.47	2,234.38	2,681.26	3,128.14
Grosmont	886.52	1,034.29	1,182.04	1,329.79	1,625.29	1,920.81	2,216.31	2,659.58	3,102.85
Gwehelog	887.26	1,035.15	1,183.02	1,330.90	1,626.65	1,922.41	2,218.16	2,661.80	3,105.44
Llanarth	886.51	1,034.27	1,182.02	1,329.77	1,625.27	1,920.78	2,216.28	2,659.54	3,102.80
Llanbadoc	897.30	1,046.85	1,196.40	1,345.95	1,645.05	1,944.15	2,243.25	2,691.90	3,140.55
Llanelly Hill	908.00	1,059.34	1,210.67	1,362.00	1,664.66	1,967.33	2,270.00	2,724.00	3,178.00
Llanfoist	899.02	1,048.87	1,198.70	1,348.54	1,648.21	1,947.89	2,247.56	2,697.08	3,146.60
Llangattock V A	886.32	1,034.05	1,181.77	1,329.49	1,624.93	1,920.38	2,215.81	2,658.98	3,102.15
Llangwm	890.54	1,038.97	1,187.39	1,335.81	1,632.65	1,929.50	2,226.35	2,671.62	3,116.89
Llangybi	890.42	1,038.84	1,187.24	1,335.64	1,632.44	1,929.26	2,226.06	2,671.28	3,116.50
Llanhennock	890.96	1,039.47	1,187.96	1,336.45	1,633.43	1,930.43	2,227.41	2,672.90	3,118.39
Llanover	887.33	1,035.23	1,183.11	1,331.00	1,626.77	1,922.56	2,218.33	2,662.00	3,105.67
Llantillio Croess	885.79	1,033.43	1,181.06	1,328.69	1,623.95	1,919.22	2,214.48	2,657.38	3,100.28
Llantillio Pertholey	896.70	1,046.15	1,195.60	1,345.05	1,643.95	1,942.85	2,241.75	2,690.10	3,138.45
Llantrissant	889.96	1,038.30	1,186.62	1,334.95	1,631.60	1,928.26	2,224.91	2,669.90	3,114.89
Magor with Undy	923.40	1,077.31	1,231.21	1,385.11	1,692.91	2,000.72	2,308.51	2,770.22	3,231.93

Mathern	898.89	1,048.71	1,198.53	1,348.34	1,647.97	1,947.60	2,247.23	2,696.68	3,146.13
Mitchell Troy	889.67	1,037.96	1,186.23	1,334.51	1,631.06	1,927.63	2,224.18	2,669.02	3,113.86
Monmouth	926.27	1,080.66	1,235.03	1,389.41	1,698.16	2,006.93	2,315.68	2,778.82	3,241.96
Portskewett	896.92	1,046.41	1,195.90	1,345.38	1,644.35	1,943.33	2,242.30	2,690.76	3,139.22
Raglan	900.46	1,050.54	1,200.62	1,350.69	1,650.84	1,951.00	2,251.15	2,701.38	3,151.61
Rogiet	921.61	1,075.22	1,228.82	1,382.42	1,689.62	1,996.83	2,304.03	2,764.84	3,225.65
Shirenewton	896.02	1,045.36	1,194.70	1,344.03	1,642.70	1,941.38	2,240.05	2,688.06	3,136.07
St. Arvans	894.15	1,043.18	1,192.21	1,341.23	1,639.28	1,937.33	2,235.38	2,682.46	3,129.54
Tintern	898.78	1,048.59	1,198.38	1,348.18	1,647.77	1,947.37	2,246.96	2,696.36	3,145.76
Trelech	890.70	1,039.16	1,187.61	1,336.06	1,632.96	1,929.87	2,226.76	2,672.12	3,117.48
Usk	947.67	1,105.62	1,263.57	1,421.51	1,737.40	2,053.29	2,369.18	2,843.02	3,316.86

2.4 That it be noted for the year 2019/20 that the Office of Police and Crime Commissioner for Gwent has proposed, pending conclusion of the full scrutiny process, the following amounts in precepts issued to the Council, in accordance with Section 40 of the Act, for each of the dwellings shown above: -

Council Tax Band	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Proportion	6	7	8	9	11	13	15	18	21
Council Tax Charge	170.35	198.75	227.14	255.53	312.31	369.10	425.88	511.06	596.24

2.5 That, having calculated the aggregate in each case of the amounts at 2.3(i) and 2.4 above, the Council, in accordance with Section 30(2) of the Act, hereby sets the following amounts as the amounts of Council Tax for the year 2019/20 for each of the categories of dwellings shown below: -

