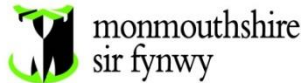


# Public Document Pack



Neuadd y Sir  
Y Rhadyr  
Brynbuga  
NP15 1GA

County Hall  
Rhadyr  
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NP15 1GA

Tuesday, 20 February 2024

Dear Councillor

## CABINET

You are requested to attend a **Cabinet** meeting to be held at **Steve Greenslade Room, County Hall, Usk** on **Wednesday, 28th February, 2024**, at **5.00 pm**.

## AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. 2023/24 REVENUE & CAPITAL BUDGET - MONTH 9 UPDATE 1 - 58

Division/Wards Affected: All

Purpose: To provide Cabinet with an update of the progress of the Councils revenue budget for the 2023/24 financial year, based on actual expenditure incurred at the end of Month 9 (December), and overlaid with the most up to date budget information up until the time of publishing.

Author: Jonathan Davies, Head of Finance (Deputy S151 officer)  
[jonathandavies2@monmouthshire.gov.uk](mailto:jonathandavies2@monmouthshire.gov.uk)

4. REVENUE AND CAPITAL BUDGET 2024/25 - Final proposals following scrutiny and public consultation 59 - 226

Division/Wards Affected: All

Purpose: To update Cabinet with the consultation responses to the draft budget proposals issued by them on the 17th of January in respect of the Capital and Revenue budgets for 2024/25.

To make recommendations to Council on the Capital and Revenue budgets including the level of Council Tax for 2024/25.

To receive the statutory report of the Responsible Financial Officer on the budget process and the adequacy of reserves.

To receive the Responsible Financial Officer's Prudential Indicator

calculations for capital financing.

Authors: Peter Davies – Deputy Chief Executive (S151 officer)  
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Jonathan Davies – Head of Finance (Deputy S151 officer)  
[jonathandavies2@monmouthshire.gov.uk](mailto:jonathandavies2@monmouthshire.gov.uk)

Yours sincerely,

**Paul Matthews**  
**Chief Executive**

### CABINET PORTFOLIOS

| County Councillor   | Area of Responsibility   | Ward                        |
|---------------------|--|-----------------------------|
| Mary Ann Brocklesby | <p><b>Leader</b><br/>Lead Officer – Paul Matthews, Matthew Gatehouse</p> <p>Whole Authority Strategy and Direction<br/>Whole authority performance review and evaluation<br/>Promoting localism within regional and national frameworks<br/>Relationships with Welsh Government, UK Government and local government associations<br/>Regional Relationships with City Regions and Public Service Board<br/>Strategic Procurement<br/>Local Food production and consumption, including agroforestry and local horticulture</p>  | Llanelly                    |
| Paul Griffiths      | <p><b>Cabinet Member for Planning and Economic Development Deputy Leader</b><br/>Lead Officer – Frances O’Brien</p> <p>Economic Strategy<br/>Local development plan and strategic development plan including strategic housing sites<br/>Homelessness, affordable housing delivery and private sector housing (empty homes, leasing scheme, home improvement loans, disabled facilities grants and adaptive tech)<br/>Supporting Town Centres including car parking and enforcement<br/>Development Management and Building Control<br/>Skills and Employment<br/>Broadband connectivity<br/>Car parks and civil enforcement<br/>trading standards, environmental health, public protection, and licencing</p> | Chepstow Castle & Larkfield |
| Ben Callard         | <p><b>Cabinet Member for Resources</b><br/>Lead Officers – Peter Davies, Frances O’Brien, Jane Rodgers</p> <p>Finance including MTFP and annual budget cycle<br/>Benefits<br/>Digital and information technology<br/>Human resources, payroll, health and safety</p>   | Llanfoist & Govilon         |

|                 |  |                      |
|-----------------|--|----------------------|
|                 | <p>Land and buildings<br/>Property maintenance and management<br/>Emergency planning</p>   |                      |
| Martyn Groucutt | <p><b>Cabinet Member for Education</b><br/>Lead Officers – Will McLean, Ian Saunders</p> <p>Early Years Education<br/>All age statutory education<br/>Additional learning needs/inclusion<br/>Post 16 and adult education<br/>School standards and improvement<br/>Community learning<br/>Sustainable communities for learning Programme<br/>Youth service<br/>School transport</p>  | Lansdown             |
| Ian Chandler    | <p><b>Cabinet Member for Social Care, Safeguarding and Accessible Health Services</b><br/>Lead Officer – Jane Rodgers</p> <p>Children’s services<br/>Fostering &amp; adoption<br/>Youth Offending service<br/>Adult services<br/>Whole authority safeguarding (children and adults)<br/>Disabilities<br/>Mental health and wellbeing<br/>Relationships with health providers and access to health provision</p>                | Llantilio Crossenny  |
| Catrin Maby     | <p><b>Cabinet Member for Climate Change and the Environment</b><br/>Lead Officer – Frances O’Brien, Ian Saunders</p> <p>Decarbonisation<br/>Transport planning, public transport, highways and MCC fleet<br/>Active travel<br/>Waste management, street care, litter, public spaces, and parks<br/>Pavements and back lanes<br/>Flood alleviation, management and recovery<br/>Countryside, biodiversity, and river health</p> | Drybridge            |
| Angela Sandles  | <p><b>Cabinet Member for Equalities and Engagement</b><br/>Lead Officers – Frances O’Brien,, Matthew Gatehouse, Jane Rodgers</p> <p>Community inequality and poverty (health, income, nutrition, disadvantage, discrimination, isolation and cost of living crisis)<br/>Citizen engagement and democracy promotion including working with voluntary organisations<br/>Citizen experience - community hubs, contact centre,</p> | Magor East with Undy |



|  |  |  |
|--|--|--|
|  | <p>and customer service and registrars<br/>Leisure centres, play and sport<br/>Tourism Development and Cultural strategy<br/>Public conveniences<br/>Electoral Services and constitution review<br/>Communications, public relations and marketing<br/>Ethics and standards<br/>Welsh Language<br/>Rights of way</p> |  |
|--|--|--|

# Aims and Values of Monmouthshire County Council

## Our purpose

To become a zero-carbon county, supporting well-being, health and dignity for everyone at every stage of life.

## **Objectives we are working towards**

- Fair place to live where the effects of inequality and poverty have been reduced;
- Green place to live and work with reduced carbon emissions and making a positive contribution to addressing the climate and nature emergency;
- Thriving and ambitious place, where there are vibrant town centres and where businesses can grow and develop
- Safe place to live where people have a home where they feel secure in;
- Connected place where people feel part of a community and are valued;
- Learning place where everybody has the opportunity to reach their potential

## 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.

**Kindness:** We will show kindness to all those we work with putting the importance of relationships and the connections we have with one another at the heart of all interactions.



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| <b>SUBJECT:</b>                 | <b>2023/24 REVENUE &amp; CAPITAL BUDGET – MONTH 9 UPDATE</b> |
| <b>MEETING:</b>                 | <b>CABINET</b>   |
| <b>DATE:</b>                    | <b>28<sup>th</sup> February 2024</b>                         |
| <b>DIVISION/WARDS AFFECTED:</b> | <b>ALL</b>   |

**1. PURPOSE:**

1.1 To provide Cabinet with an update of the progress of the Councils revenue budget for the 2023/24 financial year, based on actual expenditure incurred at the end of Month 9 (December), and overlaid with the most up to date budget information up until the time of publishing.

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**2. RECOMMENDATIONS:**

- 3.1 That Cabinet note the overall revenue budget deficit forecast at month 9 of £314k, a slight deterioration of £29k since the previous forecast.
- 3.2 That Cabinet note the forecast 85% delivery of the £12.3m required service savings for the year, resulting in a £1.86m deficit that is needing to be managed as part of the overall revenue budget. The overall level of required savings includes the additional in-year budget recovery measures of £2.1m instigated at Month 5.
- 3.3 That Cabinet note the budgetary risks included within the forecast, namely;
- The volatility of demand for high-cost services, particularly in Adults & Childrens Social Care and Homelessness;
  - The risk of further non-delivery of the £12.3m of budgeted savings targets through to year-end;
  - The severely limited reserve cover available to the Council to cover any further deterioration in outturn position.

- 3.4 That Cabinet note the forecast draw of £5.6m on schools delegated balances as outlined in **Appendix 1** of this report, an increased draw of £1.85m since the previous forecast. Cumulative school balances are forecast to move into a deficit of £1.35m by the end of the financial year, with sixteen schools now forecast to be in a deficit balance.
- 3.5 That Cabinet note an overall forecast Capital budget under spend of £3.5m, alongside an indication of slippage in capital schemes of £11.9m. This consequently introduces £815k of useable capital funding that can assist in meeting forward capital pressures.

**3. KEY ISSUES:**

| Summary messages  |
|---|
| <i>A slight deterioration in the overall revenue budget forecast of £29k, comprising additional cost pressures identified within core service delivery directorates of 685k, offset by favourable movements in treasury costs, final pay award costs being less than previously forecast, and the pension costs relating to service redesign now being able to be met from existing capitalisation direction budgets.</i> |
| <i>The assumption for further unbudgeted grant income has now been removed from the forecast given the short period of time through to year-end and in light of continuing pressures on Welsh Government budgets.</i>   |
| <i>A significant movement in cumulative School balances is forecast for the year, moving from a surplus of £4.25m to a forecast deficit of £1.35m at year-end. Sixteen schools are currently forecast to be in deficit by year-end.</i>   |
| <i>Remaining service risks and variables through to the end of the year are the continuing high levels and complexity of demand for social care; the level of Homelessness presentations; and; the level of any additional unbudgeted grant awards and the subsequent ability for further core Council expenditure to be met from this.</i>   |
| <i>The risk highlighted at Month 6 relating to the potential deficit in funding for Universal Free School Meals is now removed following recent notification of further funding that meets the ongoing costs of roll out to all schools.</i>  |
| <i>An overall under spend on the capital programme of £3.5m which results in £815k of useable funding that is released to assist in meeting forward capital pressures. The remaining £2.7m relates to specific scheme financing by way of borrowing and grant that is not available for future use.</i>   |

## **Context**

- 3.1 Councils across the UK continue to face financial challenges on an unprecedented scale. It is widely acknowledged that local government funding over recent years has not kept pace with increased service demand, the additional responsibilities being transferred, and inflationary pressures.
- 3.2 Our 2022/23 revenue budget culminated in an over spend of £3.5m which required funding from earmarked reserves to cover the additional expenditure incurred following acute pressures experienced within Adult's and Children's services, Homelessness, and Additional learning needs.
- 3.3 The 2023/24 budget set in March 2023 accommodated additional costs of delivering services of £26m or 14%. Whilst income and funding increased by 9% (£16m) to meet some of these costs, the Council needed to find savings of 5% (£10m) from services.
- 3.4 The budget when set highlighted a number of known budgetary risks that sat outside of the core budget, some of which have now materialised and have resulted in further pressures being reported.
- 3.5 Financial headwinds continue to impact the service operating environment through higher inflation and interest rates, a shortage in staff resources, supply chain issues, and higher demands as a result of the cost of living crisis and the wider and longer lasting impact of the pandemic on communities.
- 3.6 These ultimately result in a growing need for supportive Council services, a reduced demand for income generating services, increased risks around debt recovery, and a continued high-cost operating environment.
- 3.7 Cabinet received an early financial update for the year at their 26<sup>th</sup> July 2023 meeting which highlighted significant early pressure on the Council's budget of around £6m. As part of a package of measures to tackle this, Cabinet approved the use of £2.5m of useable revenue reserves to increase the Council's overall level of inflation contingency. This equated to the amount of reserves that were originally anticipated to be required to support the 2022/23 budget outturn position, but were not ultimately called upon. When set alongside a further unbudgeted grant assumption of £1m, this left a remaining forecast budget pressure of £2.6m.
- 3.8 Cabinet immediately instigated mitigating action to develop a structured approach to tackling the remaining forecast deficit through £2.1m of budget recovery proposals brought forward by services.

- 3.9 These proposals included a targeted vacancy freeze, maximising grants and income, bearing down on all non-essential spend, and identifying eligible capital related costs that could be met from capital funding.
- 3.10 The forecast at the end of Month 9 indicates an overall forecast deficit against budget of £314k, a slight deterioration of £29k since that reported at Month 6:

### **Month 9 Revenue budget forecast**

**Table 1: Budget forecast at Month 9**

| Directorate                                    | Shortfall in saving target £000's | New budget Pressures / Savings £000's | Total Forecast (Under) / Over Spend @ Month 9 £000's | Forecast (Under) / Over Spend @ Month 6 £000's | Variance Month 6 to Month 9 £000's |
|--|-----------------------------------|---------------------------------------|--|--|------------------------------------|
| Social Care & Health                           | 969                               | 2,662                                 | 3,631  | 3,190  | 441                                |
| Children & Young People                        | 107                               | 304                                   | 411  | 340  | 71                                 |
| Communities & Place                            | 509                               | 492                                   | 1,001  | 896  | 104                                |
| Monlife  | 76                                | (68)                                  | 8  | 8  | 0                                  |
| Chief Executives Units                         | 0                                 | (46)                                  | (46)   | (45)   | 0                                  |
| Law & Governance                               | 30                                | 121                                   | 151  | 115  | 36                                 |
| Resources                                      | 175                               | (319)                                 | (144)  | (178)  | 33                                 |
| Corporate, Treasury, Reserves & Financing      | 0                                 | (4,698)                               | (4,698)  | (3,306)  | (1,393)                            |
| <b>Totals</b>                                  | <b>1,866</b>                      | <b>(1,552)</b>                        | <b>314</b>   | <b>1,022</b>                                   | <b>(708)</b>                       |
| <b>Grant assumption for remainder of year</b>  |                                   |                                       | 0  | (737)  | 737                                |
| <b>Net budget position forecast at Month 9</b> |                                   |                                       | <b>314</b>   | <b>285</b>                                     | <b>29</b>                          |

- 3.11 The overall deficit is due to a combination of a shortfall in services being able to meet their budgeted savings targets of £1.866m; in-year budgetary pressures across three of our frontline service directorates; offset significantly by in-year use of reserves of £2.5m to mitigate inflationary pressures, and savings within treasury, corporate costs, and financing budgets.



- 3.12 Whilst the ongoing work to embed placement and practice change continues to drive improvements within our Social Care directorate, we are continuing to see a trend of increased demand related pressures, with a £441k deterioration since Month 6, most notably in relation to additional adult’s care home placements, and increased complexity in Children’s care needs.
  
- 3.13 Treasury costs for the year are expected to be £1.1m less than originally budgeted. This budget predominantly covers the Council’s capital financing costs which have remained lower due to the peak in interest rates being lower than expected; higher than anticipated cash balances throughout the year, and; active treasury management to lock into forward starting loans at lower rates in light of a rising interest rate environment.
  
- 3.14 Within our Corporate budget which primarily covers centrally allocated costs, further work to identify the final impact of the pay award for Local Government employees has resulted in overall costs being less than previously forecast by £700k. Alongside this, the pension costs relating to service redesign have been able to be met from existing capitalisation direction budgets, resulting in a benefit to the revenue budget of £380k.
  
- 3.15 It is important to note that overall, the revenue budget for the year is being supported by one-off use of revenue reserves totalling £5.5m, £3m of which were approved as part of the original budget, and an additional contribution of £2.5m that was approved by Cabinet at their meeting on the 26<sup>th</sup> July 2023. Further mitigation is provided by utilising a maximum of £4m of capital receipts to meet revenue expenditure under regulation.