County Council plus Town/Community Council plus Police and Crime Commissioner

	A	B	C	D	E	F	G	H	I
Abergavenny	1,098.17	1,281.22	1,464.24	1,647.27	2,013.32	2,379.39	2,745.44	3,294.54	3,843.64
Caerwent	1,080.53	1,260.64	1,440.72	1,620.81	1,980.98	2,341.17	2,701.34	3,241.62	3,781.90
Caldicot	1,112.55	1,298.00	1,483.42	1,668.84	2,039.68	2,410.55	2,781.39	3,337.68	3,893.97
Chepstow	1,115.51	1,301.45	1,487.36	1,673.28	2,045.11	2,416.96	2,788.79	3,346.56	3,904.33
Crucorney	1,060.25	1,236.98	1,413.68	1,590.39	1,943.80	2,297.23	2,650.64	3,180.78	3,710.92
Devauden	1,055.83	1,231.82	1,407.79	1,583.76	1,935.70	2,287.66	2,639.59	3,167.52	3,695.45
Goetre	1,064.10	1,241.47	1,418.81	1,596.16	1,950.85	2,305.57	2,660.26	3,192.32	3,724.38
Grosmont	1,056.87	1,233.04	1,409.18	1,585.32	1,937.60	2,289.91	2,642.19	3,170.64	3,699.09
Gwehelog	1,057.61	1,233.90	1,410.16	1,586.43	1,938.96	2,291.51	2,644.04	3,172.86	3,701.68
Llanarth	1,056.86	1,233.02	1,409.16	1,585.30	1,937.58	2,289.88	2,642.16	3,170.60	3,699.04
Llanbadoc	1,067.65	1,245.60	1,423.54	1,601.48	1,957.36	2,313.25	2,669.13	3,202.96	3,736.79
Llanelly Hill	1,078.35	1,258.09	1,437.81	1,617.53	1,976.97	2,336.43	2,695.88	3,235.06	3,774.24
Llanfoist	1,069.37	1,247.62	1,425.84	1,604.07	1,960.52	2,316.99	2,673.44	3,208.14	3,742.84
Llangattock V A	1,056.67	1,232.80	1,408.91	1,585.02	1,937.24	2,289.48	2,641.69	3,170.04	3,698.39
Llangwm	1,060.89	1,237.72	1,414.53	1,591.34	1,944.96	2,298.60	2,652.23	3,182.68	3,713.13
Llangybi	1,060.77	1,237.59	1,414.38	1,591.17	1,944.75	2,298.36	2,651.94	3,182.34	3,712.74
Llanhennock	1,061.31	1,238.22	1,415.10	1,591.98	1,945.74	2,299.53	2,653.29	3,183.96	3,714.63
Llanover	1,057.68	1,233.98	1,410.25	1,586.53	1,939.08	2,291.66	2,644.21	3,173.06	3,701.91
Llantillio Croess	1,056.14	1,232.18	1,408.20	1,584.22	1,936.26	2,288.32	2,640.36	3,168.44	3,696.52
Llantillio Pertholey	1,067.05	1,244.90	1,422.74	1,600.58	1,956.26	2,311.95	2,667.63	3,201.16	3,734.69
Llantrissant	1,060.31	1,237.05	1,413.76	1,590.48	1,943.91	2,297.36	2,650.79	3,180.96	3,711.13
Magor with Undy	1,093.75	1,276.06	1,458.35	1,640.64	2,005.22	2,369.82	2,734.39	3,281.28	3,828.17
Mathern	1,069.24	1,247.46	1,425.67	1,603.87	1,960.28	2,316.70	2,673.11	3,207.74	3,742.37
Mitchell Troy	1,060.02	1,236.71	1,413.37	1,590.04	1,943.37	2,296.73	2,650.06	3,180.08	3,710.10
Monmouth	1,096.62	1,279.41	1,462.17	1,644.94	2,010.47	2,376.03	2,741.56	3,289.88	3,838.20
Portskewett	1,067.27	1,245.16	1,423.04	1,600.91	1,956.66	2,312.43	2,668.18	3,201.82	3,735.46
Raglan	1,070.81	1,249.29	1,427.76	1,606.22	1,963.15	2,320.10	2,677.03	3,212.44	3,747.85
Rogiet	1,091.96	1,273.97	1,455.96	1,637.95	2,001.93	2,365.93	2,729.91	3,275.90	3,821.89
Shirenewton	1,066.37	1,244.11	1,421.84	1,599.56	1,955.01	2,310.48	2,665.93	3,199.12	3,732.31
St. Arvans	1,064.50	1,241.93	1,419.35	1,596.76	1,951.59	2,306.43	2,661.26	3,193.52	3,725.78

Tintern	1,069.13	1,247.34	1,425.52	1,603.71	1,960.08	2,316.47	2,672.84	3,207.42	3,742.00
Trelech	1,061.05	1,237.91	1,414.75	1,591.59	1,945.27	2,298.97	2,652.64	3,183.18	3,713.72
Usk	1,118.02	1,304.37	1,490.71	1,677.04	2,049.71	2,422.39	2,795.06	3,354.08	3,913.10

2.6 That Mr P Davies, Mr M. Howcroft, Miss R. Donovan, Mrs. S. Deacy, Mrs. W. Woods and Mrs. S. Knight be authorised under Section 223 of the Local Government Act 1972 to prosecute and appear on behalf of Monmouthshire County Council in proceedings before a Magistrates Court for the purpose of applying for Liability Orders in respect of Council Tax and Non-Domestic Rates.

3. KEY ISSUES

3.1 The final revenue and capital budgets for 2019/20 are to be considered by Cabinet on 20th February 2019. This report is prepared on the basis of the information provided to that Cabinet.

3.2 Statute requires that Council makes appropriate recommendations to prescribed timescales for setting the Council Tax payable for the coming financial year. The Council must also account for precepts made upon it by the Office of Police and Crime Commissioner for Gwent and by Town and Community Councils. Recommendation 2.5 discharges these obligations.

3.3 The Council is also required to authorise officers to undertake advance recovery action through the Courts where necessary. The authorising recommendation appears at 2.6 above.

4. OPTIONS APPRAISAL

Not applicable as this is a statutory report

5. EVALUATION CRITERIA

Not applicable

6. REASONS

6.1 To approve the summary revenue and capital budget for 2019/20.

6.2 To set the Council Tax for the 2019/20 financial year.

6.3 To discharge the Responsible Financial Officer's responsibilities under the Local Government Act 2003.

7. RESOURCE IMPLICATIONS:

As identified in the report.

8. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING):

8.1 The equality and sustainability considerations on the budget proposals have been identified throughout the budget process and were taken into account by Cabinet when approving the budget on 20th February 2019. The relevant information is contained in the papers for the Final Budget proposals for the 2019/20 Revenue and Capital Budget.

8.2 There are no safeguarding and corporate parenting implications associated with this report.

9. CONSULTEES:

This report arises from Councils approval of the 2019/20 budget proposals and contains the statutory decisions in relation to setting council tax for 2019/20. The budget has undergone considerable consultation to arrive at the recommendations today.

10. BACKGROUND PAPERS:

Revenue and Capital Budget 2019/20 - Final proposals following public consultation: Cabinet 20th February 2019

11. AUTHORS:

Peter Davies – Chief Officer for Resources

Ruth Donovan – Assistant Head of Finance: Revenues, Systems & Exchequer

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APPENDICES

Appendix 1 – Summary Revenue Budget 2019-20 and 2020-21 onwards indications
Appendix 2 – Summary Capital Budget 2019-20 and 2020-21 onwards indications

Appendix 1 – Revenue Budget Summary

Services	Adjusted Base 2018/19 £000	Indicative Base 2019/20 £000	Indicative Base 2020/21 £000	Indicative Base 2021/22 £000	Indicative Base 2022/23 £000
Children & Young People	50,174	50,926	51,920	52,359	52,802
Social Care & Health	45,604	46,099	46,526	47,077	47,449
Enterprise	18,328	22,515	22,780	23,223	23,539
Resources	7,382	6,688	6,816	6,955	7,070
Chief Executive's Unit	4,342	4,619	4,681	4,743	4,810
ADM	3,264	0	0	0	0
Corporate Costs & Levies	21,143	23,104	24,065	26,393	28,920
Sub Total	**150,238**	**153,951**	**156,788**	**160,751**	**164,589**
Transfers to reserves	93	444	63	63	63
Transfers from reserves	(389)	(535)	(96)	(218)	(88)
Treasury	7,871	7,911	8,015	7,980	8,089
Appropriations Total	**7,574**	**7,821**	**7,983**	**7,825**	**8,064**
Total Expenditure Budget	**157,812**	**161,772**	**164,771**	**168,576**	**172,653**
Aggregate External Financing (AEF)	(93,268)	(92,623)	(90,956)	(89,319)	(87,711)
Council Tax (MCC)	(50,908)	(53,937)	(56,067)	(58,282)	(60,584)
Council Tax (Gwent Police)	(10,960)	(11,779)	(11,991)	(12,207)	(12,427)
Council Tax (Community Councils)	(2,676)	(2,676)	(2,676)	(2,676)	(2,676)
Contribution to/(from) Council Fund	0	0	0	0	0
Disinvestment		(756)	(756)	(756)	(756)
Sub Total Financing	**(157,812)**	**(161,771)**	**(162,446)**	**(163,240)**	**(164,154)**
(Headroom)/Shortfall	**(0)**	**0**	**2,325**	**5,336**	**8,499**

Appendix I - Revenue Budget Summary 2019/20

Net Expenditure Budgets	December 2018 Cabinet proposals						Final Settlement Changes		February 2019 Cabinet and Final budget recommendations to Council			
	Indicative Base Budget 2018/19	Proposed savings	Identified Explicit Pressures	Other Net Movements	Council Tax Income	Reported Budget Position 2019/20	Adjustment to AEF	Settlement pressures / adjustments	Changes to Pressures	Changes to Savings	Final amendments	Final budget recommended
Children and Young People Core	9,414	(485)	233	1,154		9,633			0			9,633
Gross Expenditure Schools (ISB)	40,760	(23)	956	(683)		41,544			0	58	(309)	41,293
Social Care and Health	45,604	(1,246)	1,192	549		46,099		0	0	0		46,099
Enterprise	21,592	(1,068)	1,235	1,310		23,070		(812)	(17)	274		22,515
Resources	7,382	(1,342)	342	206		6,588		0	100	0		6,688
Chief Executive's unit	4,342	(106)	281	102		4,619		0		0		4,619
Corporate Costs & Levies	21,143	0	1,118	10		22,270		0	214	0	619	23,103
Sub Total	**150,238**	**(4,270)**	**5,356**	**2,648**	**0**	**153,823**	**0**	**(812)**	**297**	**332**	**310**	**153,950**
Appropriations	7,871	(282)	332	(46)		7,875			36		0	7,911
Contributions to Earmarked reserves	93			351		444						444
Contributions from Earmarked reserves	-389			(146)		(535)					0	(535)
Total Net Proposed Budget	**157,813**	**(4,552)**	**5,688**	**2,808**	**0**	**161,608**	**0**	**(812)**	**333**	**332**	**310**	**161,771**
Funding Budgets												
Aggregate External Financing (AEF)	(93,268)	(468)		645		(93,091)	(138)					(93,229)
Council Tax (MCC)	(50,908)	(150)			(3,029)	(54,087)						(54,087)
Council Tax (Gwent Police)	(10,960)				(200)	(11,160)					(619)	(11,779)
Council Tax (Community Councils)	(2,676)			0		(2,676)						(2,676)
Total Funding	**-157,812**	**(618)**	**0**	**645**	**(3,229)**	**(161,014)**	**(138)**	**0**	**0**	**0**	**(619)**	**(161,771)**
Headroom/-shortfall	**1**	**(5,170)**	**5,688**	**3,453**	**(3,229)**	**595**	**(138)**	**(812)**	**333**	**332**	**(309)**	**(0)**

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	Council Tax 2018/19					2019/20 tax base	Council Tax 2019/20	%age increase
Council tax recommendations	1,241.76					46,096.27	1,315.64	5.95%