**Service pressures and savings summary**

- 3.16 **Appendix 1** to this report details the service pressures and savings that have been highlighted at Month 9. At a summary level these primarily relate to the following areas:

**Table 2: Service budget pressures and savings**

| Pressure / Saving | Pressure / (Saving) £000’s | Summary  |
|-------------------|----------------------------|--|
| Waste Services    | 882                        | The recycling market remains volatile with increased reprocessing costs and reduction in recycling income. Inflationary pressures, and delays in rolling out polyprop reuseable bags due to depot infrastructure and vehicle issues is adding to pressure. |

|  |       |  |
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|  |       | This represents a deterioration of £115k from the previous forecast as the recycling market volatility continues to add to overall costs.  |
| Fleet                                  | 270   | Fuel and parts inflation remain high, supply chain issues for replacement parts is leading to the outsourcing of repairs to external contractors. Downtime of vehicles is also driving up hire costs.<br><br>There has been no material change in position since Month 6.  |
| Housing/Homelessness                   | 471   | The Housing team are continuing to review accommodation and the number of B&Bs in usage. Placements have increased from the last forecast from 47 to 50. Since the previous forecast costs have increased by £89k mainly due to additional damage repair and utility costs.  |
| Adult's care services                  | 3,104 | Negotiated Care provider fees are £1.5m more than budgeted following significant hikes in rates in the current market.<br><br>A further pressure of £1.25m from an increase in care home placements together with an increase in the average cost of placements.<br><br>A shortfall of £0.8m against budgeted savings targets.<br><br>This is offset by under spends of £900k in the My Day My Life, and Care at Home vacancies.<br><br>This is an increase in over spend since Month 6 of £95k primarily as a result of external care home placements trending upwards. |
| Children's care services               | 600   | Increased cost of new placements to meet demand and increase in provision for some existing packages. An increased over spend of £393k since Month 6.  |
| ALN Transport & Recoupment             | 579   | Transport contracts pressure of £737k (£650k at Month 6).<br><br>Change in ALN formula for schools - all out of county recoupment for mainstream schools will be delegated to schools £451k (minimal change since Month 6).<br><br>Reduction in number of pupils in out of county/independent schools, and further grant funding has resulted in a saving of £609k (£529k at Month 6).   |
| MonLife Finance & Business development | 220   | Borough Theatre income deficit £180k and Attractions income deficit £80k, both due to lower than budgeted visitor levels.<br><br>Contact centre/hubs £90k due to delays in implementing a restructure and cover for long term sickness.  |

|                                    |       |   |
|------------------------------------|-------|---|
|                                    |       | Offset by holding of staff vacancies as part of budget recovery measures.   |
|                                    |       | A reduction in over spend of £30k since Month 6.  |
| Democratic Services                | 137   | Members costs have increased as a result of pay awards, higher than anticipated take up of the superannuation scheme, and an increase in co-opted members. No change since Month 6.   |
| Pay inflation - non-teaching       | 185   | The pressure over and above base budget provision for pay based upon the concluded outcome of pay negotiation by Local Government Employers. A reduction of £775k since Month 6 as final costs are now known.   |
| Planning & Building Control        | 128   | A £46k adverse swing from month 6 and is down to a further deterioration in income in both building control and planning due to the downturn in the economy meaning applications are reducing.  |
| Investment properties              | 143   | NLP is expected to generate a £290k surplus after loan repayments, however this falls £47k short of the budget target for 23-24.<br>Castlegate is forecasting to over spend by £96k due to unbudgeted utility costs associated with our vacant units. |
| Coroners service                   | 104   | No change from Month 6.<br>Coroner's Service are forecasting an over spend due to the urgent restructuring of the service as required by the Chief Coroner of England and Wales review.   |
| CYP support services               | (409) | Primarily in-year budget recovery action relating to use of PV reserves, sourcing of additional grant and holding some staff vacancies. Minimal change from Month 6.  |
| Business Growth & Enterprise       | (169) | Managed staff savings due to the funding of core staff costs in Economic development by grant. No change from Month 6.  |
| Highways management & flooding     | (339) | Fee income will exceed budgets mainly in road closure, inspection and SABs fees. Staff vacancy savings have increased as a result of the overall vacancy freeze in place. Further under spend of £23k since Month 6.                                  |
| Facilities & fleet                 | (295) | Improved private hire income and bus operator support grant provided by WG - £119k<br>Building cleaning income and staff vacancies - £88k<br>Solar farm increased income £88k   |
| Leisure, Youth & Outdoor Adventure | (108) | Higher than anticipated income at Monmouth Leisure Centre and higher than budgeted grant in sports development, offset by overspend in outdoor adventure and youth. A slight deterioration of £25k since Month 6.                                     |

|                              |            |  |
|------------------------------|------------|--|
| Corporate Training           | (124)      | Staff vacancies being held within the unit. A further under spend of £13k since Month 6.   |
| Financial services           | (200)      | A combination of significant staff vacancies held across the service, increased grant income, and the ability to passport qualifying costs to capital. A reduced under spend of £42k from Month 6 following inclusion of a bad debt provision. |
| Treasury costs               | (1,118)    | Forecast saving as a result of interest rate rises pausing and higher than expected cash balances. An increased under spend of £388k since Month 6 as trends continue.   |
| Council Tax                  | (350)      | Council tax reduction scheme caseloads are running slightly below historical levels. A reduced under spend of £80 since Month 6 as discounts and exemptions trend upwards.   |
| Corporate costs              | (138)      | Primarily business rate refunds on Council owned properties following appeals process.   |
| Inflation contingency budget | (3,000)    | Full use of the reserve backed contingency budget is forecast. No change since Month 6.  |
| Other variances              | (259)      | A number of smaller under spends within services   |
| <b>Total</b>                 | <b>314</b> |  |

### **Unbudgeted grant assumption**

- 3.17 Previous budget forecasts have included an assumption that up to a further £1m of unbudgeted grant would be awarded during the financial year, and that this award would allow for core Council expenditure to be met from the additional grant.
- 3.18 Whilst this assumption is in line with trends over recent years, it was noted that as the year progresses this assumption would continue to come with a higher degree of risk following the well documented in-year pressures on the Welsh Government budget.
- 3.19 At the time of writing, it is estimated that £450k of unbudgeted grant has been received during the year to date which has allowed core Council costs to be offset. It is now felt prudent to remove any further forecast for grant given the short period of time through to year-end and in light of continuing pressures on Welsh Government budgets.

### **Budgeted savings targets**

3.20 Services are currently forecasting to deliver 85% (87% at Month 6) of their overall savings targets for the year, inclusive of the in-year additional budget recovery action identified. The shortfall of 15% or £1.86m is outlined below and full details can be found at **Appendix 2** to this report.

**Table 3: Progress against budgeted savings targets**

| Savings proposals by Directorate | Total Saving / Budget recovery | Month 9 Forecast | Variance to Budgeted | % Forecast to be met |
|----------------------------------|--------------------------------|------------------|----------------------|----------------------|
|                                  |                                | £000             | £000                 |                      |
| Social Care & Health             | (3,495)                        | (2,526)          | 969                  | 72.3%                |
| Children & Young People          | (2,241)                        | (2,134)          | 107                  | 95.2%                |
| Communities & Place              | (3,396)                        | (2,887)          | 509                  | 85.0%                |
| Monlife                          | (1,292)                        | (1,216)          | 76                   | 94.1%                |
| Chief Executives Unit            | (104)                          | (104)            | 0                    | 100.0%               |
| Law & Governance                 | (157)                          | (127)            | 30                   | 80.9%                |
| Resources                        | (1,178)                        | (1,003)          | 175                  | 85.1%                |
| Corporate Costs & Levies         | (433)                          | (433)            | 0                    | 100.0%               |
| <b>Totals</b>                    | <b>(12,296)</b>                | <b>(10,430)</b>  | <b>1,866</b>         | <b>84.8%</b>         |

### School Balances

- 3.21 There is a significant movement in cumulative School balances forecast for the year, moving from a surplus of £4.25m to a forecast deficit of £1.35m at year-end. Sixteen schools are currently forecast to be in deficit by year-end.
- 3.22 There isn't a consistent picture of schools' balances. There has been a fluctuating trend for some time with some schools showing a continuing reduction in schools balances, which is of concern, and others a more stable trend.
- 3.23 Grants awarded to schools at 2020/21 and 2021/22 year-ends to manage the impact of the pandemic on education resulted in a large increase in overall school balances, which has somewhat masked inherent structural budget deficits across some schools.

- 3.24 The legacy impact of the pandemic continues within the school environment, particularly in respect of attendance, behaviours and increased additional learning needs. This has required increased staff and specialist resources to tackle the issues presenting and increased overall costs of provision. Higher than budgeted pay awards have also impacted upon budgets.
- 3.25 Finance teams will continue to support schools to closely monitor and manage expenditure through to the financial year-end in order to mitigate the impact on closing balances.

### **Remaining budgetary risks**

- 3.26 There remain key specific budgetary risks presenting for the remainder of this financial year and beyond, that have the ability to further impact upon our financial sustainability as a Council:
- **Homelessness presentations** continue to be volatile and could lead to above forecast use of costly Bed & Breakfast or temporary housing solutions despite the strategies engaged to reduce this;
  - The **increased level and complexity of demand within Social care** continues to provide a financial risk through to year-end. Whilst the work to embed placement and practice change in both Adults and Childrens social care continues, demand for services can be volatile and in some cases can present emergency needs that are required to be met.
  - There remains a risk that **further non-delivery of budgeted savings** targets in the current difficult operating environment will impact on both 2023/24 and the medium-term if alternative strategies to deliver savings cannot be found;
  - The trend of **reducing debt recovery** and the need to make full assessment of the impact this may have on both our current year and medium term recoverability assumptions;
  - **Limited reserve cover** – the one-off use of revenue reserves to support the 2023/24 budget means reserves are at minimum prudent levels to provide sufficient cover for ongoing unforeseen risks. Any further deterioration in the revenue budget outturn position will impact upon this level of reserves.
  - **National picture** – there is continued pressure on both UK and Welsh Government budgets resulting from the wider economic environment. This will impact upon levels of further unbudgeted funding.

### **Financial implications and future focus**

- 3.27 The continuing financial headwinds, increasing demand for services, funding uncertainty, and the need for service savings of £12m to be delivered within a challenging operating environment continues to present tangible ongoing budget risks for the remainder of the year.

- 3.28 There is therefore a requirement for all services to continue to bear down on avoidable cost and identify further income opportunities wherever possible for the remainder of the year, in order to limit the call on severely limited useable revenue reserves.
- 3.29 The targeted vacancy freeze that has been enacted will continue through to the end of the year. The more regular financial monitoring arrangements continue, strengthened by the Financial Management Board who continue to focus on high budget risk areas and in regularly assessing the progress being made against budgeted service savings, and the additional budget recovery action.
- 3.30 Whilst the next formal budget update report will be the financial outturn report, Cabinet will continue to receive monthly informal updates on the overall progress being made.
- 3.31 Work will continue to deliver on the structured approach to tackling the underlying budget pressures, which will continue to explore all available options open to the Council. This includes vacancy management; the potential for further or alternative savings; full utilisation of the budgeted capitalisation direction; and legitimately maximising all grant funding and income generation opportunities.
- 3.32 To the extent that this action can result in a surplus being delivered against budget at year-end, this will allow for a full evaluation of the Council's overall financial position, including an assessment of the robustness of revenue reserves and the sustainability of school balances.

#### **4 RESOURCE IMPLICATIONS:**

The report itself covers the resource implications of the entirety of the revenue budget activity during the year. There are no further resource implications as a result of the recommendations in this report.

#### **5 EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):**

- 5.1 This report provides Members with an update on the early progress being made against the revenue budget of the Authority and carries no decisions. There are therefore no equality and future generations' implications directly arising from this report.

#### **CONSULTEES:**

Senior Leadership Team  
Cabinet

Performance and Overview scrutiny committee (20<sup>th</sup> February 2024) feedback:

*Thank you to the Cabinet Member and officers. We have considered a number of points including the provision of education to children, the transfer of additional responsibilities by the Welsh Government, recovery measures for overspending, the strength of forecasting, the deficit for Borough Theatre, the surplus for Newport Leisure Park, the cost of ALN transport from Carmarthenshire, the increase in income for Monmouth Leisure Centre, in-year pressures for Social Care, the increase in Care Home placements, the pressure on unpaid carers, children's placements, the increase in providers' fees, the deterioration in the deficit forecast, the expectation of the forecast overspend in services, the deterioration in the principal services that drive expenditure within the council, the underspend in Highways, the capital budget underspend and slippage, and the time slippage for the completion of King Henry school.  
The recommendations and report were moved.*

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#### **BACKGROUND PAPERS:**

**Appendix 1** – Detailed service commentaries, Schools budget forecast, Capital budget forecast

**Appendix 2** – Progress against service saving plans

**Appendix 3** – Performance & Overview scrutiny committee feedback, 20<sup>th</sup> February 2024

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| <a href="#">Section 1</a> | Revenue budget position at Month 9              |
| <a href="#">Section 2</a> | Detailed service commentary on Month 9 forecast |
| <a href="#">Section 3</a> | School balances update at Month 9               |
| <a href="#">Section 4</a> | Capital budget position at Month 9              |

## Section 1 - Overall Revenue Position

Table 1: Council Fund 2023/24 Forecast Outturn Summary Statement at Month 9

| Service Area                                      | Original Budget 2023/24 | Budget Adjustments | Revised Annual Budget | Forecast Outturn | Forecast (Under) / Overspend @ Month 9 | Forecast (Under) / Overspend @ Month 6 | Variance Month 6 to Month 9 |
|---|-------------------------|--------------------|-----------------------|------------------|--|--|-----------------------------|
|   | '000's                  | '000's             | '000's                | '000's           | '000's                                 | '000's                                 | '000's                      |
| Social Care, Health & Safeguarding                | 63,735                  | 360                | 64,094                | 67,726           | 3,631                                  | 3,190                                  | 441                         |
| Children & Young People                           | 62,420                  | 63                 | 62,482                | 62,894           | 411                                    | 340                                    | 71                          |
| Communities & Place                               | 26,427                  | (956)              | 25,470                | 26,471           | 1,001                                  | 896                                    | 104                         |
| MonLife   | 8,188                   | 165                | 8,353                 | 8,361            | 8                                      | 8                                      | 0                           |
| Chief Executives Unit                             | 3,068                   | 113                | 3,181                 | 3,135            | (46)                                   | (45)                                   | (1)                         |
| Law & Governance                                  | 2,656                   | 11                 | 2,667                 | 2,818            | 151                                    | 115                                    | 36                          |
| Resources   | 7,017                   | 1,364              | 8,381                 | 8,237            | (144)                                  | (178)                                  | 34                          |
| Corporate Costs & Levies                          | 29,344                  | 1,173              | 30,517                | 27,286           | (3,231)                                | (2,146)                                | (1,085)                     |
| <b>Net Cost of Services</b>                       | <b>202,854</b>          | <b>2,293</b>       | <b>205,147</b>        | <b>206,927</b>   | <b>1,782</b>                           | <b>2,182</b>                           | <b>(400)</b>                |
| Treasury & Reserves                               | 5,661                   | (2,293)            | 3,367                 | 2,251            | (1,118)                                | (730)                                  | (388)                       |
| <b>Expenditure to be Financed</b>                 | <b>208,514</b>          | <b>0</b>           | <b>208,514</b>        | <b>209,178</b>   | <b>664</b>                             | <b>1,452</b>                           | <b>(788)</b>                |
| Financing   | (208,515)               | 0                  | (208,515)             | (208,865)        | (350)                                  | (430)                                  | 80                          |
| <b>Net General Fund (Surplus) / Deficit</b>       | <b>(0)</b>              | <b>0</b>           | <b>0</b>              | <b>314</b>       | <b>314</b>                             | <b>1,022</b>                           | <b>(708)</b>                |
| Unbudgeted grant assumption for remainder of year |                         |                    |                       |                  | 0                                      | (737)                                  | 737                         |
| <b>Total General Fund (Surplus) / Deficit</b>     |                         |                    |                       |                  | <b>314</b>                             | <b>285</b>                             | <b>29</b>                   |