Appendix 2 Capital Budget Summary 2019/20 to 2022/23

	New Budget 2019/20	Slippage From 18/19	Total Budget 2019/20	Indicative Budget 2020/21	Indicative Budget 2021/22	Indicative Budget 2022/23
Asset Management Schemes	18,970,944	0	18,970,944	18,595,943	1,929,277	1,929,277
School Development Schemes	800,000	0	800,000	50,000	50,000	50,000
Infrastructure & Transport Schemes	3,852,740	600,000	4,452,740	2,240,740	2,240,740	2,240,740
Regeneration Schemes	310,500	75,441	385,941	310,500	489,100	489,100
County Farms Schemes	300,773	0	300,773	300,773	300,773	300,773
Inclusion Schemes	1,150,000	0	1,150,000	850,000	850,000	850,000
ICT Schemes	0	0	0	0	0	0
Vehicles Leasing	1,500,000	0	1,500,000	1,500,000	1,500,000	1,500,000
Other Schemes	85,892	0	85,892	70,000	70,000	70,000
TOTAL EXPENDITURE	26,970,849	675,441	27,646,290	23,917,956	7,429,890	7,429,890
Supported Borrowing	(2,403,000)	0	(2,403,000)	(2,403,000)	(2,403,000)	(2,403,000)
Unsupported (Prudential) Borrowing	(18,852,167)	0	(18,852,167)	(17,977,166)	(1,489,100)	(1,489,100)
Grants & Contributions	(3,250,000)	(675,441)	(3,925,441)	(1,463,000)	(1,463,000)	(1,463,000)
Reserve & Revenue Contributions	(15,999)	0	(15,999)	(15,999)	(15,999)	(15,999)
Capital Receipts	(949,683)	0	(949,683)	(558,791)	(558,791)	(558,791)
Vehicle Lease Financing	(1,500,000)	0	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
TOTAL FUNDING	(26,970,849)	(675,441)	(27,646,290)	(23,917,956)	(7,429,890)	(7,429,890)
(SURPLUS) / DEFICIT	0	0	0	0	0	0

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ACTION LIST
MEETING OF MONMOUTHSHIRE COUNTY COUNCIL

DATE OF MEETING	AGENDA/MINUTE ITEM	ACTION TO BE TAKEN	TO BE ACTIONED BY	PROGRESS
17th January 2019	**Actions**	Cllr Howarth requires action to be taken over the petition presented on 10th May 2018 regarding Dan y Coed, Clydach. Chief Executive confirmed thiswould be dealt with.	Paul Matthews	
17th January 2019	**Question to Cllr. Murphy**	To provide further information as to whether figures relating to suspension are in line with neighbouring authorities.	Peter Davies	
17th January 2019	**Motion – Free school breakfasts**	Further information and Impact assessment required to assure Members that monitoring of the effects of the increase charge is taking place.	Will McLean	
17th January 2019	**Motion – Housing Company**	Cllr Batrouni withdrew his motion with the understanding that a report on the Housing Development Company is brought to April Council at the latest.	Peter Davies / Ian Bakewell / Frances Williams	
20th December 2018	**Action List**	Cllr Batrouni requested that an update on the motion regarding the Housing	Ian Bakewell	

		Company Proposal to be brought to Council		
20th December 2018	**Motion - SENCOM**	Cllr Taylor referred the lack of Impact or FG assessment. Will McLean agreed to liaise with Newport colleagues to obtain documents	Will McLean	
25th October 2018	**Gambling Policy**	Cllr Batrouni requested information on funding of the Gambling Commission	Dave Jones	Emailed response to Cllr Batrouni 26/10/18
20th September 2018	**Petition**	Petition presented by Cllr Blakebrough regarding road safety in Llandogo. Passed to Roger Hoggins 20/9/18	Roger Hoggins	
27th July 2018	**Safeguarding**	To circulate complete report to Members.	J. Rodgers.	
27th July 2018	**ADM**	Chief Officer agreed that detail of the scrutiny arrangements of the governance structure be included in future correspondence.	P. Davies	Ongoing.
10th May 2018	**Actions**	Deputy Chief Executive to pursue response from MHA regarding petition submitted by Councillor Howarth.	K. Beirne	
19th April 2018	**Chief Officer Annual Report**	Chief Officer to provide written response to Cllr Blakebrough regarding statistics and policy around young people with dyslexia	Will McLean	Email response provided
6th March 2018	**Well Being Plan**	To include an impact	Democratic Services	Agenda item added to DS

		assessment sheet at the start of reports	Committee to discuss	Committee on 23rd April
18th January 2018	**Announcement re Carillion**	Leader to write to the Minister to ask what safeguards are in place for the Brynmawr to Tredegar carriageway.	Cllr Fox	180122 Ken Skates AM - A465 Heads of t Response from Ken Skates.pdf
	Action List	To provide a briefing note on the detail of responsibilities of members on Outside Bodies.	Paul Matthews	Email to all members: Guidance to councillors on outside
14th December 2017	**Minutes**	Contact MHA to ensure Cllr Batrouni is added as a member of the board.	Nicola Perry	Members' Secretary have advised MHA of the update.
	Action List	Note the absence of action list and ensure this is followed up	Nicola Perry	Action List now available to all through the Hub. Actions list to be updated and forwarded to all involved. Officers able to update accordingly. Action List
	Safeguarding Evaluative Report	Chief Officer for CYP to provide a response regarding the outcomes of the Faithful & Gould asset survey of Chepstow School to Cllr Pavia	Claire Marchant / Will McLean	CYP officers from the 21st Century Schools team have been working with colleagues in property services and in Chepstow School. The initial and urgent work was to consider the safeguarding issue that was raised in the Faithful and Gould survey (2016). One aspect related to a fencing issue and the other was concerned with the linkage between the school and the leisure centre. Both the fence

				and the linkages have now been addressed.
	Update to Constitution	Clarity requested around the amount of notice required to remotely attend a meeting. To add ‘working’ days.	Rob Tranter	The constitution has been updated to include the proposed amendment
	Motion from Cllr Batrouni	To form a working group with Members to work with Cllr S. Jones on the issue of Period Poverty	Cllr Jones	Members emailed and invited to a meeting of the working group at 12:30m on January 10th 2018.
9TH November 2017	**Minutes of Democratic Services Committee**	Written response to Councillor Howarth regarding the reasoning behind issuing Members with new IT equipment.	Paul Matthews	Email response provided to Cllr Howarth
	Motion from Cllr Groucutt	Minutes of PSB meetings to be brought to Council Meetings	Sharran Lloyd	Sharran/Dave to forward PSB minutes to DS. Will be added to agenda.

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of County Council held at Council Chamber - Council Chamber on Thursday, 17th January, 2019 at 2.00 pm

PRESENT: County Councillor P. Clarke (Chairman)
County Councillor S. Woodhouse (Vice Chairman)

County Councillors: D. Batrouni, D. Blakebrough, M. Powell, V. Smith, D. Dovey, R. Edwards, D. Evans, P.A. Fox, R.J.W. Greenland, L. Guppy, R. Harris, J. Higginson, G. Howard, S. Howarth, D. Jones, P. Jones, S.B. Jones, P. Jordan, P. Murphy, B. Strong, F. Taylor, A. Watts, A. Webb, L.Brown, A.Davies, M.Feakins, M.Groucutt, R.John, L.Jones, M.Lane, J.Pratt, R.Roden, T.Thomas, J.Treharne and J.Watkins

OFFICERS IN ATTENDANCE:

Matthew Phillips	Head of Law/ Monitoring Officer
Paul Matthews	Chief Executive
Peter Davies	Chief Officer, Resources
Will McLean	Chief Officer for Children and Young People
John Pearson	Local Democracy Manager
Nicola Perry	Senior Democracy Officer
Frances Williams	Chief Officer, Enterprise
Julie Boothroyd	Chief Officer Social Care, Safeguarding and Health
Gareth King	Management Surveyor

APOLOGIES:

County Councillors A. Easson, S. Jones, K. Williams, J.Becker, L.Dymock and P.Pavia

2. **Declarations of interest**

No declarations were made by Members.

3. **Public Open Forum**

There were no matters for the public open forum.

4. **Chairman's announcement and receipt of petitions**

There were no petitions presented.

The Chairman advised of an additional agenda item and welcomed Youth Worker, Charlie Jade Atkins who was in attendance with two members of the Youth Council to advise Members of the success of Engage to Change. The Acting Chair of the Youth Council, explained the priorities of the Youth Council which included mental health, homelessness, and put an end to knife crime. A Youth Conference had taken place in December 2018 which gave an opportunity to hear young people's views on the issues raised. The Youth Conference was attended by a wide range of students and took place in a relaxed, informal atmosphere, and had proved successful. Young People recognised there are services around the issues raised, but felt these should be improved and made more accessible, with increased services available within schools.

Members commended the Youth Council representatives and their presentation to Council. The Cabinet Member for Children and Young People explained we have officers and agencies working on the issues raised and Council will ensure these matters are taken forward.

5. Notices of motion:

The Chair advised that he had agreed to accept the following emergency motion:

"This Council notes that the funding for the Community Connections are set to run out at the end of March ; the council recognises the incredible work this scheme delivers enhancing the lives of many local people across the county and believes their work should continue. That the council raises this with PSB partners , who are all supporters/sponsors of the projects , to seek short term funding for the project, in order to give the schemes time to find longer term funding".

Councillor Higginson seconded the motion.

The Leader expressed support of the motion, and agreed that a recommendation should be forwarded to the Public Service Board to find a sustainable way forward in the longer term.

There was shock at the gap of funding which could result in the loss of the innovative service, and Council were urged to take timely action to ensure the service is not lost.

Upon being put to the vote Council resolved to accept the motion.

5.1. From County Councillor D. Batrouni

The Motion was seconded by Councillor Harris.

During discussion Members recognised the unrealistic timescales involved and disappointment was expressed that Group Leaders had not met to push this forward. The Leader thanked Councillor Watts for the initiative to meet with Bristol City Council to look at work they are undertaking.

The Leader assured that a meeting will be set up with Bristol City Council, and officers have been meeting with the managing director of an affordable housing company developed by Carmarthen County Council.

Members agreed this does need to move forward and bringing it back to the agenda is useful, and a cross-party meeting should take place as soon as possible.

Councillor Batrouni withdrew the motion with the understanding that a report will be presented to Full Council in April 2019.

5.2. From County Councillor D. Batrouni

The motion was seconded by Councillor Watts.

Councillor Taylor stated that she had written to Councillor John and had been assured that the system would be monitored as there were concerns that the increase would affect, disproportionately, working families who use the childcare element and some of those who are on low incomes but not eligible for any other benefit. She expressed dismay that this monitoring had not taken place. Further information, including an impact assessment was welcomed.

Councillor Thomas referred to Ysgol Gymraeg Y Fenni highlighting concerns around the negative effect on families on low incomes, and the importance of the childcare element to allow these parents to work.

We heard Welsh Government have reduced the funding to local authorities hence the situation, and WG should review this.

The Cabinet Member responded that the charge had been introduced 12 months ago, and introduction had been delayed until September 2018 to allow as much time as possible to work with schools about how the charge would be implemented. There was no proposals to double the cost. The £1 charge has been in place for one term, and a drop in attendance had been anticipated but this had exceeded expectations. There is no profit made from breakfast clubs.

Monitoring continues with detailed assessments, but there is no evidence to say that the children no longer attending are those who are either eligible for free school meals or those just above the threshold. Evidence obtained so far is that children eligible for free school meals continue to attend breakfast clubs in great numbers. More quality data is required on the impact on low income families.

Upon being put to the vote the motion was defeated.

5.3. From County Councillor P. Fox

The motion was seconded.

A Member stressed that although he understood objections it was important to recognise the impact of the traffic between the Severn Bridge and the other side of Newport.