**Table 2: Council Fund 2023/24 Outturn Detailed Statement**

| Service Area                                  | Original Budget 2023/24 | Budget Adjustments | Revised Annual Budget | Forecast Outturn | Forecast (Under) / Overspend @ Month 9 | Forecast (Under) / Overspend @ Month 6 | Variance Month 6 to Month 9 |
|---|-------------------------|--------------------|-----------------------|------------------|--|--|-----------------------------|
|   | '000's                  | '000's             | '000's                | '000's           | '000's                                 | '000's                                 | '000's                      |
| Adult Services                                | 38,246                  | 120                | 38,366                | 41,469           | 3,104                                  | 3,009                                  | 95                          |
| Children Services                             | 22,209                  | (32)               | 22,177                | 22,777           | 600                                    | 207                                    | 393                         |
| Public Protection                             | 1,790                   | (3)                | 1,787                 | 1,850            | 63                                     | 63                                     | 0                           |
| SCH Support                                   | 1,489                   | 276                | 1,765                 | 1,629            | (136)                                  | (89)                                   | (47)                        |
| <b>Social Care, Health &amp; Safeguarding</b> | <b>63,735</b>           | <b>360</b>         | <b>64,094</b>         | <b>67,726</b>    | <b>3,631</b>                           | <b>3,190</b>                           | <b>441</b>                  |
| Emergency Planning                            | 170                     | (0)                | 170                   | 169              | (1)                                    | (1)                                    | 1                           |
| Individual Schools Budget                     | 50,423                  | 63                 | 50,487                | 50,711           | 224                                    | 176                                    | 49                          |
| Resources                                     | 1,140                   | (1)                | 1,139                 | 730              | (409)                                  | (400)                                  | (8)                         |
| Standards                                     | 10,686                  | 1                  | 10,687                | 11,283           | 596                                    | 566                                    | 30                          |
| <b>Children &amp; Young People</b>            | <b>62,420</b>           | <b>63</b>          | <b>62,482</b>         | <b>62,894</b>    | <b>411</b>                             | <b>340</b>                             | <b>71</b>                   |
| Enterprise, Housing & Community Animation     | 4,564                   | (1,077)            | 3,487                 | 3,863            | 376                                    | 264                                    | 112                         |
| Facilities & Fleet Management                 | 10,805                  | 217                | 11,022                | 11,089           | 67                                     | 190                                    | (123)                       |
| Neighbourhood Services                        | 9,306                   | 69                 | 9,375                 | 10,157           | 782                                    | 667                                    | 115                         |
| Placemaking, Highways & Flood                 | 1,752                   | (165)              | 1,586                 | 1,362            | (225)                                  | (224)                                  | (0)                         |
| <b>Communities &amp; Place</b>                | <b>26,427</b>           | <b>(956)</b>       | <b>25,470</b>         | <b>26,471</b>    | <b>1,001</b>                           | <b>896</b>                             | <b>104</b>                  |
| Communications                                | 203                     | (0)                | 203                   | 181              | (21)                                   | (25)                                   | 4                           |
| Countryside & Culture                         | 1,157                   | 3                  | 1,160                 | 1,077            | (83)                                   | (83)                                   | 0                           |
| Finance & Business Development                | 4,170                   | 237                | 4,407                 | 4,627            | 220                                    | 250                                    | (30)                        |
| Leisure, Youth & Outdoor Adventure            | 2,658                   | (75)               | 2,583                 | 2,475            | (108)                                  | (134)                                  | 26                          |
| <b>MonLife</b>                                | <b>8,188</b>            | <b>165</b>         | <b>8,353</b>          | <b>8,361</b>     | <b>8</b>                               | <b>8</b>                               | <b>0</b>                    |
| Policy, Scrutiny & Customer Service           | 1,236                   | 90                 | 1,326                 | 1,314            | (11)                                   | (11)                                   | 0                           |
| People  | 1,832                   | 23                 | 1,856                 | 1,820            | (35)                                   | (34)                                   | (1)                         |
| <b>Chief Executives</b>                       | <b>3,068</b>            | <b>113</b>         | <b>3,181</b>          | <b>3,135</b>     | <b>(46)</b>                            | <b>(45)</b>                            | <b>(1)</b>                  |
| Democratic Services                           | 1,634                   | 6                  | 1,640                 | 1,777            | 137                                    | 137                                    | 0                           |
| Legal and Land Charges                        | 1,022                   | 5                  | 1,028                 | 1,042            | 14                                     | (21)                                   | 35                          |
| <b>Law &amp; Governance</b>                   | <b>2,656</b>            | <b>11</b>          | <b>2,667</b>          | <b>2,818</b>     | <b>151</b>                             | <b>115</b>                             | <b>36</b>                   |
| Commercial, Corporate & landlord Services     | 1,597                   | 72                 | 1,669                 | 1,754            | 85                                     | 67                                     | 18                          |
| Corporate Health & Safety                     | 77                      | 11                 | 89                    | 83               | (6)                                    | 0                                      | (6)                         |
| Finance                                       | 2,505                   | 1,157              | 3,663                 | 3,463            | (200)                                  | (242)                                  | 42                          |

|   |                  |                |                  |                  |                |                |                |
|---|------------------|----------------|------------------|------------------|----------------|----------------|----------------|
| Information Communication Technology        | 2,837            | 123            | 2,961            | 2,937            | (23)           | (4)            | (19)           |
| <b>Resources</b>                            | <b>7,017</b>     | <b>1,364</b>   | <b>8,381</b>     | <b>8,237</b>     | <b>(144)</b>   | <b>(178)</b>   | <b>34</b>      |
| Precepts & Levies                           | 24,578           | 0              | 24,578           | 24,578           | 0              | (0)            | 0              |
| Coroner's                                   | 171              | 0              | 171              | 275              | 104            | 18             | 86             |
| Archives                                    | 213              | 0              | 213              | 213              | 0              | (0)            | 0              |
| Corporate Management                        | 355              | 0              | 355              | 217              | (138)          | (116)          | (22)           |
| Non Distributed Costs (NDC)                 | 757              | 0              | 757              | 375              | (382)          | 0              | (382)          |
| Strategic Initiatives                       | 1,642            | 1,173          | 2,815            | 0                | (2,815)        | (2,040)        | (775)          |
| Insurance                                   | 1,628            | 0              | 1,628            | 1,628            | (0)            | (7)            | 7              |
| <b>Corporate Costs &amp; Levies</b>         | <b>29,344</b>    | <b>1,173</b>   | <b>30,517</b>    | <b>27,286</b>    | <b>(3,231)</b> | <b>(2,146)</b> | <b>(1,085)</b> |
| <b>Net Cost of Services</b>                 | <b>202,854</b>   | <b>2,293</b>   | <b>205,147</b>   | <b>206,927</b>   | <b>1,781</b>   | <b>2,182</b>   | <b>(400)</b>   |
| Interest & Investment Income                | (925)            | 0              | (925)            | (1,501)          | (576)          | (550)          | (26)           |
| Interest Payable & Similar Charges          | 6,953            | 0              | 6,953            | 6,601            | (352)          | (8)            | (344)          |
| Charges Required under Regulation           | 6,800            | 0              | 6,800            | 7,006            | 206            | 223            | (17)           |
| Other Investment Income                     | 0                | 0              | 0                | (42)             | (42)           | (42)           | (0)            |
| Borrowing Cost Recoupment                   | (3,658)          | 0              | (3,658)          | (4,011)          | (353)          | (353)          | 0              |
| Contributions to Reserves                   | 63               | 0              | 63               | 63               | 0              | 0              | 0              |
| Contributions from reserves                 | (3,572)          | (1,109)        | (4,681)          | (4,681)          | (0)            | 0              | (0)            |
| Contribution from Council Fund              | 0                | (1,184)        | (1,184)          | (1,184)          | 0              | 0              | 0              |
| <b>Treasury &amp; Reserves</b>              | <b>5,661</b>     | <b>(2,293)</b> | <b>3,367</b>     | <b>2,251</b>     | <b>(1,118)</b> | <b>(730)</b>   | <b>(388)</b>   |
| <b>Expenditure to be Financed</b>           | <b>208,514</b>   | <b>(0)</b>     | <b>208,514</b>   | <b>209,179</b>   | <b>664</b>     | <b>1,452</b>   | <b>(788)</b>   |
| General Government Grants                   | (91,451)         | 0              | (91,451)         | (91,451)         | 0              | 0              | 0              |
| Non Domestic Rates                          | (31,224)         | 0              | (31,224)         | (31,224)         | 0              | 0              | 0              |
| Council tax                                 | (93,642)         | 0              | (93,642)         | (93,642)         | 0              | (150)          | 150            |
| Council Tax Benefit Support                 | 7,802            | 0              | 7,802            | 7,452            | (350)          | (280)          | (70)           |
| <b>Financing</b>                            | <b>(208,515)</b> | <b>0</b>       | <b>(208,515)</b> | <b>(208,865)</b> | <b>(350)</b>   | <b>(430)</b>   | <b>80</b>      |
| <b>Net General Fund (Surplus) / Deficit</b> | <b>(0)</b>       | <b>(0)</b>     | <b>0</b>         | <b>314</b>       | <b>314</b>     | <b>1,022</b>   | <b>(708)</b>   |

|   |  |  |  |  |     |       |     |
|---|--|--|--|--|-----|-------|-----|
| Unbudgeted grant assumption for remainder of year |  |  |  |  | 0   | (737) | 737 |
| Total General Fund (Surplus) / Deficit            |  |  |  |  | 314 | 285   | 29  |

## Section 2 - Directorate – Service Variance Comments

| SOCIAL CARE, HEALTH & SAFEGUARDING | Month 5 | Month 6 | Month 9 | Outturn |
|------------------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s         | 2,830   | 3,190   | 3,631   | 0       |

The Social Care directorate continues to make in-roads into its identified savings targets; however, a number of key areas, particularly within adults' services, remain challenging. The service continues to deal with high demand and complexity of people's needs making the balance between reducing costs and ensuring that people have their basic needs met a challenging one. We are continuing to experience demand led pressures following hospital discharge including new care home placements and care in the community. There is increased oversight across the system to support practice and decision-making regarding the care and support we provide.

Within adults' services effective negotiations with care providers have allowed costs associated with fees and charges to be controlled. However, we have been unable to mitigate entirely the additional cost of care this year which has created a significant pressure.

It is pleasing to note that the work within children's services placement planning is showing good outcomes, and that the overall numbers of children coming into care continues to remain stable with a slight downward trend over the last 3 years. There are a number of key risks within the service which have an impact on cost including the insufficiency of children's placements. Month 9 has seen a further increase in our cost pressure, due to new placements and additional support required for existing provisions. The numbers of Unaccompanied Asylum Seeking Children entering the county has increased significantly which whilst cost neutral in itself puts renewed pressure on placements and on wider resources.

The service is benefitting from a number of Welsh Government grants some of which are known to be short-term and others of which remain uncertain with regards to how long they might be available. Services supported by grants are deeply integrated into the core deliver of the service and contribute heavily to managing demand and supporting the delivery of savings.

| ADULT SERVICES             |         |         |         |         |
|----------------------------|---------|---------|---------|---------|
| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
| Deficit / (Surplus) £'000s | 2,618   | 3,009   | 3,104   | 0       |

There is a £3.104m overspend in Adult Services.

Progress against savings mandates remains challenging particularly with regard to the reduction of care at home hours and care home placements. Following an initial review pilot process in the central area, initial savings associated with the reduction of care packages was identified as £80k. The work to reduce and change the care packages with individuals is underway and the review process that was established is now extending out across the service based on the work. To monitor this we are tracking the total

number of people in receipt of care at home against the total number of care hours delivered. It is also positive to note that the numbers of unmet need care at home hours have continued to show overall reductions.

We continue to show a deficit against saving mandates associated with Continuing Health Care. Some recent cases have been successfully pursued with health which has allowed us to generate £171k of savings against a target of £550k.

The main pressures are down to the £1.5M provider fees. At the beginning of the year this was calculated at £2M; however, after extensive fair fee negotiations with provider agencies we were able to reduce this by £0.5M.

A further pressure of £1.25M has arisen through continued increase in care home placements together with an increase in the average cost of care home placements. A gatekeeping panel has been established to provide oversight to all requests for high-cost care packages including residential placements. Residential placements are now used in situations where the cost of care at home would exceed the cost of a residential placement, contributing to the continued rise in residential placements.

The overspend has been assisted by £900K under spends within MDML and Care at Home vacancies, and the £1.1M Social Care Workforce and Sustainability Grant, leading to the true underlying over spend more in the region of £5M, coupled with debt for care charges still running high at £1.802M.

As a region the GWICES pool fund is overspending, of which £179K is attributable to this Authority. External funding has been granted of £500K to fund the regional overspend with £60K being provided to ourselves, leaving at this juncture a net £119K over spend.

Budget recovery measures are being enacted including increasing the oversight of all new packages of care against tightened eligibility criteria.

## CHILDREN SERVICES

| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | 211     | 207     | 600     | 0       |

Children's services have been able to capitalise on their progression planning activity with individual children, bringing children into placements that are closer to home and more in keeping with their care and support needs and longer-term personal outcomes. This has including supporting some children to return home, or, for older children, into more independent settings. Additional family support services have been put in place to support this endeavour – with the service benefitting from Welsh Government grants to achieve this.

The £600k overspend within children's service is largely due to the increased cost of new placements to meet demand and increase in provision for some existing packages.

The service continues to have an over-reliance on agency staff working in critical areas of the service particularly child-protection. The service is reviewing all agency assignments and accelerating agency exit plans wherever possible to contribute to budget recovery measures. The service is working in accordance with the All Wales pledge in order to control the costs associated with agency-worker fees.

## PUBLIC PROTECTION

| Outturn Forecast        | Month 5 | Month 6 | Month 9 | Outturn |
|-------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'s | 63      | 63      | 63      | 0       |



The deficit results from the staff restructuring saving mandate not being delivered, as a consequence of the Head of Public Protection post being retained. A vacant EHO post has been deleted which partly offsets this budget pressure.

### SCH SUPPORT

| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | (62)    | (89)    | (136)   | 0       |

Due to vacancy savings within the directorate finance team.

### CHILDREN & YOUNG PEOPLE DIRECTORATE

| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | 331     | 340     | 411     | 0       |

### CHILDREN & YOUNG PEOPLE DIRECTOR'S COMMENTARY:

The Directorate's Month 9 position is a forecast over spend of £411k. This overspend is due to ALN Transport (£737k) and a reduction in ALN Recoupment (£451k).

We have been able to offset a large proportion of our overspend by successfully developing our in County ALN provision, which has resulted in a reduction of the number of ALN pupils attending Out of County or Independent placements.

All opportunities to make savings are being reviewed. This includes the cost of ALN Transport and any vacancies that may occur in the Directorate.

The increase in overspend of £71k, from Month 6 to Month 9, is mainly due to an increase in ALN Transport costs (which included an unexpected charge of £34k from Carmarthenshire County Council for Sept '18 - Mar '23), plus an increase in Breakfast Club staff and catering costs. However, we have been able to mitigate these additional costs following a saving on Out of County ALN costs, as we had disputed 2021-22 and 2022-23 ALN charges, as the costs of support had been increased without our knowledge.

### Emergency Planning

| Outturn Forecast        | Month 5 | Month 6 | Month 9 | Outturn |
|-------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'s | (1)     | (1)     | (1)     | 0       |

The division is reporting to budget

### Individual Schools Budget

| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | 134     | 176     | 224     | 0       |

The overspend is largely due to an increase in transport costs and we are working with the PTU to try and minimise these costs going forward:

- £56k Post-16 Transport
- £20k Bus to Caldicot School
- £12k Llandenny to Usk Transport

A further overspend of £46k has been due to the 2022-23 Pay Award, which has caused the SRS costs to increase for all schools. This pressure was not known at the time of agreeing the Service Level Agreements (SLA's) and so it could not be passed onto the schools, and we have also included the £38.6k Prudential Borrowing Charge and £49k of the ILW costs in our forecast.

## Resources

| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | (388)   | (400)   | (409)   | 0       |

The under spend of £408,578 is due to the following:

- £270k – releasing reserve and in year income from the Photovoltaic Recharges cost centre (solar panel income)
- £45k – staff cost savings through vacancies
- £45k – grant offsetting staff costs
- £25k - savings on ICT, as budgeted costs for SIMS Centralisation costs not incurred and Address Cleaning will now take place in 24-25
- £14k – grant offsetting ALN licencing costs
- £10k - releasing remainder of 22-23 accrual for unspent School Essentials grant, as we have now paid this back to WG

## Standards

| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | 585     | 566     | 596     | 0       |

The overspend of £596,240 is due to the following:

- £737k ALN Transport – forecast revised based on Q1 – Q3 actuals and S and following re-tender where costs have significantly increased.
- £451k reduction in ALN Recoupment – with the recent changes in ALN formula for schools, all out of county recoupment for mainstream schools will be delegated to support pupils.
- £98k Breakfast clubs – increase in catering and staff costs and reduction in income
- £29k - ALN Administration Service – Deri View SRB costs and unable to currently make the employee related savings
- £18k ALN Management – unexpected pension costs, as a member of staff was automatically opted in and has not re-claimed their pension payments, after opting out again. An increase in staff costs and unable to make the employee related savings

Offset by:

- -£458k saving on ALN Out of County – reduction in number of pupils in out of county schools has resulted in a saving
- -£151k saving in independent schools – reduction in the number of pupils requiring places
- -£27k saving in Education Psychology – due to staff savings and additional income received
- -£98k grants used to offset staff costs

| <b>COMMUNITIES &amp; PLACE DIRECTORATE</b> | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
|--|----------------|----------------|----------------|----------------|
| <b>Deficit / (Surplus) £'000s</b>          | 959            | 896            | 1,001          | 0              |

### **COMMUNITIES & PLACE DIRECTOR'S COMMENTARY:**

This is a deterioration in the position since Month 6 and the details of these changes are provided within the next sections of this report. Within this period, the noticeable key changes are within Waste Services and Housing. The placements into temporary and emergency accommodation for people presenting as homeless has increased but the notable change has been due to increased damage, repair and utility costs which have been reported across our hostels and leased accommodation. In previous years we have received some additional grant funding which has helped towards these costs, but we are not expecting any further funding in this year. In Waste Services, the recycling market has been very volatile this year and the current downturn in the market has resulted in an increase in reprocessing costs and reduction in recycling income, there have also been inflationary increases over and above what was built into the budget causing further pressures exacerbated with reductions in income and grant funding.

Across all services, all eligible costs continue to be claimed against any funding that is made available. In addition, we will continue to closely monitor and manage all operational and financial performance to ensure that all possible action is taken to constrain any further costs.

### **Enterprise, Housing & Community Animation**

| <b>Outturn Forecast</b>           | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Deficit / (Surplus) £'000s</b> | 524            | 264            | 376            | 0              |

Enterprise & Community Animation is forecasting a £376k overspend at month 9, this is mainly due to: -

- **Enterprise Mgt** - £48k overspend – our partner contribution towards City Deal has increased over and above available budget by £13k, on top of this senior management costs have exceeded budget due to the inability to make vacancy factor savings and an over spend in subscription and software costs. This is a £4k improvement from M6 due to some staff costs being claimed against grant.
- **Community & Partnership Development** - £33k under spend – savings generated from being able to pay for core staff costs through grant funding.
- **Housing** - £530k overspend, this can be broken down into these main areas: -
  - **Homelessness** – £199k overspend:

Since we last reported at Month 6 placements have increased from 47 to 50 but new costing projections estimate that we will spend £2.047m on B&B accommodation with a further £667k on ancillary spend including security, storage, and damage repairs. The majority of this cost will be offset by Housing Prevention grant of £472k and Housing Benefit of £1.372m but overall we are still left with a £98k shortfall against budget. We have received notice from WG that they will be providing some additional grant funding to help with housing costs, when we factor this in it turns the overspend into a £139k underspend.

There is a further overspend relating to B&B placements in our benefits service due to the funding subsidy gap between what we pay in Housing benefit and what we can claim back



from the DWP, currently this is forecast to be £338k over available budget. When you add this against the underspend in Housing the overall authority overspend related to Homelessness is £199k.

- **Shared Housing & Private Leasing** - £272k overspend – this is an increase of £87k since Month 6 and is mainly due to damage repair and increased utility costs across our hostels and leased accommodation. In previous years some of these costs were funded by additional HPG grant but we are currently not expecting any more grant this financial year.
- **Strategic Services** – £45k overspend – Service is now forecast to over spend due to the costs incurred in relation to the Gypsy & Romany Traveller surveys, the full extent of this was not known in September and is the reason for adverse variance from Month 6.
- **Business Growth & Enterprise** – £169k under spend – no change from Month 6 - this is as a result of managed staff savings due to the funding of core staff costs in Economic development (£135k) by grant as per M5 budget recovery plan and vacancy savings in the Strategic Operations Team due to the delay in the restructure that has only just been agreed (£33k).
- **Procurement** – On Budget.

### Facilities & Fleet Management

| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | 220     | 190     | 66      | 0       |

Facilities, Fleet & De-carbonisation are forecasting a £66k overspend, due to-

- **Schools Catering** – Break-even – At Month 6 we reported that we were awaiting a decision from WG regarding the updated UFSM rate – this has now been agreed at £3.20 and will be payable from the 1<sup>st</sup> January 2024. This has helped reduce the potential in-year over spend to £96k but in addition to the fee uplift WG have also reported that they will be releasing a further £3.3m of grant funding in 23-24 to counter any additional set-up costs within councils and we are assuming that our share of this grant will be enough to cover this shortfall.
- **Passenger Transport** – £82k under spend – This is an improvement from the break-even position reported at Month 6. We are continuing to see a budget pressure within the service mainly in external commissioning where contract prices remain over and above available budget and in our internal operations where high staff sickness has meant an increase in overtime cover. These pressures have been covered by improved private hire income and bus operator support grant provided by WG. An element of the bus support grant we have received this year relates to a windfall sum owing from our previous year BES submission, WG hadn't finalised the reconciliation until this year, so we were unaware of any further funding owing and is the main reason for the improvement from M6.
- **Regional Transport Team** - £37k under spend – staff under spend as we have been able to use capitalisation directive to fund core service cost.
- **Car Salary Sacrifice Scheme** – £31k over spend – £18k adverse swing from M6, the number of members in the scheme has reduced in recent years to a point where the actual savings being made have fallen below budgeted levels.
- **Fleet maintenance** - £270k over spend – No change from M6 - fuel and parts inflation coupled with supply chain issues that are driving up external repair costs are still the main cause of the over spend. In addition hire costs for replacement vehicles have resulted in a pressure in our hire vehicle budget. The unit is still on target to meet the £185k budget recovery measures built in as

part of the authority recovery plan. Officers will continue to review our fleet requirements to mitigate spend where possible.

- **Building Cleaning & Public Conveniences** - £88k under spend – mainly down to part year staff vacancy savings, improved income, and the managed reduction in non-essential spend.
- **Solar Farm & Sustainability** - £88k under spend – due to improved income mainly from our PV installations caused by the increased market rates for energy. This is a £11k improvement from M6 and is due to maintenance costs being included in the M6 forecast that can be funded by reserve.

**De-Carbonisation Team** - £61k overspend – savings in staff costs have increased to £190k as a result of 4 vacancies within the team which will now not be recruited in the current financial year due to the vacancy freeze and difficulties attracting suitable candidates. We have also received grant funding of £26k which will help offset core costs. These underspends have been offset by the inability to achieve the full corporate energy target by £177k and the total mileage saving of £100k so even though the position has improved by £29k since M6 we still have a budget pressure to manage.

### Neighbourhood Services

| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | 500     | 667     | 782     | 0       |

Neighbourhood Services are forecasting to over spend by £782k, this is due to:

**Streetlighting** – £50k under spend – No change from Month 6 due to an under spend in maintenance as we have been able to fund qualifying works from our capital budget as per the M5 budget recovery plan.

- **Highways Operations & SWTRA** – £50k under spend – No change from Month 6 - £50k under spend as a result of the rationalisation of our sweeping function to reduce costs as agreed in the authority's budget recovery plan. The work undertaken for SWTRA (South Wales Trunk Road Agency) is currently on target to come in within budget.
- **Waste Services** - £882k overspend – The 23-24 budget was based on an assumption that there would be a net zero cost to the processing of our recyclates. The recycling market has been very volatile this year and the current downturn in the market has resulted in an increase in reprocessing costs and reduction in recycling income, this has meant a net increase of £650k against our zero cost assumption. There have been inflationary increases over and above what was built into the budget causing further pressures exacerbated with reductions in income and grant funding.
- **Grounds Maintenance** – Break-even.

### Placemaking, Highways & Flood

| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | (286)   | (224)   | (225)   | 0       |

Placemaking, Highways & Flood is forecasting to under spend by £225k, this is as a result of -

- **Planning & Building Control** – £128k overspend – this is a £46k adverse swing from month 6 and is down to a further deterioration in income in both building control and planning due to the downturn in the economy meaning applications are reducing.
- **Planning Policy & LDP** – Reporting a balanced budget.
- **Car Parks & Civil Parking Enforcement** - £9k overspend – income has improved significantly from M6 due to a combination of more PCNs issued and MCC not offering free weekend parking during December, resulting in a £25k positive swing reducing the overspend significantly. If additional PCN

income is secured for the remainder of the year, it is likely the car parks and civil enforcement service will be on budget.

- **Highways management & flooding** - £362k under spend – Projections are still indicating that fee income across the department will exceed budgets mainly in road closure, inspection, and SABs fees. In addition, there has been an increase in staffing under spend as the part year staff vacancy savings reported at M6 have now grown as most of the posts will not be filled as part of the recruitment freeze to aid with M5 budget recovery.

| <b>MONLIFE DIRECTORATE</b>        | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Deficit / (Surplus) £'000s</b> | 344            | 8              | 8              | 0              |

The Directorate is forecasting an over spend of £8k at Month 9. Inflationary rises, market instability and a post-covid environment continue to impact upon the cost of delivering key services. The primary areas of pressure being the Borough Theatre, Attractions, Markets, and the Contact Centre. The Borough Theatre has only reopened this year and is still recovering from the covid pandemic. This year's adverse weather has been detrimental to income delivery at our attractions, our Markets have not returned to pre covid levels and the contact centre remains under pressure due to increased demand and software updates.

#### **(Monlife) Countryside & Culture**

| <b>Outturn Forecast</b>           | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Deficit / (Surplus) £'000s</b> | 0              | (83)           | (83)           |                |

Countryside and Culture are predicted to under spend by £83k due to higher than anticipated grant income.

#### **(MonLife) Communications**

| <b>Outturn Forecast</b>           | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Deficit / (Surplus) £'000s</b> | 5              | (25)           | (21)           | 0              |

Central communications are predicted to under spend by £21k due to the secondment of Central Communications Manager.

#### **(Monlife) Finance & Business Development**

| <b>Outturn Forecast</b>           | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Deficit / (Surplus) £'000s</b> | 339            | 250            | 220            | 0              |

Finance and Business Development are predicted to over spend by £220k, the primary areas of significant pressure are:

Borough Theatre which is predicted to over spend by £180k due to lower than anticipated income levels, the section is still recovering, and full growth is not expected for another 12months. Service improvement relates to utilisation of grants to fund core staff as agreed in the budget recovery plan.

Attractions which are predicted to over spend by £80k due to lower-than-expected income. Visitor numbers to all our attractions have been significantly impacted by the adverse weather conditions, the section will look to reduce further costs and look at any opportunities for further income generation, this is limited as the service approaches season closure.

Contact Centre and hubs which are predicted to over spend by £90k due to higher than anticipated staffing levels to cover long term sick, delays in implementing restructure which impacted forecast savings, failure to meet employee related savings along with inflation on existing essential contracts.

Markets are forecast to over spend by £17k an improvement on earlier forecast due to staff vacancies and improvement in income.

Learning is forecast to over spend by £14k due to lower than anticipated income and the sections inability to achieve staff vacancy savings.

These pressures are off set, by £40k under spend on museums which includes a one off call on reserves of £30k as per the budget recovery plan, £60k reduction in service management which aligns with delay in non-essential spend and £60k saving in community education due to the freezing of the lead tutor post as agreed in the budget recovery plan.

### (Monlife) Leisure, Youth & Outdoor Adventure

| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | 0       | (134)   | (108)   | 0       |

Leisure, Youth & Outdoor Adventure are predicted to under spend by £108k, with the over spend in outdoor adventure and youth being mitigated by higher than anticipated income at our Leisure Centre and higher than budgeted grant in sports development.

This remains an area of concern and requires close monitoring due to the significant income targets and the effect of the cost-of-living crisis on disposable income and future memberships.

| CHIEF EXECUTIVE'S UNIT DIRECTORATE | Month 5 | Month 6 | Month 9 | Outturn |
|------------------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s         | (52)    | (45)    | (46)    | 0       |

### HEAD OF POLICY, PERFORMANCE AND SCRUTINY COMMENTARY:

Chief Executives is forecasting to under spend by £46k. There are continued pressures in a number of areas, including the volume of Welsh translations and increases in non-pay costs driven by higher inflation. These have been managed by holding a number of posts vacant across teams. This has been possible because of the additional work carried out by other colleagues.

### Policy, Scrutiny & Customer Experience

| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | (11)    | (11)    | (11)    | 0       |

Policy, Scrutiny & Customer Experience is forecasting to under spend by £11k, the outturn position is made up of a number of under and overspends across the division with the main variances being :-

- **Corporate** - £45k over spend – Same as M6 - Mainly staffing over spend due the full cost of CEO's PA which only had budget for a part time post, increase in a senior officer's banding after a realignment of responsibilities at Strategic Leadership Team which has no budget and the inability to meet vacancy factor savings.
- **Equalities & Welsh Language** – £19k under spend – No change from M6 - £69k under spend in staffing due to the delay in filling the Equalities officer post, this has been mostly offset by a £49k over spend in Welsh language costs due to the volume of external translation expected this year.

- **Levies, Subscriptions & Donations** - £20k over spend – membership subscriptions to external bodies such as the WLGA and LGA have increased over and above available budget.
- **Scrutiny** - £8k over spend – staffing costs are exceeding budget mainly own to inability to make vacancy factor savings.
- **Policy & Partnerships** – £65k under spend – mainly because of staff savings across the section where we have vacant posts within the community safety & CCTV teams and under spends in the GIS team as we have been able to passport core staff costs to capital.

### People (CEO)

| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | (41)    | (34)    | (35)    | 0       |

People Services is forecasting to under spend by £35k, the main variances are as follows:

- **Payroll & System support** - £96k over spend – The main reason is the service is currently in the process of changing the recruitment system and have exceeded budget due to the overlap costs of changing from one system to the other, in addition staff costs are above budget due to the employment of 2 temporary staff to provide additional resource whilst the system is embedded and the inability to meet vacancy factor savings.
- **People Management** - £12k under spend – Staff over spends due to honoraria payments and the inability to meet the vacancy factor saving have been offset by an increase in income as SLA recharges have exceeded budget.
- **Occupational Health** – Break-even – £10k change from month 6 – projections are now showing that service demand will equal available budget.
- **Corporate Training** - £124k under spend – Mainly as a result of staff vacancies (3) within the unit, one of which is the Head of Workforce planning & Development has been frozen and has been put forward as a saving proposal for 24-25. Holding this post vacant has generated a sizeable in-year saving used to off-set staffing costs in other teams in the department.
- **Innovation** - £4k Overspend

| LAW & GOVERNANCE DIRECTORATE (PG) | Month 5 | Month 6 | Month 9 | Outturn |
|-----------------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s        | 119     | 115     | 151     | 0       |

**Chief Officer summary:** Law & Governance is forecasting to over spend by £151k, primarily due to an increase in members costs, alongside income shortfalls in Legal and land charges.

Every effort is being made to identify mitigating savings to recover the overall position, with £127k currently identified and forecast as part of the wider budget recovery plan. This includes looking at all uncommitted expenditure, the potential to capitalise system costs, and holding vacant posts open.

### Democratic Services



| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | 137     | 137     | 137     | 0       |

Democratic Services is forecasting to overspend by £137k, this is due to:

- **Members** - £124k overspend – No change from Month 6 - the cost of elected members has increased over budget this year and is down to a number of factors. The members pay award was agreed at 4.75% for 23-24, this is over the 4.25% built into the budget so has caused a small pressure. The number of co-opted members has increased and the projected cost for these is anticipated to be £28k over previous years. We have seen a higher uptake in members joining the Superannuation scheme than in previous years and this has increased staff oncosts over available budget. There is a vacancy factor saving built into the budget, this will only be partially achieved this year causing a further pressure.
- **Democratic Services** - £13k overspend – No change from Month 6 - mainly due to an increase in the cost of our ModGov support within the committee section offset by improved grant in Electoral Management

### Legal and Land Charges

| Outturn Forecast        | Month 5 | Month 6 | Month 9 | Outturn |
|-------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'s | (22)    | (22)    | 14      | 0       |

Legal and Land charges is forecasting a £14k overspend:

- **Legal** - £3k under spend – staff savings generated by the gap in filling the Head of Governance post and the decision not to fill a post in line with the freeze on recruitment has been offset by additional honoraria payments to staff covering the deputy monitoring role. In addition there is an under recovery of income due to the inability this year to charge core staff costs to capital projects. The honoraria costs were not known in September and is the main reason for the adverse swing from M6.
- **Land Charges** - £17k overspend – Search fees have been impacted by the downturn in the housing market resulting in a budget pressure in income that has increased since M6. This has been part offset by a saving in staffing due to a vacant post and an under spend in supplies & services as we have been able to fund an essential server upgrade via capital funding.

| RESOURCES DIRECTORATE      | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | (196)   | (178)   | (144)   | 0       |

**Chief Officer summary:** At month the Resources directorate is forecasting to under spend by £144k, resulting from the in-year budget recovery savings being incorporated into the forecast.

Efforts continue to ensure that the opportunity to further reduce cost or increase income and savings opportunities are taken to support the overall Council objective of ensuring a balanced budget position is achieved by year-end. To that end the need to cease non-essential spend and in holding vacancies within the protocol established will continue to be maintained throughout the year.

Notwithstanding the in-year budget recovery savings the pressures continue to be within the corporate & commercial landlord budget, which is offset by savings within finance and ICT.