There was support for the motion, recognising that the gateway to Wales has been neglected for many years. There will be opportunities to expand the Welsh economy and create more jobs, improving life chances for future generations in South East Wales, but the full potential will not be met unless problems at Brynglas Tunnels are resolved.

Opposition stated that this was not sustainable, nor an effective and efficient use of public money, and takes priority over better solutions.

Councillor Giles Howard stated that he could not to support the motion due to the wording of “the proposed M4 relief road” and “the proposed road is the preferred black route”. He agreed with other members to the need to see the results of the enquiry. An urgent solution is required for travel across Newport but what is proposed, doesn’t resolve the situation but would speed up traffic to the next available bottleneck.

The effect on the environment was highlighted.

An Opposition Member stated that the party line from the Welsh Conservatives is that ‘the Welsh Government are yet to confirm the date, nature or detail of any potential vote but you can rest assured that the Welsh Conservatives will not support a solution that has an unacceptable cost to the tax payer or the local environment.’ She added concerns around the M4 tolls as an ill thought out political knee-jerk reaction. This has already had significant consequences. Concerns around costs were referred to, and the effect on outstanding issues. Funds could go towards the Metro, being public over private transport solutions, which could bring greater economic benefits.

Councillor Howard moved that a vote be taken, which was duly supported.

Upon being put to the vote the motion was carried.

6. Members questions:

6.1. From County Councillor D. Batrouni to County Councillor P. Murphy

How many staff were suspended in 2018 and what was the average length of suspension?

Councillor Murphy responded that corporately there were 11 cases in 2018. School based there were 3 cases. The average suspension time corporately was 4.7 months, and 3 months in respect of schools.

As a supplementary, Councillor Batrouni asked if this is consistent with neighbouring local authorities. The Cabinet Member agreed to look in to this and provide an answer.

6.2. From County Councillor B. Strong to County Councillor R. John

Would the Cabinet Member for Children and Young People explain the impact of proposed changes to school catchment areas on families in Usk?

The Cabinet Member responded that in the 2017-2022 Corporate Plan there is a commitment to undertake a review of catchment areas and admissions policies. There are a number of anomalies where catchment areas between primary and secondary schools do not align and instances. Like Usk, where we are inadvertently forcing children to study out of County. The Administration believes in you live in, and pay Council Tax, in Monmouthshire you should have a right for your children to be educated in Monmouthshire. It is proposed to extend the catchment area of Monmouth Comprehensive School to take in the whole Usk Primary School catchment area. Consultation begins 18th January 2019 until 1st March 2019. The Cabinet Member urged all parents in the Usk area, and other affected areas in Monmouthshire, to have their say on the proposals.

As a supplementary Councillor Strong asked if children who currently go to Caerleon Comprehensive from Usk would still get free transport until they take their place in Monmouth. The Cabinet Member clarified that children get free transport if they live more than 2 miles from their catchment school, and these arrangements would be honoured for the duration they attend that school.

7. Reports of the Head of Policy and Governance:

7.1. DIARY OF MEETINGS 2019/2020

Council were presented with the draft diary of meetings for 2019/2020.

During discussion disappointment was expressed to see meetings set in school term times. The Cabinet Member for Governance suggested that Audit Committee and Full Council be transposed so that Council avoids school holiday.

Members also expressed frustration that the meeting times continue to remain the same.

Upon putting put to the vote Council resolved to accept the recommendation:

That the diary of meetings for 2019/2020, as attached, be approved.

7.2. APPOINTMENTS TO OUTSIDE BODIES - COMMUNITY HEALTH COUNCIL

Council received this report in order to appoint a representative to serve on the Community Health Council due to the resignation of Councillor K. Williams.

Council resolved that Councillor J. Pratt be appointed.

8. Reports of the Chief Officer, Resources:

8.1. COUNCIL TAX REDUCTION SCHEME 2019/20

Council were presented with a report to:

- Present arrangements for the implementation of the Council Tax Reduction Scheme and to approve it for 2019/20.
- Affirm that, in the absence of any revisions or amendments, annual uprating amendments will be carried out each year without a requirement to adopt the whole Council Tax Reduction Scheme.

Upon being put to the vote Council resolved to accept the recommendations:

To note the making of the Council Tax Reduction Scheme and Prescribed Requirements (Wales) Regulations ("the Prescribed Requirements Regulations") 2013 by the Welsh Government on 26 November 2013.

To adopt the provisions within the Regulations above ("the Prescribed Requirements Regulations") and any 'annual uprating regulations' in respect of its Scheme for the financial year 2019/20 including the discretionary elements previously approved as the Council's local scheme from 1st April 2019.

8.2. PROPOSED ACQUISITION OF THE FORMER MOD RAILWAY LINE, CRICK TO CAERWENT

Council received a report in order to seek approval to acquire the former MOD railway line between Crick and Caerwent to facilitate a cycle and walk way and to enable an easement to service the Crick Road LDP development site.

Members' support with of the venture was welcomed in order to bring the railway line into a useful, safe route function, for the promotion of health, wellbeing and tourism and the potential for Caldicot Castle to benefit financially also.

A question was raised regarding the environmental impact and the additional at a time of deep austerity. In response it was mentioned that a sympathetic approach would be taken, plus the financial issue of an easement would be met by capital monies rather than revenue monies funded out of the receipt of the Crick Road Development.

Upon being put to the vote, Council resolved to accept the recommendation:

To agree to the acquisition of the former railway line as shown for identification purposes on the plan included at Appendix 2.

That the acquisition costs will be met from the sale proceeds of the Crick Road site.

That authority is delegated to the Head of Commercial and Integrated Landlord Services to negotiate the acquisition in accordance with the independent valuation dated 31st July 2018.