Efforts continue to improve the shortfall in savings and income across Landlord Services, in relation to property rationalisation savings, continued improvement in commercial investment performance and wider income generation across the portfolio and in particular county farms, industrial units and cemeteries.

| <b>Finance</b>                    |                |                |                |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Outturn Forecast</b>           | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b> | <b>(243)</b>   | <b>(242)</b>   | <b>(200)</b>   | <b>0</b>       |

Finance is forecasting to under spend by £200k, this is mainly due to -

- **Revenues** - £9k overspend – due to :-
  - **Benefits & Council Tax** - £45k overspend – due to a £16k residual budget pressure from the Finance restructure, reduced summons income in Council Tax and a bad debt provision top-up of £23k. This has been partially offset by one off administration grant income for Welsh Government Retail Relief scheme. This is a £37k adverse swing from M6 and is largely due to the inclusion of the bad debt provision and a reduction in summons income which was not known in September.
  - **Debtors & Charity relief** – £36k under spend – due to one off burden funding for administering the Energy schemes on behalf of UK Govt, savings from a part year vacancy and a managed under spend in supplies and services.
- **Finance** - £158k under spend – Staff savings due to vacancies as the section is awaiting a restructure.
- **Audit** – £15k under spend – this is a £6k improvement from M6 and is due to staff savings as recruitment has been frozen in line with the budget recovery plan.
- **Systems & Exchequer** – £36k under spend – there is a net under spend within the section due to a staff vacancy in Cashiers that has not been filled in line with the current recruitment freeze and a reduction in software costs as system development has been paused to help in-year budget recovery. In addition we have seen an uplift in income from school recharges, Ukraine funding and capitalisation. The under spend has increased from M6 as a vacant post in banking took longer than expected to recruit.

| <b>Future Monmouthshire</b>       |                |                |                |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Outturn Forecast</b>           | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b> | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</b>       |

Future Monmouthshire is forecasting to return a balanced budget.

| <b>Corporate Health &amp; Safety</b> |                |                |                |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
| <b>Outturn Forecast</b>              | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b>    | <b>0</b>       | <b>0</b>       | <b>(6)</b>     | <b>0</b>       |

Corporate Health & Safety is forecasting a £6k under spend for 23-24, this is down to a managed saving within Supplies & Services.

| <b>Information, Communication &amp; Technology</b> |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| <b>Outturn Forecast</b>                            | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b>                  | <b>(4)</b>     | <b>(4)</b>     | <b>(23)</b>    | <b>0</b>       |

- **ICT** - £23k under spend, this is due to :-
  - **Digital Programme Office** - £14k under spend - mainly due to savings in materials and

equipment purchases.

- **SRS Contribution** - £17k over spend - The latest forecast from SRS is that our contribution required for the 23-24 financial year will exceed available budget by £17k. This is due to 2 main factors - an increase in licence costs and a shortfall in SLA income.
- **Digital Design & Innovation** - £23k under spend - mainly due to staff vacancy savings due to the budget manager leaving the authority at the start of Jan and 2 further staff leaving in Feb. This would not have been known in September and is the reason for the variance from M6.
- **Cyber Security Team** - £3k under spend - due to a managed reduction in non-essential spend as per authority budget recovery plan.

### Commercial & Corporate Landlord

| Outturn Forecast           | Month 5 | Month 6 | Month 9 | Outturn |
|----------------------------|---------|---------|---------|---------|
| Deficit / (Surplus) £'000s | 51      | 67      | 85      | 0       |

Commercial & Corporate Landlord services is forecasting to over spend by £85k, due to :-

- **Investment Properties** - £143k over spend, due to –
  - **Newport Leisure Park** - £47k over spend – NLP is expected to generate a £290k surplus after loan repayments, however this falls short of the £337k budget target for 23-24. The £47K shortfall relates to unbudgeted rates on vacant units and rent-free periods for new tenants reducing turnover in 23-24. In 24-25 we will see these unexpected expenses reduce and income increase as the rent-free period ends.
  - **Castlegate Business Park** - £96k over spend – Castlegate is forecasting to over spend by £96k, this relates to the unbudgeted utility costs associated with our vacant units, the section continues to work on improving the vacancy rate which will help reduce this over spend by year end.
- **Landlord Services** - £66k over spend – The budget includes a £215k saving from the rationalisation of our property portfolio – currently we are only estimating to find £50k this financial year. This over spend has been part offset by improved rental income, a salary saving due to the freezing of a vacant post and a one-off grant to cover the Ukrainian welcome centre.
- **Shared Accommodation** - £2k under spend – this is a £19k adverse swing from what was reported at M6. Staff savings are still achievable due to a vacant cleaner post, but premises costs have increased, and income is now not expected to achieve earlier projections by £8k.
- **County Farms** - £17k under spend – Lettings have improved, resulting in increased rental income but we still have some vacant properties that are yet to be filled and is the reason for the £15k adverse swing from M6.
- **Industrial Units** - £37k under spend – Rental income has increased above budget due to a number of new lettings.
- **Cemeteries** - £58k under spend. Burial income is projected to come in higher than budget.
- **Property Services** - £10k under spend – same as Month 6 - under spend as a result of a vacant



post in office services that will now not be filled in line with the M5 recruitment freeze.

| <b>CORPORATE COSTS &amp; LEVIES DIRECTORATE</b>  | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
|--|----------------|----------------|----------------|----------------|
| <b>Deficit / (Surplus) £'000s</b>  | (2,139)        | (2,146)        | (3,231)        | 0              |
| <b>Precepts &amp; Levies</b>   |                |                |                |                |
| <b>Outturn Forecast</b>  | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b>  | 0              | 0              | 0              | 0              |
| No variance forecast at month 6.   |                |                |                |                |
| <b>Coroners Services</b>   |                |                |                |                |
| <b>Outturn Forecast</b>  | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b>  | 18             | 18             | 104            | 0              |
| Coroner's Service are forecasting an over spend due to the urgent restructuring of the service as required by the Chief Coroner of England and Wales.  |                |                |                |                |
| <b>Corporate Management</b>  |                |                |                |                |
| <b>Outturn Forecast</b>  | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b>  | (116)          | (116)          | (138)          | 0              |
| Increased income due to favourable rateable value adjustments on Council owned properties.   |                |                |                |                |
| <b>Non-Distributed Costs</b>   |                |                |                |                |
| <b>Outturn Forecast</b>  | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b>  | 0              | 0              | (382)          | 0              |
| Forecast saving against budget for pension strain costs due to costs of reorganisation being met from capitalisation direction.  |                |                |                |                |
| <b>Strategic Initiatives</b>   |                |                |                |                |
| <b>Outturn Forecast</b>  | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b>  | (2,040)        | (2,040)        | (2,815)        | 0              |
| Unallocated reserve funded budgets that are mitigating the overall over spend within the Authority.  |                |                |                |                |
| <b>Insurance</b>   |                |                |                |                |
| <b>Outturn Forecast</b>  | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b>  | 0              | (7)            | 0              | 0              |
| The Council has been out to tender for its insurance cover which resulted in premiums payable for 2023/24 being slightly less than anticipated at this stage in the year and reflective of a very competitive insurance market. Additional premiums arise during the year if further assets are acquired by the authority and require insurance cover. |                |                |                |                |

| <b>TREASURY &amp; RESERVES</b>   | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
|--|----------------|----------------|----------------|----------------|
| <b>Deficit / (Surplus) £'000s</b>  | (251)          | (730)          | (1,118)        | 0              |
| <b>Interest &amp; Investment Income</b>  |                |                |                |                |
| <b>Outturn Forecast</b>  | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b>  | (111)          | (550)          | (576)          | 0              |
| The performance of investments in money market funds and DMO deposits continue to improve with raising interest rates. Since Month 6 there have been further improvement in rates and larger invested balances have significantly improved the position.   |                |                |                |                |
| The net costs of investments and borrowing has been reduced by arranging short term borrowing in advance. In a rising interest rate environment interest available on investments can be higher than borrowing rates by the time the forward starting loans commence.  |                |                |                |                |
| <b>Interest Payable &amp; Similar Charges</b>  |                |                |                |                |
| <b>Outturn Forecast</b>  | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b>  | 12             | (8)            | (352)          | 0              |
| The interest payable position has improved due to lower-than-expected temporary loan requirements combined with forward starting loans locking into beneficial rates. Interest rates have reduced from their peak lowering the costs of borrowing even further.  |                |                |                |                |
| It should be noted that the authority has been able to achieve lower short-term borrowing rates by arranging forward starting loans in a rising interest rate environment. As we have reached a peak interest rate there is no longer a benefit in forward starting loans.   |                |                |                |                |
| <b>Charges Required Under Regulation</b>   |                |                |                |                |
| <b>Outturn Forecast</b>  | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b>  | 124            | 223            | 206            | 0              |
| This budget covers the statutory amount the Council is obliged to set aside to fund future loan repayments (Minimum revenue provision – MRP) and the forecast is slightly higher than the £6.7m budget due to higher spend than anticipated in the 2022/23 capital programme that was funded from borrowing (MRP costs start the year after the corresponding expenditure). Additional charges have been made for vehicles disposed/written off. This movement is matched by and under spend in Borrowing Cost Recoupment. |                |                |                |                |
| <b>Other Investment Income</b>   |                |                |                |                |
| <b>Outturn Forecast</b>  | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b>  | (24)           | (42)           | (42)           | 0              |
| Unexpected income related to discharge of SRS business capital advance and interest relating to the late payment on the balance of Hilston Park disposal.  |                |                |                |                |
| <b>Borrowing Cost Recoupment</b>   |                |                |                |                |
| <b>Outturn Forecast</b>  | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
| <b>Deficit / (Surplus) £'000s</b>  | (252)          | (353)          | (353)          | 0              |

This budget represents a technical accounting adjustment where borrowing costs relating to the purchase of capital assets is repatriated from service budgets to ensure that the full life cost of assets is borne by the end user. The variance to budget relates to vehicles purchased at the end of 2022/23 which were originally anticipated to be financed through a sale and leaseback arrangement, however following an options appraisal were found to be more cost effective to be purchased outright and financed from borrowing. No change since M6

| <b>FINANCING</b>                  | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Deficit / (Surplus) £'000s</b> | (460)          | (430)          | (350)          | 0              |

### Council Tax Benefit Support

| <b>Outturn Forecast</b>           | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Deficit / (Surplus) £'000s</b> | (260)          | (280)          | (350)          | 0              |

Case load for the scheme appears to be stabilising at around 5,530 cases. As a result an under spend is expected against this budget.

### Council Tax

| <b>Outturn Forecast</b>           | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Deficit / (Surplus) £'000s</b> | (200)          | (150)          | 0              | 0              |

Generally the tax base remains strong. We continue to see the base grow as new properties come into the council tax list. However at the same time we are also seeing an increase in the number of discounts and exemptions awarded which has both a negative impact on the tax base and on the forecast outturn position. We are also seeing a slowing down in collection rates as households struggle with the cost of living crisis. Combined, this has eroded any anticipated surplus this year and it is possible that by year end income collected fails to meet the budget set for the year.

### General Government Grants

| <b>Outturn Forecast</b>           | <b>Month 5</b> | <b>Month 6</b> | <b>Month 9</b> | <b>Outturn</b> |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Deficit / (Surplus) £'000s</b> | 0              | 0              | 0              | 0              |

Income received to budget.

## 2. Section 3 – School Balances

- 2.1. A Board of Governors who are responsible for managing the school's finances directly governs each of the Authority's Schools. However, the Authority also holds a key responsibility for monitoring the overall financial performance of schools. Below is a table showing the forecast Schools' balances position based on month 9 projections for each Educational Cluster.
- 2.2. The LA and Governing Body have not formally agreed a 2023-24 budget for Chepstow Comprehensive. This will be agreed at the Governing Body Meeting in October.

| Council Fund<br>Outturn 2023/24 –<br>School Balances<br>Summary outturn<br>position | (A)<br>Opening<br>Reserves<br>(Surplus) /<br>Deficit<br>Position<br>2023/24 | (B)<br>Draw /<br>(Contribution)<br>from / (to)<br>School<br>Balances<br>@ Month 5 | (C)<br>Draw /<br>(Contribution)<br>from / (to)<br>School<br>Balances<br>@ Month 6 | (D)<br>Draw /<br>(Contribution)<br>from / (to)<br>School<br>Balances<br>@ Month 9 | (E)<br>Draw/<br>(Contribution)<br>to Reserves at<br>Outturn | (A+D)<br>Forecast<br>2023/24<br>Reserves |
|---|---|---|---|---|---|--|
|   | £000's  | £'000   | £'000   | £'000   | £'000   | £'000                                    |
| <b>Cluster</b>  |   |   |   |   |   |  |
| Abergavenny   | (1,598)   | 1,059   | 1,119   | 1,776   | 0   | 177                                      |
| Caldicot  | (1,151)   | 915   | 991   | 1,559   | 0   | 408                                      |
| Chepstow  | (112)   | 180   | 159   | 383   | 0   | 271                                      |
| Monmouth  | (1,425)   | 1,032   | 1,016   | 1,317   | 0   | (108)                                    |
| Special   | 29  | 478   | 478   | 572   | 0   | 602                                      |
| <b>Total</b>  | <b>(4,257)</b>  | <b>3,663</b>  | <b>3,763</b>  | <b>5,607</b>  | <b>0</b>  | <b>1,350</b>                             |

- 2.3. Collective School Balances at the beginning of the Financial Year amounted to £4,257,124 surplus. At Month 5, the forecast anticipated draw on reserves was £3,663,351, against a budgeted draw on reserves of £3,344,722, resulting in a forecast surplus balance of £593,885 at year-end. At month 6, the forecast draw on reserves increased by a further £123,714, resulting in a forecast surplus balance

of £494,159 at year end. At month 9, there is a further forecasted draw on reserves of £1,844,040, resulting in a forecast deficit balance of £1,349,880 at year end.

2.4. Grants awarded to schools at 2020/21 and 2021/22 year-ends resulted in a large increase in overall school balances and schools developed grant investment plans in line with the terms and conditions of these grants, hence the large draw on reserves during 2022/23 and 2023/24.

2.5. The movement of individual schools forecast to be in deficit at the end of the year is shown below:

| Start of year                                  | Month 5                   | Month 6  | Month 9  | End of year     |
|--|---------------------------|--|--|-----------------|
| <b>Total: 5</b>                                | <b>Total: 11</b>          | <b>Total: 15</b>                               | <b>Total: 16</b>                               | <b>Total: 0</b> |
| Chepstow Comprehensive                         | Chepstow Comprehensive    | Chepstow Comprehensive                         | Chepstow Comprehensive                         |                 |
| Llandogo                                       | Llandogo                  | Llandogo                                       | Llandogo                                       |                 |
| Pupil Referral Service                         | Pupil Referral Service    | Pupil Referral Service                         | Pupil Referral Service                         |                 |
| The Dell                                       | The Dell                  | The Dell                                       | The Dell                                       |                 |
| Our Lady & St Michael's RC Primary School (VA) |                           | Our Lady & St Michael's RC Primary School (VA) | Our Lady & St Michael's RC Primary School (VA) |                 |
|  | Deri View                 | Deri View                                      | Deri View                                      |                 |
|  | Ysgol y Fenni             | Ysgol y Fenni                                  | Ysgol y Fenni                                  |                 |
|  | Caldicot School           | Caldicot School                                | Caldicot School                                |                 |
|  | Archbishop Rowan Williams | Archbishop Rowan Williams                      | Archbishop Rowan Williams                      |                 |
|  | Ysgol Y Ffin              | Ysgol Y Ffin                                   | Ysgol Y Ffin                                   |                 |
|  | Osbaston                  | Osbaston                                       | Osbaston                                       |                 |
|  | Overmonnow                | Overmonnow                                     | Overmonnow                                     |                 |
|  |                           | Gilwern  | Gilwern  |                 |
|  |                           | Rogiet   | Rogiet   |                 |
|  |                           | Thornwell                                      | Thornwell                                      |                 |
|  |                           |  | King Henry V111 3-19 School                    |                 |

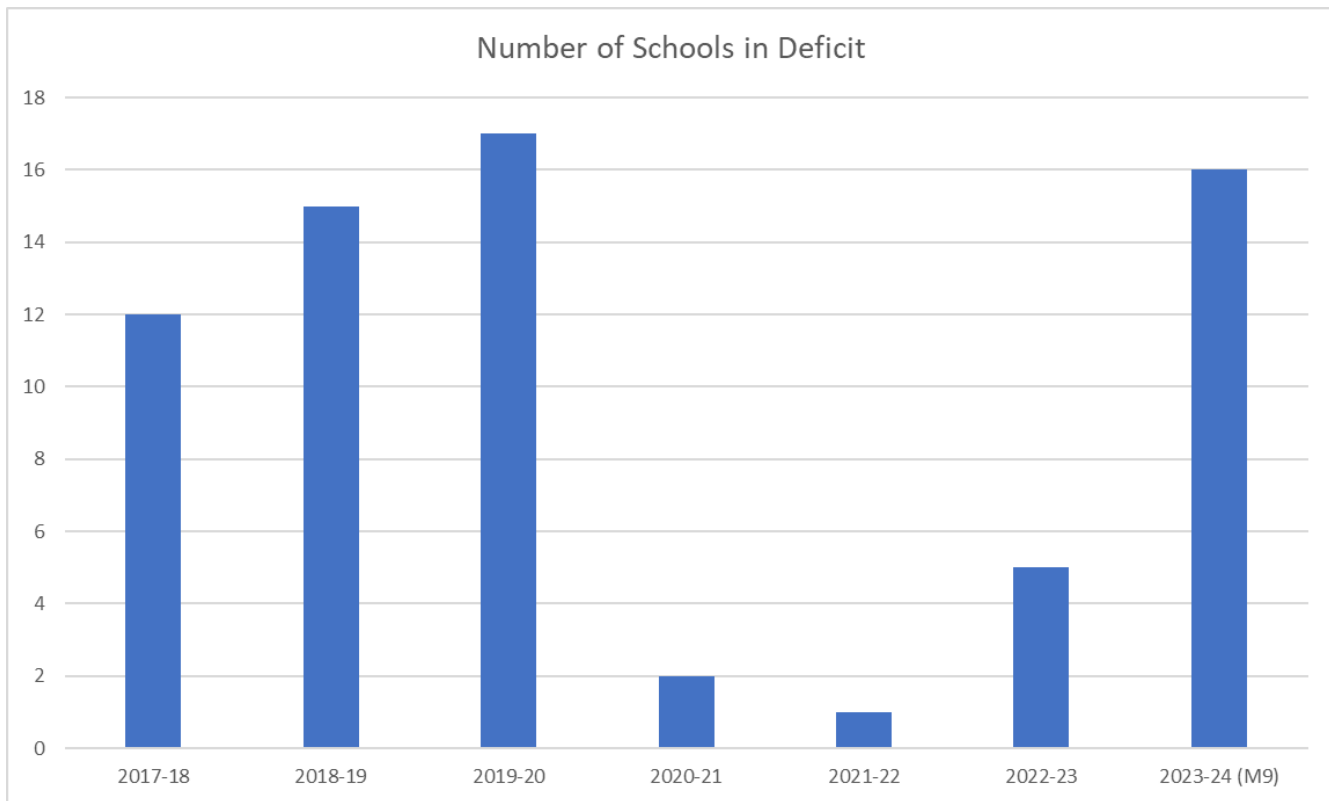
2.6. There is a significant movement in cumulative School balances forecast for the year, moving from a surplus of £4.25m to a forecast deficit of £1.35m at year-end. Sixteen schools are currently forecast to be in deficit by year-end.

2.7. There isn't a consistent picture of schools' balances. There has been a fluctuating trend for some time with some schools showing a continuing reduction in schools balances, which is of concern, and others a more stable trend.

- 2.8. Grants awarded to schools at 2020/21 and 2021/22 year-ends to manage the impact of the pandemic on education resulted in a large increase in overall school balances, which has somewhat masked inherent structural budget deficits across some schools.
- 2.9. The legacy impact of the pandemic continues within the school environment, particularly in respect of attendance, behaviours and increased additional learning needs. This has required increased staff and specialist resources to tackle the issues presenting and increased overall costs of provision. Higher than budgeted pay awards have also impacted upon budgets.
- 2.10. Finance teams will continue to support schools to closely monitor and manage expenditure through to the financial year-end in order to mitigate the impact on closing balances.
- 2.11. All schools that do register a deficit balance at the end of a financial year are required to bring forward budget recovery plans. These recovery plans will be confirmed with both the Local Education Authority and each School's Governing Body. Once finalised the schools with significant deficits will be monitored by the Cabinet member for both Children and Young People and Resources on a termly basis.

| <b>Financial Year-end</b> | <b>Net level of School Balances<br/>(Surplus) / Deficit in £000's</b> |
|---------------------------|---|
| 2014-15                   | (1,140)   |
| 2015-16                   | (1,156)   |
| 2016-17                   | (269)   |
| 2017-18                   | (175)   |
| 2018-19                   | 232   |
| 2019-20                   | 435   |
| 2020-21                   | (3,418)   |
| 2021-22                   | (6,956)   |
| 2022-23                   | (4,257)   |
| 2023-24 (forecast)        | 1,350   |

- 2.12. The increase in school balances during 2020/21 and 2021/22 resulted in a reduction in the number of schools in deficit, as illustrated in the following table. Unfortunately, the current projection is a return of sixteen schools into deficit balance by the end of the year:



### 3. Section 4 – Capital budget update

3.1 The summary Capital position at Month 9 is as follows:

| Select Portfolio                | Slippage B/F | Original Budget | Budget Adjustments | Provisional Slippage | Revised Budget 2023/24 | Forecast Outturn | Variance to Budget |
|---------------------------------|--------------|-----------------|--------------------|----------------------|------------------------|------------------|--------------------|
|                                 | £000's       | £000's          | £000's             | £000's               | £000's                 | £000's           | £000's             |
| <b>Expenditure</b>              |              |                 |                    |                      |                        |                  |                    |
| Capitalisation Directive        | 0            | 3,008           | 0                  | 0                    | 3,008                  | 4,008            | 1,000              |
| Development Schemes Over £250k  | 12,042       | 603             | 1,027              | (5,518)              | 8,155                  | 5,769            | (2,386)            |
| Development Schemes Under £250k | 2,527        | 360             | (10)               | (1,846)              | 1,031                  | 1,031            | 0                  |
| Schools & Education             | 6,265        | 29,375          | (63)               | 0                    | 35,576                 | 35,576           | 0                  |
| Infrastructure                  | 2,455        | 6,823           | 0                  | (3,227)              | 6,050                  | 6,050            | 0                  |
| ICT Schemes                     | 866          | 413             | 0                  | (312)                | 966                    | 736              | (230)              |
| Property Maintenance            | 2,027        | 2,190           | 122                | (86)                 | 4,254                  | 4,254            | 0                  |



|                                     |                 |                 |                 |                 |                 |                 |                |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| Renovation Grants                   | 0               | 900             | 158             | 0               | 1,058           | 1,058           | 0              |
| Section 106                         | 828             | 0               | 0               | (732)           | 96              | 96              | 0              |
| Specific Grant Funded               | 6,089           | 500             | 10,728          | (172)           | 17,145          | 15,272          | (1,873)        |
| <b>Total Expenditure</b>            | <b>33,098</b>   | <b>44,171</b>   | <b>11,964</b>   | <b>(11,893)</b> | <b>77,339</b>   | <b>73,850</b>   | <b>(3,489)</b> |
| <b>Financing</b>                    |                 |                 |                 |                 |                 |                 |                |
| Supported Borrowing                 | 0               | (2,430)         | 0               | 0               | (2,430)         | (2,430)         | 0              |
| General Capital Grant               | 0               | (2,495)         | 0               | 0               | (2,495)         | (2,495)         | (0)            |
| Grants and Contributions            | (8,446)         | (19,061)        | (11,704)        | 1,789           | (37,422)        | (35,948)        | 1,474          |
| S106 Contributions                  | (917)           | 0               | 0               | 732             | (185)           | (185)           | (0)            |
| Unsupported Borrowing               | (20,864)        | (15,787)        | (70)            | 8,334           | (28,386)        | (25,601)        | 2,785          |
| Earmarked Reserve & Revenue Funding | (305)           | (103)           | 0               | 13              | (395)           | (395)           | 0              |
| Capital Receipts                    | (2,565)         | (4,295)         | (191)           | 1,025           | (6,026)         | (6,796)         | (770)          |
| <b>Total Financing</b>              | <b>(33,098)</b> | <b>(44,171)</b> | <b>(11,964)</b> | <b>11,893</b>   | <b>(77,339)</b> | <b>(73,850)</b> | <b>3,489</b>   |

3.2 The capital expenditure at outturn demonstrating a net underspend £3.489m due to the following variances identified:

| Scheme                                  | Budget<br>£000's | Over /<br>(Under)<br>spend<br>£000's | Comment   |
|---|------------------|--------------------------------------|---|
| Asset Investment Fund                   | 2,200            | (2,200)                              | Underspend due to Investment window expiring at end 2022/23 so no further investments proposed. This does not realise a usable budget for the Council as the budget was financed from borrowing that was to be met from service income. |
| Active Travel Schemes                   | 7,560            | (1,474)                              | Under spend due to delays in planning and the time restraints of the development window in Abergavenny. This does not realise a usable budget for the Council as the budget is grant funded.  |
| Capitalisation directive                | 3,007            | 1,000                                | A call on a further £1m headroom that was built into the revenue budget to fund the cost of redundancy and associated pension costs upon reorganisation.  |
| Grant –Match Funding Support Allocation | 1,262            | (400)                                | Underspend as no further match funded schemes currently in approved pipeline for 2023/24.   |
| Safer Route to Schools Investment       | 185              | (185)                                | Underspend as schemes have not been able to be developed in line with approved levels of funding.   |
| ICT Desktop replacement budget          | 394              | (230)                                | Laptops replacements have been lower than forecast in this financial year.  |



### 3.3 Capital Slippage

3.4 Capital slippage forecast at Month 9 is £11.893m. The principal schemes reporting slippage are:

| Scheme Category      | Scheme Name   | Slippage £000's | Comment   |
|----------------------|---|-----------------|---|
| Infrastructure       | Wye Bridge Monmouth   | 2,170           | Scheme delayed to 2024/25 because there are environmental constraints due to Licences / permits and working with NRW. Costs currently estimated to remain as budgeted.  |
| Economic Development | Capital Region City Deal  | 1,948           | Re-profiling of contributions required by the Cardiff Capital Region board  |
| Children's Services  | Property Acquisition for Children and Young People with Complex Needs | 1,875           | Delays to the acquisition of suitable properties identified   |
| Housing              | Housing Provision Borrowing Headroom                                  | 1,653           | Delayed due to lead times on acquisition of suitable properties   |
| Schools & Education  | Archbishop Rowan Williams Nursery                                     | 640             | In addition to this funding there is further S106 funding to improve / expand classrooms. The project is delayed so both projects can be completed at the same time to minimise the disruption to the school.         |
| Schools & Education  | Trellech Primary Nursery Childcare Scheme                             | 620             | Completion of Nursery scheme to be completed in 2024, additional funding has been requested from WG as the construction costs have increased and until confirmation has been received the project is unable to start. |
| Infrastructure       | Reconstruction of Bridges and walls                                   | 480             | Re-surfacing works delayed on Wye Bridge project. No compliant bids were received in the first tender process so have to go back out to tender and this will take us into the 2024/25 financial year.                 |
| Schools & Education  | Welsh Medium School and Nursery                                       | 435             | Project start has been delayed to Summer Term   |
| Infrastructure       | Wye Bridge Chepstow   | 375             | Scheme delayed to 2024/25 – Investigatory works are being completed (traffic data etc), which have been commissioned to support the remedial decisions before the employment of a contractor.                         |
| Infrastructure       | Ash Dieback/Dangerous Trees works                                     | 203             | This 3 year scheme will be completed in 2024-25 as affected woodland is identified  |
| IT Schemes           | Network Estate replacement budget                                     | 150             | Awaiting infrastructure implementation programme from our Network Provider  |

|                      |   |     |  |
|----------------------|---|-----|--|
| IT Schemes           | SRS Data Hall Migration                 | 149 | Decommissioning costs will now arise in 24/25 as advised by our Network provider   |
| Economic Development | Shire Hall/Monmouth Museum Move         | 148 | This is a multi-year project that involves considerable planning and logistical complexities   |
| Adult Services       | Mardy Park Minor Works - ABUHB          | 94  | Awaiting authorisation in regard to progressing the scheme with a partner organisation   |
| Maintenance Schemes  | Property Maintenance                    | 86  | Required for essential schemes delayed by contractor engagement  |
| Economic Development | Grant –Match Funding Support Allocation | 77  | Progress dependent upon identifying suitable grant streams, so reliant upon third parties.   |
| Economic Development | Fixed Asset disposal costs              | 45  | Reflects slight delay in progressing some asset disposals  |
| IT Schemes           | Revenue Systems update                  | 13  | Delay in updating system as exact requirements have not yet been identified that enables an integrated solution  |
| S106                 | S106 Schemes                            | 732 | Delays in planning / public consultations and contractor engagement, have led to delays on schemes at Abergavenny Velo Park; Off Road Cycling Feasibility Study; Goytre Recreational Play Facilities; Abergavenny Skate Park; Overmonnow Primary, Clydach Ironworks, Monmouth Allotments, Chippenham Mead Play Area, Rockfield Community Nature Spaces, Little Mill active travel and a small play scheme in Chepstow. |

### 3.5 Useable Capital Receipts Available

3.6 The table below outlines the latest forecast of capital receipts balances available to meet future capital commitments. Whilst overall balances remain healthy, it should be noted that all banked capital receipts have been committed to funding the indicative forward capital programme. Therefore any further use will be dependent upon forecast capital receipts being realised.

| <b>Month 9 Capital receipts forecast</b>                  | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> |
|---|----------------|----------------|----------------|----------------|----------------|
|   | <b>£000's</b>  | <b>£000's</b>  | <b>£000's</b>  | <b>£000's</b>  | <b>£000's</b>  |
| Balance as at 1st April                                   | 12,446         | 8,785          | 7,004          | 6,700          | 5,835          |
| Capital receipts used for financing                       | (2,788)        | (1,815)        | (460)          | (460)          | (460)          |
| Capital receipts used to support capitalisation direction | (3,008)        | (3,358)        | (508)          | (508)          | (508)          |
| Capital receipts for Redundancies                         | (1,000)        |                |                |                |                |
| Capital receipts Received                                 | 1,043          |                |                |                |                |
| Capital receipts Forecast                                 | 2,092          | 3,393          | 663            | 103            | 103            |
| <b>Forecast Balance as at 31st March</b>                  | <b>8,785</b>   | <b>7,004</b>   | <b>6,700</b>   | <b>5,835</b>   | <b>4,970</b>   |

Appendix 2 - Service savings progress - Month 9 update

|  | Savings proposals by Directorate | Total Saving / Budget recovery | Month 9 Forecast | Variance to Budgeted | % Forecast to be met |  |
|--|----------------------------------|--------------------------------|------------------|----------------------|----------------------|--|
|  |                                  | £000                           | £000             | £000                 |                      |  |
|  | Social Care & Health             | (3,495)                        | (2,526)          | 969                  | 72.3%                |  |
|  | Children & Young People          | (2,241)                        | (2,134)          | 107                  | 95.2%                |  |
|  | Communities & Place              | (3,396)                        | (2,887)          | 509                  | 85.0%                |  |
|  | Monlife                          | (1,292)                        | (1,216)          | 76                   | 94.1%                |  |
|  | Chief Executives Unit            | (104)                          | (104)            | 0                    | 100.0%               |  |
|  | Law & Governance                 | (157)                          | (127)            | 30                   | 80.9%                |  |
|  | Resources                        | (1,178)                        | (1,003)          | 175                  | 85.1%                |  |
|  | Corporate Costs & Levies         | (433)                          | (433)            | 0                    | 100.0%               |  |
|  | <b>Totals</b>                    | <b>(12,296)</b>                | <b>(10,430)</b>  | <b>1,866</b>         | <b>84.8%</b>         |  |