9. Reports of the Chief Officer, Enterprise:

9.1. TRANSFER OF LAND AT FORMER IRONWORKS AT CLYDACH GORGE FROM COSTAIN TO THE COUNTY COUNCIL

Council received a report to seek Council consent for the transfer of ownership from Costain to the Council, the land known as the former Cemex Cement Plant at Clydach Gorge, Clydach, near Abergavenny.

Benefits will provide operational access and allow implementation of comprehensive improvement schemes for visitors and local residents to access the eastern end of the gorge including the historically important Ironworks site.

A question was raised regarding the funding of this long term project, taking into consideration the CPO agreement on the caravan site and any potential compensation that should be re-invested into this community, the Countryside Manager reported that a compensation figure had been agreed but had yet to be received as a capital receipt. However, in the longer term MCC would be looking for partnership support in the form of an external grant.

It was also reported that a precautionary approach regarding risks relating to archaeological remains had been taken and Estates officers, in communication with the Insurance Officer, have established that any additional risk is minimal.

Upon being put to the vote Council resolved to accept the recommendation:

That the former Cemex Site at Clydach Gorge (hatched blue on the attached plan) be transferred by Costain to Monmouthshire County Council for the sum of £1.

That following transfer to County Council that site be incorporated into the portfolio of land and property managed and operated by the Council's Countryside Service.

10. To confirm the minutes of the meeting of County Council held on 20th December 2018

The minutes of the meeting of County Council held on 20th December 2018 were approved and signed by the Chair.

11. To note the County Council Action List

Councillor John advised of correspondence regarding SENCOM and discussions with neighbouring authorities continue.

Councillor Howarth referred to a petition relating to Dan Y Coed, Clydach presented on 10th May 2018, and how the matter is still to be resolved.

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of County Council held at Council Chamber - Council Chamber on Thursday, 17th January, 2019 at 2.00 pm

The meeting ended at 4.45 pm

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MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of County Council held at Council Chamber, County Hall, The Rhadyr USK - County Hall on Thursday, 21st February, 2019 at 2.00 pm

PRESENT: County Councillor P. Clarke (Chairman)
County Councillor S. Woodhouse (Vice Chairman)

County Councillors: D. Batrouni, L.Brown, A.Davies, D. Dovey, L.Dymock, A. Easson, D. Evans, M.Feakins, P.A. Fox, R.J.W. Greenland, M.Groucutt, R. Harris, J. Higginson, G. Howard, S. Howarth, R.John, D. Jones, L.Jones, P. Jones, S. Jones, S.B. Jones, P. Jordan, P. Murphy, P.Pavia, M. Powell, J.Pratt, R.Roden, B. Strong, T.Thomas, J.Treharne, J.Watkins, A. Watts and A. Webb

OFFICERS IN ATTENDANCE:

Matthew Phillips	Head of Law/ Monitoring Officer
Paul Matthews	Chief Executive
Peter Davies	Chief Officer, Resources
Nicola Perry	Senior Democracy Officer
Frances Williams	Chief Officer, Enterprise
Mark Hand	Head of Planning, Housing and Place-Shaping
Matthew Gatehouse	Head of Policy and Governance
Mark Howcroft	Assistant Head of Finance

APOLOGIES:

County Councillors J.Becker, D. Blakebrough, R. Edwards, L. Guppy, M.Lane, V. Smith, F. Taylor and K. Williams

2. Declarations of interest

There were no declarations of interest.

3. ADDRESSING OUR LACK OF A FIVE YEAR HOUSING LAND SUPPLY: REVIEWING MONMOUTHSHIRE'S APPROACH TO UNALLOCATED HOUSING SITES

Council were presented with a report in order to seek Council's decision on its approach to tackling its housing land supply shortfall, specifically how we deal with planning applications for unallocated sites in advance of the new Local Development Plan being adopted in December 2021. Council were invited to review its decision taken on 20th September 2018 based on corrected data and consideration of updated national planning policy.

The decision relates to the Monmouthshire Local Planning Authority area only: it does not affect that part of the county falling within the Brecon Beacons National Park.

The Head of Planning, Place Shaping and Housing highlighted that paragraphs 6.4 and 6.5 of the report set out the corrected data.

The Monitoring Officer explained that the nature of the item will impact on future decisions, but also two decisions already made, specifically Church Road, Caldicot and Monmouth Road, Raglan. An email had been sent to Members of Planning Committee to provide advice on a strategic level, and advised that Council avoided reference to specific applications.

The recommendations were proposed and seconded.

The Leader of the Labour Group commended officers on meeting with the Labour Group to discuss the matter in full detail, and stated he fully supported the proposal.

A Cabinet Member raised a question in light of the report and asked if Planning Committee would be given the opportunity to reconsider the amended report on the site for 111 houses in Raglan, and if Planning Committee can request that Welsh Government put their Call-In enquiry on hold. The Head of Planning advised that applications would be presented back to planning for consideration.

County Councillor Howard wished that it be put on record that he had voted against the Raglan Scheme.

Upon being put to the vote Council resolved to accept the recommendation:

That, when considering planning applications for residential development on unallocated sites, the Council continues to give 'appropriate weight' to its lack of a five year housing land supply, insofar as those development proposals are otherwise acceptable in planning terms and that the 11 'ground rules' set out in paragraph 6.25 are met.

4. REGENERATION OF SEVERNSIDE - FUTURE ROLE OF CALDICOT TOWN TEAM

The primary purpose of the report was to explain the next stage of Severnside Regeneration and obtain the related Council approval to add the project to the 2019/20 Capital Programme.

Council received an update on Monmouthshire's South East Severnside Regeneration Scheme and a review of the Caldicot Town Team's activities to date, including the associated Section 106 spend against the anticipated outcomes.