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| Ref  | Social Care & Health  | Total Saving / Recovery | Month 9 Forecast | Variance |  | Comment  |
|------|---|-------------------------|------------------|----------|--|--|
|      |   | £000                    | £000             | £000     |  |  |
| SCH3 | Children's Services - Placement and Practice Change - re-evaluating our current processes and systems post-covid in order to clearly define at what points we make essential decisions in regard to when a child is placed within a High-Cost Placement | (748)                   | (968)            | (220)    |  | Care planning for High Cost and Solo Placements is in place with HOS oversight and sign off. This is allowing children to progress to alternative placements where this is in keeping with their care and support needs and their longer term personal outcomes. |
| SCH5 | Staffing reductions to Adult Services - The proposal is to create savings by reducing the core workforce across the statutory teams in adults' services.  | (308)                   | (273)            | 35       |  | A monitoring framework has been established and a "totaliser" set up to track, record and account for all the identified staff savings throughout the year.  |

|      |  |       |       |      |  |
|------|--|-------|-------|------|--|
| SCH4 | Children's Service Redesign/Staffing - (i) Family Time Service Development, (ii) Review of Structures and Service Operating costs                    | (421) | (72)  | 349  | Additional Family Contact Sessional workers are in place providing cost avoidance activity where intensive family supervision is required (previously the service was reliant on commissioned services).<br>Weekly Workforce Meeting of Children Service Leadership Team is overseeing the reduction of the use of agency social workers, which is progressing positively.   |
| SCH5 | Adults - Care hours, block commissioning, Mileage - Reduce amount of direct care in the region of 10% whilst rebalancing in house/external provision | (400) | (80)  | 320  | Various workstreams underway to right size care packages but challenges associated with identifying the resource required to undertake the work. A Review pilot in Monmouth to right size packages and Nevill Hall to discharge people with minimal care requirements, and establishment of a weekly QALG (Quality Assurance Group) to right size care package and ensure cost efficiency. However current data tells us that overall, once care reductions and new demand has been accounted for, the impact is one of increasing spend in this area. |
| F&Cs | Fees and charges increases - in line with inflation for SCH directorate  | (415) | (440) | (25) | All agreed Fees and Charges for 2023/24 have been implemented  |
| SCH9 | Practice and Process Change Adults - For people with high support needs  | (250) | 0     | 250  | See SCH7   |

|                  |  |       |       |     |  |
|------------------|--|-------|-------|-----|--|
| SCH7             | Learning disabilities - Remodelling of learning disability and mental health teams that will involve a decrease in team management hours.        | (300) | (171) | 129 | SCH7 and 9 are merged together as they are both looking into the same operational areas and are mainly focussing around practice change and the effective application of CHC around the Adult care spectrum. At present we have one LD cases which has entered into the final level 3 dispute stage and we continue to challenge ABuHB with estimate costs of £250K. |
| SCH8             | Adult services - Direct payment saving   | (200) | (200) | 0   | 10% levy has been applied to all Direct Payment care packages  |
| SCH2a<br>Page 41 | Staff restructuring within the Public protection service.  | (103) | (28)  | 75  | There was an inherent risk of moving forward on the proposal for removal of the Head for PP and we will look throughout the year at any mitigation where possible. At present an EHO post has been identified for deletion.  |
| SCH12b           | Transformation Team structure - reduction in core workforce  | (61)  | (58)  | 3   | Saving met practically in full   |
| SCH11            | Reduction in Adult partnership arrangements for Gwent service delivery models - Shared lives, Emergency duty, Frailty, Regional partnership team | (60)  | (7)   | 53  | Savings to date represent a £7K reduction in the RPT contribution.   |
| SCH13            | Monmouthshire & Torfaen YOS – Accommodation Change, Reduction in Staffing, Reallocation of Duties  | (44)  | (44)  | 0   | YOS partnership budget has been realigned accordingly so SCH achieved the saving in its partner in year contribution   |

|                   |  |                |                |            |  |
|-------------------|--|----------------|----------------|------------|--|
| SCH12a            | Transformation Team structure - vacant and temporary posts | (39)           | (39)           | 0          | Savings met 100%. : Removal of counselling development fund (£8,000)<br>Reduce commissioned training. (£6,729)<br>Reduce professional accredited professional and leadership training commissioned (£10,000)<br>Review business support functions - vacant post (£14,000) £2914.00 from S040 vacant post |
| SCHREC1           | Hold identified vacancies Adult Services                   | (45)           | (45)           | 0          | Alternative savings have been identified as original target cannot be met  |
| SCHREC2           | 10% reduction in workforce costs                           | (11)           | (11)           | 0          | Alternative savings have been identified as original target cannot be met  |
| SCHREC3           | Winter resilience funding                                  | (60)           | (60)           | 0          | Saving met   |
| SCHREC4           | Hold identified vacancies Children's Services              | (30)           | (30)           | 0          | Alternative savings have been identified as original target cannot be met  |
| <b>SCH Totals</b> |  | <b>(3,495)</b> | <b>(2,526)</b> | <b>969</b> |  |

| Ref   | Children & Young People  | Total Saving / Recovery | Month 9 Forecast | Variance | Comment  |
|-------|--|-------------------------|------------------|----------|--|
|       |  | £000                    | £000             | £000     |  |
| CYP13 | Schools - A reduction in the budget delegated to schools of 2.8% after making full provision for pay and energy increases. | (1,450)                 | (1,450)          | 0        | This saving has been made in full. The ISB has been reduced to reflect this. |

|         |  |                |                |            |  |
|---------|--|----------------|----------------|------------|--|
| CYP8    | Increase ALN recoupment income - additional places and increased charges to cover pay awards.  | (100)          | 0              | 100        | With the recent changes in the ALN formula for schools, all out of county recoupment for mainstream schools will be delegated to schools to support pupils. Therefore, any additional income generated through additional places will be delegated to the schools. |
| CYP12   | Gwent Music - partial withdrawal of subsidy from the service.  | (61)           | (61)           | 0          | This saving has been agreed with Gwent Music and will be made in full  |
| CYP11   | Grant funding to support Education Psychology staff budget   | (81)           | (81)           | 0          | Grant funding in place to fund post so saving will be made without loss of post  |
| CYP10   | Reduce contribution to Education Achievement service - To reduce MCC's core contribution by 10%  | (40)           | (40)           | 0          | This has been agreed with the EAS and the saving will be made in full  |
| CYP6    | Grant funding to support the Additional Learning Needs Admin Team  | (30)           | (30)           | 0          | Grant funding in place to fund post so saving will be made without loss of post  |
| CYP15   | Support Services staff savings through restructure   | (25)           | (25)           | 0          | Savings will be made through restructure   |
| CYP7    | Additional Learning Needs Equipment - To cease funding for ALN specialist equipment that is funded centrally for pupils placed in our schools. | (22)           | (15)           | 7          | Funding has been made available for a pupil in one of our mainstream schools   |
| CYPREC1 | To use grants to displace current salary costs, to be used in line with the current grant terms  | (85)           | (85)           | 0          | Saving met   |
| CYPREC2 | Hold vacancy open  | (5)            | (5)            | 0          | Saving met   |
| CYPREC3 | The reserve relates to income from the PV solar panels on some schools.  | (150)          | (150)          | 0          | Saving met   |
| CYPREC4 | The reserve relates to income from the PV solar panels on some schools.  | (120)          | (120)          | 0          | Saving met   |
| CYPREC5 | To use grants to displace current salary costs, to be used in line with the current grant terms  | (53)           | (53)           | 0          | Saving met   |
| CYPREC6 | Vacancy in Support Services not being filled.  | (19)           | (19)           | 0          | Saving met   |
|         | <b>CYP Totals</b>  | <b>(2,241)</b> | <b>(2,134)</b> | <b>107</b> |  |

| Ref            | Communities & Place  | Total Saving / Recovery | Month 9 Forecast | Variance |  | Comment   |
|----------------|--|-------------------------|------------------|----------|--|---|
|                |  | £000                    | £000             | £000     |  |   |
| DeCarb1        | Decarbonisation - Reducing energy consumption across the Council's estate  | (532)                   | (355)            | 177      |  | Potential Risk - only estimating 2 thirds achievable at present - Decarbonisation team is not yet in place resulting in a delay in implementing the energy reduction strategies highlighted in the saving mandate. In addition April and May was colder than expected so we are expecting heating bills to be up. |
| DeCarb1        | Commercial & Landlord Services - Solar farm export tariff income   | (150)                   | (150)            | 0        |  | Achievable - budget uplifted to reflect 22-23 activity, no indication that this will not be the case in 23-24 so saving should be achieved in full.   |
| C&P            | Highways Development & Car Parks - Increasing car park & permit charges.   | (280)                   | (280)            | 0        |  | Achievable - car park prices have been increased across authority, if activity remains the same as 22-23 then saving will be achieved in full.  |
| 22/23 Decision | Neighbourhood Services - Recycling & Waste - Increase garden waste charges to achieve a full cost recovery model and increase annual charge based on inflation | (250)                   | (250)            | 0        |  | Achievable - Prices were uplifted as part of cabinet report in Jan - no notable reduction in uptake so assume saving will be made in full.  |



|         |  |       |       |     |  |
|---------|--|-------|-------|-----|--|
| TRAN1+2 | Fleet Maintenance - Reduction in operating fleet and corporate mileage reduction.  | (160) | 0     | 160 | Fleet reduction of £60k - current M9 projection indicates that this will now not be achieved, the service is continually looking to reduce the number of vehicles but current service demand means the rationalisation is going slower than expected. Mileage - not achievable - roll-out of pool car scheme and other initiatives has been slower than anticipated so cannot forecast that any of this saving will be found in 23-24. |
| F&Cs    | Uplift in fees & charges not covered by a standalone mandate   | (155) | (155) | 0   | Achievable - Services have uplifted fees as per 23-24 MTFP - if activity remains the same then saving will be achieved across directorate.   |
| C&P4    | Highways Development & Car Parks - To increase the income target for road closures   | (149) | (149) | 0   | Achievable - budget uplifted to reflect 22-23 activity - no indication that this will not be achieved in 23-24.  |
| C&P4    | Neighbourhood Services - To reduce the revenue budget for street lighting maintenance taking account of the reduction in energy usage and reduced maintenance requirements of recently renewed columns, LED lamps and traffic light renewals | (142) | (142) | 0   | Achievable - Energy and maintenance saving reflects actual reduction in 22-23, no indication that these savings will not re-occur in 23-24.  |
| C&P8    | Neighbourhood Services - Reduction of grounds maintenance services   | (90)  | (90)  | 0   | Achievable - Mowing schedules have been reduced and sweeping structure changed so saving should be achieved in full.   |
| C&P6    | Neighbourhood Services - Grounds Maintenance and Cleansing - Uplift of charges for external contracts  | (120) | (120) | 0   | Achievable - Pricing schedule has been updated to reflect new rates.   |

|                 |  |      |      |    |  |
|-----------------|--|------|------|----|--|
| C&P3            | Neighbourhood Services - Service savings and staff reduction.  | (80) | (80) | 0  | Achievable - Re-use shop has increased opening hours so saving should be achieved, black bag sorting has been employed at sites so we should see a reduction in overall tipping costs.   |
| C&P17,18,21+24  | Highways & Flood Mgt - Reduction in staffing costs in the Highways and Flood Management service area   | (74) | (74) | 0  | Achievable - Posts have been removed from structure so saving should be made in full.  |
| PTU1<br>Page 46 | Passenger Transport Commissioning - New acceptable routes are implemented to reduce transport requirements based on current transport policy                               | (70) | 0    | 70 | Unachievable - Our Road Safety Officers have advised that we do not have sufficient budget to make the changes necessary to improve the amber routes, this means we still have to provide transport and as a result the expected reduction in operator costs will not materialise. This will not fully impact on current M9 outturn as this over spend has been partially offset by other mitigating factors within the service. |
| C&P34+35        | Planning, Policy & Building Control - To reduce revenue budget for the service area by reducing the professional and specialist fees, and photocopying and postage budget. | (59) | (59) | 0  | Achievable - budgets were reduced to reflect activity - no indication that this will change, achieved in full.   |
| 22/23 Decision  | Housing - A proposed restructure of the Housing Sustainable Living Team  | (50) | (50) | 0  | Achieved - Post has been removed from structure  |
| 22/23 Decision  | Flexible Funding - Restructure Management Team to reduce core costs  | (50) | (50) | 0  | Achieved - Post has been removed from structure  |
| C&P7            | Neighbourhood Services - Savings from Siltbuster recycling plant.  | (30) | (30) | 0  | Achievable - recycling plant is operational and contracted rebate payments have been received, saving will be achieved in full.  |
| PTU7            | Passenger Transport - Terminate the Mission Software and revert back to CTX which is a lower cost  | (30) | (30) | 0  | Achievable - Change has been made, savings should be achieved in full.   |

|          |   |       |       |    |  |
|----------|---|-------|-------|----|--|
| C&P12    | Housing - to build on the foundations of the well-established Careline Service to ensure it continues to be fit for future purpose. | (25)  | (25)  | 0  | Month 9 projections are indicating that this will be fully achieved.   |
| PTU4-6a  | Schools & Community Transport - Changing the licensing arrangements   | (17)  | 0     | 17 | Unachievable - This will not materialise as we have not been able to proceed with the operators licence as we are only allowed to run 10 public bus / grass route vehicles on it and we have more than that. |
| C&PREC1  | Use spare capital budget to fund qualifying spend sat within revenue budget   | (188) | (188) | 0  | Achievable - Work is ongoing to identify costs and passport to capital funding.  |
| C&PREC2  | Passport qualifying maintenance spend to capital  | (50)  | (50)  | 0  | Achievable - Work is ongoing to identify costs and passport to capital funding.  |
| C&PREC3  | Reduce the number of sweepers/vactors currently on hire   | (50)  | (50)  | 0  | Achievable - contracts will be reviewed and rationalised.  |
| C&PREC4  | Pay for fuel tanks from Capital   | (23)  | (23)  | 0  | Achieved - costs will be passported to available funding.  |
| C&PREC5  | Passport qualifying parts & maintenance spend to capital  | (120) | (120) | 0  | Achieved - costs will be passported to available funding.  |
| C&PREC6  | Curtailment of non-essential spend  | (29)  | (29)  | 0  | Achievable - all non essential spend will be stopped.  |
| C&PREC7  | Remove Council Car  | (3)   | (3)   | 0  | Lease has been cancelled so saving will be found.  |
| C&PREC8  | Continue review of vehicle fleet (owned & hired) to drive out efficiencies.   | (10)  | 0     | 10 | Work ongoing to rationalise hire fleet but as per Month 9 outturn figure we are not expecting to now make this saving.   |
| C&PREC9  | Curtailment of non-essential spend (outside of above)   | (4)   | (4)   | 0  | Achievable - all non essential spend will be stopped.  |
| C&PREC10 | Curtailment of non-essential spend  | (5)   | (5)   | 0  | Achievable - all non essential spend will be stopped.  |
| C&PREC11 | Use of capitalisation direction   | (8)   | (8)   | 0  | Achieved - costs will be passported to available funding.  |
| C&PREC12 | Freezing system development spend relating to the digitising of the Microfiche system.  | (30)  | (30)  | 0  | Achieved - system development has been stopped   |

|          |  |         |         |     |  |
|----------|--|---------|---------|-----|--|
| C&PREC13 | Withdraw Free Xmas Parking                                     | (20)    | (20)    | 0   | Achieved - free parking has been removed.  |
| C&PREC14 | Use of capitalisation direction                                | (18)    | (18)    | 0   | Achieved - costs will be passported to available funding.  |
| C&PREC15 | Explore opportunities to use grant funding to cover core costs | (66)    | (66)    | 0   | Achievable - core costs will be moved where applicable.  |
| C&PREC16 | Freezing of all Non-exempt posts                               | (259)   | (184)   | 75  | Part achieved - currently only on target to partially achieve this saving as since saving was set some posts have been unfrozen so full saving won't be found. This variance will have been reflected in the outturn position of services at M9. |
|          |  | (3,396) | (2,887) | 509 |  |

| Ref           | Monlife  | Total Saving / Recovery | Month 9 Forecast | Variance | Comment   |
|---------------|--|-------------------------|------------------|----------|---|
|               |  | £000                    | £000             | £000     |   |
| ML 3 & 4      | Finance & Business Support Restructure   | (104)                   | (104)            | 0        | Restructure complete - Post deleted from structure savings will be fully achieved   |
| ML22          | Gilwern Outdoor Adventure Services Redesign - Increase income through new business, new ways of working and engaging further with Monmouthshire internal services to provide cost avoidance for CYP and Social Services. | (100)                   | (88)             | 12       | Early indications of continued growth along with the services final outturn position indicates that this saving should be fully achievable in 23-24, there is still significant uncertainty around winter bookings and our re-engage program which are both essential in achieving the necessary income targets, we will continue to monitor this close and report any variances. |
| F&Cs          | Uplift in fees & charges not covered by a standalone mandate   | (83)                    | (83)             | 0        | Fee's updated 01st April 2023 - Early indications this will be achievable.  |
| ML 7,8,9 & 21 | Attractions Service Redesign   | (65)                    | (65)             | 0        | Redesign is underway savings will be fully achieved in 23-24  |