It was proposed that Council approve recovery of any amounts of the unspent S106 for Town Centre Partnership activity from Caldicot Town Team and to use the remaining unallocated S106 funds to provide match funding for the wider Regeneration scheme.

Councillor P. Murphy seconded the proposal.

Councillor Easson noted that Caldicot Town Council had not been fully involved as a consultee.

The Cabinet Member highlighted the role of the Town Team to this point, recognising them as the first Town Team to be established in Wales, stating they would continue to receive support in terms of enabling and facilitating.

The Leader welcomed the regeneration of Caldicot and added his appreciation of the work of the willing volunteers.

Upon being put to the vote Council resolved to agree the recommendations:

That Council endorses the next stage of Severnside Regeneration and the addition of the two projects totalling £1,241,194 to the capital programme, funded as described in Resourcing Section below.

That Council acknowledges the recovery of any unspent Section 106 allocation from Caldicot Town Team and allocates this to provide match funding for the Severnside Regeneration Scheme, alongside amalgamating area committee capital budget to the project (appreciating it is an annual award and has exhibited limited activity over the last 2 years), and the remaining unallocated section 106 Town Centre Partnership funds.

5. CORPORATE PLAN: OBJECTIVES FOR 2019-2020

Council received the report to approve the continuation of the five goals set in the Corporate Plan in 2018 as the Council's objectives for 2019-20 to comply with the Local Government (Wales) Measure 2009.

The Leader of the Opposition referred to the following points:

- Goal C, 13 *the council keeps rural roads and areas safe* and questioned why Urban Areas had been excluded. The Leader considered this a fair challenge and terminology would be assessed.
- Goal D, 16 *the council delivers on social justice, better prosperity and reducing inequality* and what area of inequality is referred to. The Cabinet Member for Social Justice provided explanation that this relates to:
  1. Reducing child poverty and social isolation, and improving economic inclusion.
  2. Promoting equality and diversity, ensuring opportunities are available for all.
  3. Advancing social justice and well-being through asset based community development
- Goal A, 1 *the council invests in future schools*, and sought assurance regarding current schools. The Leader assured that there is always an eye on current schools as well as future schools. The Cabinet Member for Children and Young People confirmed that we are investing in current schools also.

Councillor Groucutt commended Councillor Batrouni for the recent motion relating to the threat to withdraw the SENCOM service, noting Newport deferring their decision to withdraw the service.

Upon being put to the vote Council resolved to accept the recommendation:

To adopt the goals contained in the Corporate Plan 2017-22, as shown in Appendix 1, as the Council's Improvement Objectives for 2019-20 in order

6. ASSET MANAGEMENT STRATEGY UPDATE - COMMERCIAL INVESTMENTS

Council were presented with a report to explore the definition of commercial investments and obtain approval to supplement traditional "bricks and mortar" acquisitions with consideration of other prudent and sensible investment types.

Members were advised that a further report regarding a development company would be brought to the April Council meeting

Upon being put to the vote Council resolved to accept the recommendation:

To approve a widened definition of Commercial Investment that allows Investment Committee to consider opportunities that meet return expectations not simply limited to land and building acquisitions.

To allow consideration of commercial loan facilities.

To allow consideration to use investment budget to build or renovate investment portfolio holdings.

To allow consideration of an equity or debenture interest.

7. CAPITAL PROGRAMME CONSIDERATIONS 2018-19 - CAPITALISATION OF REVENUE EXPENDITURE AND ADDITION OF SCHEMES

The Cabinet Member for Resource presented a report to explain the resourcing priorities associated with recent extra Welsh Government capital resourcing provided during 2018-19.

The Council's Constitution regards that any addition to the capital programme is a consideration of Full Council.

Upon being put to the vote Council resolved to approve the recommendations:

To approve a capitalisation of revenue expenditure totalling £444k as described in month 7 financial monitoring shared with Cabinet and 4 Select Committees and included below in resourcing section.

To endorse additional capital spending in relation to Highways maintenance (£150k) and classroom creation (£30k)

To endorse the balance of extra funding (£716k), be utilised to provide further capitalisation opportunities to assist with a beneficial outturn position and allow extra capacity to replenish reserve levels.

8. PUBLICATION OF PAY POLICY STATEMENT AS REQUIRED BY THE LOCALISM ACT

Council received a report to approve the publication of Monmouthshire County Council's Pay Policy, in compliance with the Localism Act.

Upon being put to the vote Council resolved to accept the recommendations:

That Council approves the Pay Policy for the year 1st April 2018 to 31st March 2019.

That Council approves to pay the nationally negotiated and agreed pay award of the Joint National Council (JNC) for Local Authority Chief Executive Officers. Chief Executive Officer terms and conditions of employment and pay are prescribed by the JNC for Local Authority Chief Executive Officers. The individual basic salaries of all officers within the scope of the JNC for Chief Executives of Local Authorities increased by 2% with effect from 1 April 2018 and 2% with effect from 1 April 2019. This pay agreement covers the period 1 April 2018 to 31 March 2020.

That Council approves to pay the nationally negotiated and agreed pay award for those employees who come under the Joint National Council (JNC) for Chief Officers. Chief Officers' terms and conditions of employment and pay are prescribed by the JNC for Local Authority Chief Officers. The individual basic salaries of all officers within the scope of JNC for Chief Officers of Local Authorities increased by 2% with effect from 1 April 2018 and 2% with effect from 1 April 2019. The pay agreement covers the period 1 April 2018 to 31 March 2020.The Council employs Chief Officers under JNC terms and conditions, which are incorporated into contracts of employment. The JNC for Chief Officers negotiates on national (UK) annual cost of living pay increases for this group, and any award is determined on this basis. Chief Officers employed under JNC terms and conditions are contractually entitled to any national JNC determined pay rises and this Council will therefore pay these as and when determined in accordance with contractual requirements.

The meeting ended at Time Not Specified

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