|      |  |      |      |    |  |  |
|------|--|------|------|----|--|--|
| ML1  | Green Infrastructure Grants - To fully utilise Shared Prosperity Fund (SPF), Local Places for Nature and related grants / project funding  | (45) | (45) | 0  |  | The service has received notification of successful bids, these will allow this saving to be fully achieved in 23-24.  |
| ML5  | Removal of vacant Project Officer post   | (45) | (45) | 0  |  | Post deleted savings will be fully achieved  |
| ML14 | Youth Services - Seeking to maintain service delivery at reduced core costs by increases reliance on external grants, an internal restructure of priorities, programmes and delivery.  | (25) | 0    | 25 |  | A joined up approach to funding through the delivery of sports development youth and play should provide the necessary opportunities to maximise external income opportunities and deliver this saving in 23-24. |
| ML19 | Old station Tintern Miniature Train Track - Complete the necessary repair and maintenance on the miniature train track through an initial one-off capital investment of £45k, this will allow us to re-open this much-loved attraction and increase our income generation. | (25) | (25) | 0  |  | Achieved   |
| ML16 | Collections Management - Remove 0.40 FTE from the Collections Management Post, currently vacant within the structure.  | (21) | (21) | 0  |  | Post removed savings will be fully achieved  |
| ML13 | Sports Development - To increase income generation through external grants, seeking to maintain service delivery at reduced core costs but increase service reliance on alternative external grants.   | (20) | (20) | 0  |  | This income will be fully achieved in 23-24  |
| ML2  | Countryside Access Grant Project cost recovery - To fully utilise the full cost recover model when recovering project management costs, ensuring our recovery rates maximise the rate allowed by grant providers.  | (20) | (20) | 0  |  | In progress early indications indicate that the additional income will be fully achieved in 23-24.   |
| ML11 | Visitor charging at some heritage exhibitions/activities and events  | (20) | (20) | 0  |  | Program is being developed, income should be fully achievable in 23-24.  |
| ML18 | Recharge Project Officers against Grant - Ensuring full cost recovery of officer's time against grants.  | (20) | (20) | 0  |  | Additional grants awarded to MONLIFE will allow this income to be fully achieved in 23-24.   |

|              |   |       |       |    |  |   |
|--------------|---|-------|-------|----|--|---|
| ML12         | Sale of Caterpod  | (10)  | (5)   | 5  |  | In the process of arranging the sale of the caterpod will be complete in 23-24.   |
| ML15         | Caldicot Fitness Equipment Maintenance - Reduce Caldicot LC maintenance contract to reflect the ageing equipment and seek a local accredited supplier to maintain | (10)  | (10)  | 0  |  | Contract negotiations underway, this saving should be fully achieved in 23-24.  |
| ML17         | Commercial contributions and Sponsorships   | (10)  | (10)  | 0  |  | This will be achieved in 23-24.   |
| ML6          | Reducing the Marketing supplies and services budget   | (5)   | (5)   | 0  |  | This saving will be fully achieved in 23-24   |
| CEO1-5       | Community Hubs - Reduce staffing levels at community hubs in order to reduce costs while keeping all hubs open with reduced service levels.                       | (135) | (135) | 0  |  | Achievable - improvement from M2, an updated assessment has been made and it is now predicted that this saving will be fully found within the available budget. |
| CEO08        | Community Hubs & Libraries - Reduce the budget for library books by 50% from £90,000 to £45,000,  | (45)  | (45)  | 0  |  | Achievable - budget removed, purchases will be limited to new figure.   |
| CEO3         | Community Education - Increase income by growing learner base   | (10)  | (10)  | 0  |  | Achievable - Early indication is that this will be achieved.  |
| CEO11&13     | Contact Centre - To reduce staffing levels in the contact centre by 2.5 FTE   | (112) | (90)  | 22 |  | Full year saving won't be achieved due to timing of redundancies.   |
| MonLifeREC1  | Secondment Theatre Manager to SPF Project   | (30)  | (22)  | 8  |  | Saving reduced due to delayed start to project.   |
| MonLifeREC2  | Creative Cultures Grant   | (8)   | (8)   | 0  |  | Achieved  |
| MonLifeREC3  | Event Budget  | (2)   | (2)   | 0  |  | Achieved  |
| MonLifeREC4  | Reserve - Funding core staff  | (30)  | (30)  | 0  |  | Achieved  |
| MonLifeREC5  | Business Support  | (8)   | (8)   | 0  |  | Achieved  |
| MonLifeREC6  | Reduce Enhancements and Overtime  | (5)   | (5)   | 0  |  | Achieved  |
| MonLifeREC7  | Freeze Markets Manager Post   | (19)  | (19)  | 0  |  | Achieved  |
| MonLifeREC8  | Secondment of Head of Communications  | (29)  | (25)  | 4  |  | Saving reduced due to honorarium to cover some additional duties  |
| MonLifeREC9  | Pause spending on Museums signage   | (4)   | (4)   | 0  |  | Achieved  |
| MonLifeREC10 | Reduce spending on clothing and Uniform   | (4)   | (4)   | 0  |  | Achieved  |
| MonLifeREC11 | Reduce Chepstow Café Opening Hours  | (5)   | (5)   | 0  |  | Achieved  |
| MonLifeREC12 | Sell surplus equipment  | (10)  | (10)  | 0  |  | Should be achieved action still to be held  |
| MonLifeREC13 | Freeze implementation of destination management plan  | (15)  | (15)  | 0  |  | Achieved  |
| MonLifeREC14 | Reducing all non essential service spend  | (15)  | (15)  | 0  |  | Achieved  |

|              |   |                |                |           |          |
|--------------|---|----------------|----------------|-----------|----------|
| MonLifeREC15 | Freeze GGGP Business Support Post         | (17)           | (17)           | 0         | Achieved |
| MonLifeREC16 | GGGP - Simplified Costs                   | (21)           | (21)           | 0         | Achieved |
| MonLifeREC17 | Rights of way                             | (15)           | (15)           | 0         | Achieved |
| MonLifeREC18 | Officer Recharge PS                       | (70)           | (70)           | 0         | Achieved |
| MonLifeREC19 | Freeze Community Learning Lead Tutor Post | (45)           | (45)           | 0         | Achieved |
| MonLifeREC20 | Reduction in rates across hubs            | (10)           | (10)           | 0         | Achieved |
|              |   | <b>(1,292)</b> | <b>(1,216)</b> | <b>76</b> |          |

| Ref     | Chief Executive's Unit                                  | Total Saving / Recovery | Month 9 Forecast | Variance | Comment   |
|---------|---|-------------------------|------------------|----------|---|
|         |   | £000                    | £000             | £000     |   |
| CEO14   | Performance & Data - Remove data scientist post         | (39)                    | (39)             | 0        | Achievable - Post removed from structure                  |
| GEOREC1 | Reduce training spend                                   | (3)                     | (3)              | 0        | Currently on target to be achieved.                       |
| GEOREC2 | Use of capitalisation direction                         | (40)                    | (40)             | 0        | Achieved - costs will be passported to available funding. |
| GEOREC3 | Learning Management System Implementation               | (5)                     | (5)              | 0        | Currently on target to be achieved.                       |
| GEOREC4 | Removal of discretionary counselling sessions for staff | (0)                     | (0)              | 0        | Currently on target to be achieved.                       |
| GEOREC5 | Freezing of all Non-exempt posts                        | (17)                    | (17)             | 0        | Currently on target to be achieved.                       |
|         | <b>CEO Totals</b>                                       | <b>(104)</b>            | <b>(104)</b>     | <b>0</b> |   |

| Ref | Law & Governance | Total Saving / Recovery | Month 9 Forecast | Variance | Comment |
|-----|------------------|-------------------------|------------------|----------|---------|
|     |                  | £000                    | £000             | £000     |         |

|        |  |              |              |           |  |
|--------|--|--------------|--------------|-----------|--|
| PG2    | P&G income - The below proposals seek to increase income in Comms and Land Charges and a small software cost reduction in payroll. | (80)         | (50)         | 30        | Part achieved - Land charges income has been hit by the downturn in the economy so the original £20k saving will now not be achieved - although this has been part offset by other mitigating factors within the service. The payroll saving of £10k won't be fully found this year as the implementation of the new system is ongoing and not all savings will be realised. |
| F&Cs   | Uplift in fees & charges not covered by a standalone mandate   | (6)          | (6)          | 0         | Achievable - Services have uplifted fees as per 23-24 MTFP - if activity remains the same then saving will be achieved across directorate.   |
| PGREC1 | Use of capitalisation direction  | (8)          | (8)          | 0         | Achieved - costs will be passported to available funding.  |
| PGREC2 | Reduce training spend  | (3)          | (3)          | 0         | Currently on target to be achieved.  |
| PGREC3 | Freezing of all Non-exempt posts   | (60)         | (60)         | 0         | Currently on target to be achieved.  |
|        | <b>LG Totals</b>   | <b>(157)</b> | <b>(127)</b> | <b>30</b> |  |

| Ref  | Resources   | Total Saving / Recovery | Month 9 Forecast | Variance | Comment   |
|------|---|-------------------------|------------------|----------|---|
|      |   | £000                    | £000             | £000     |   |
| RES8 | Landlord services - Reduce Corporate Building (Reactive and Planned) Maintenance revenue budget | (300)                   | (300)            | 0        | Achievable - budget will be monitored to ensure all qualifying repairs will be charged to the capital programme (where funding has been made available) - assume saving will be made in full. |



|                |  |       |       |     |   |
|----------------|--|-------|-------|-----|---|
| RES24          | Landlord services - To review the property estate and to explore options for further rationalisation               | (215) | (50)  | 165 | Latest projection is that as a consequence of the delay in asset closure/re-use decisions only £50k will be achievable this financial year. There have been mitigating savings in other parts of the service so it will not impact further on the outturn position at M9. |
| RES12          | ICT - Mobile Phone Contract Saving   | (149) | (149) | 0   | Budget has been distributed to services   |
| RES19          | Revenues, Systems & Exchequer - Remove budget earmarked for a discretionary business rate relief scheme            | (126) | (126) | 0   | Achievable - budget has been removed.   |
| RES2           | Landlord services - Vacant development surveyor post being held - or funded by capital programme as required       | (45)  | (45)  | 0   | Achievable - Post has been removed from structure.  |
| RES14          | SRS Contribution & PSBA Line Savings   | (62)  | (62)  | 0   | Achievable - SRS contribution has been reduced in line with SRS figures, assume achievable.   |
| F&C<br>Page 53 | Uplift in fees & charges not covered by a standalone mandate   | (19)  | (19)  | 0   | Achievable - Services have uplifted fees as per 23-24 MTFP - if activity remains the same then saving will be achieved across directorate.  |
| RES7           | Landlord services - Explore alternative reception solutions at County Hall to remove front of house staffing needs | (19)  | (19)  | 0   | Achievable - Staffing reduction to kick in from July, saving should be achieved in full.  |
| RES11          | Digital Design & Innovation - Automate Starters & Leavers Process  | (13)  | (13)  | 0   | Achievable - Awaiting SRS but assume it will be made in full.   |
| RES23          | ICT - Restructure of the Information Security and Technology Team  | (13)  | (13)  | 0   | Achievable - adjustments to team structure have been made.  |
| RES20          | Revenues, Systems & Exchequer - Increase use of purchase cards to increase e-payment rebate                        | (10)  | (10)  | 0   | Achievable - The rebate for 2022/23 has been confirmed as £10,164.44.   |
| RES21          | Revenues, Systems & Exchequer - Reduce budget allocated for finance system upgrades                                | (10)  | (10)  | 0   | Achievable - System development costs will be managed in line with budget. Therefore barring any emergencies or unexpected costs, expect to achieve this saving.  |

|          |   |                |                |            |  |
|----------|---|----------------|----------------|------------|--|
| RES22    | Revenues, Systems & Exchequer - Shared Revenues & Benefits service potential savings through automation and increased use of self service facilities (Citizens Access). | (10)           | (10)           | 0          | Achievable - Expect to achieve this saving following changes to operating practices within the Shared Service          |
| RESREC1  | Curtail training spend  | (4)            | (4)            | 0          | Achievable - all non essential spend will be stopped.  |
| RESREC2  | Curtail system development spend  | (29)           | (29)           | 0          | Achievable - all non essential spend will be stopped.  |
| RESREC3  | Use of capitalisation direction   | (9)            | (9)            | 0          | Achieved - costs will be passported to available funding.  |
| RESREC4  | Vacancy Freeze  | (9)            | (9)            | 0          | Achievable - vacancy has been frozen.  |
| RESREC5  | Curtail Non-pay spend   | (7)            | (7)            | 0          | Achievable - all non essential spend will be stopped.  |
| RESREC6  | One off Admin Grant & Ukraine grant   | (40)           | (40)           | 0          | Achieved - grant has been received and used to offset core costs   |
| RESREC7  | Freezing of all Non-exempt posts  | (46)           | (46)           | 0          | Achievable - vacancies have been frozen.   |
| RESREC8  | Agency support freeze   | (8)            | (8)            | 0          | Achievable - Any further agency cover has been frozen.   |
| RESREC9  | Increase in income from commercial and community assets   | (20)           | (10)           | 10         | Current M9 forecast figures only predict half of this will be found - although this could improve through to year end. |
| RESREC10 | Investment Assets - Castlegate Business Park  | (2)            | (2)            | 0          | Achievable   |
| RESREC11 | Investment Assets - Castlegate Business Park - Potential for Housing to relocate the storage for homelessness belongings from external supplier to units in Castlegate  | (13)           | (13)           | 0          | Achievable - potential risk - discussions ongoing.   |
|          | <b>Resources Totals</b>   | <b>(1,178)</b> | <b>(1,003)</b> | <b>175</b> |  |

| Ref | Corporate Costs & Levies | Total Saving / Recovery | Month 9 Forecast | Variance | Comment |
|-----|--------------------------|-------------------------|------------------|----------|---------|
|     |                          | £000                    | £000             | £000     |         |

|  |   |              |              |          |  |
|--|---|--------------|--------------|----------|--|
| Capex1                                     | Extend capitalisation direction   | (358)        | (358)        | 0        | Additional qualifying expenditure identified and will be funded via capital receipts as per budget   |
| CORP2                                      | Insurance - reduction in self insured costs and professional fees/ICT costs | (75)         | (75)         | 0        | <p>Saving in professional fees/ICT costs to be achieved in full (£25k).</p> <p>Self insured costs (£50k saving) - This budget covers insurance excesses payable on claims or costs agreed outside of insurance and not met from the service (i.e. where costs in total fall below any excess). This is a highly volatile budget based on claims incidence and operating environment (i.e. adverse weather conditions). However long term trends have seen some modest reduction in costs payable and this trend is expected to continue through 2023/24.</p> |
| <b>Corporate Costs &amp; Levies Totals</b> |   | <b>(433)</b> | <b>(433)</b> | <b>0</b> |  |

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## Performance & Overview Scrutiny Committee 20th February 2024

### 4. Month 9 Budget Monitoring – To scrutinise the budgetary position (revenue and capital) for services falling within the committee's remit at Month 9.

Cabinet Member Ben Callard introduced the report and answered the members' questions with Frances O'Brien, Tyrone Stokes, Peter Davies, Jane Rodgers, Peter Davies, Jonathan Davies and Dave Loder:

#### Key Questions from Members:

- How do you propose that we ensure schools are able to provide a good education to children, with 16 of them now in deficit?
- What are your views on the additional responsibilities being transferred by Welsh Government e.g. free school meals – what can be done about those? Is there anything else that is pertinent that we can be informed about?
- As we are looking retrospectively and can see the areas where is an overspend, what are the proposed recovery measures? Can residents be reassured that they will be dealt with?
- We have heard about the conditions that need to be met every year by the council, but in terms of £3.6m forecast to be over budget, what's different this year?
- Could residents reasonably ask about the strength of our forecasting given that £3.1m overspend was predicted at Month 6 and that has increased to £3.6m at Month 9?
- The £180k deficit for Borough Theatre is surprising – what are the reasons for that? Is there anything that we can do as Councillors to help with promotion etc.?
- It is good to see a surplus for Newport Leisure Park but there was a £47k shortage – is that being addressed? And Castle Gate, at £96k?
- What is the explanation for the cost of ALN transport from Carmarthenshire?
- The report shows an increase in income for Monmouth Leisure Centre which is very encouraging, but the budget proposal is to reduce hours there – is that counterproductive, just as we are seeing increased use?
- Concerning in-year pressures for Social Care, particularly Adult Social Care, what do we anticipate the progress on budget savings to be at the end of the year?
- Is the increase in Care Home placements short-term e.g. for those coming out of hospital or who need to recover from a fall, or is it a matter of those who have had their needs assessed and that is the best place for them?
- A huge amount of pressure is put on unpaid carers and family members to support individuals at home – can we understand more about that?
- Regarding children's placements, are we actively rebalancing services, looking to register more non-specialist placements? Or are those issues presenting specialist placements and we have no choice than to source from the market?
- Concerning the significant increase in providers fees, do we fully understand their costs and requirements?

- Is it correct that there has been a total deterioration of £686k in the deficit forecast between Month 6 and Month 9?
- What is the expectation of the actual forecast overspend in our services, as opposed to measures taken in-house to try to balance them, and what assumptions are being made for the budget about whether or not we will be in balance within our services by the end of next month?
- Is it correct that the three principal services that drive expenditure within the council have deteriorated by £617k between Month 6 and Month 9, and that the forecast overspend for the year for those services is now £5.04m? And if the deterioration in law, governance, and resources would take the forecast overspend to £5.1m for the year-end?
- In Highways, what is the explanation of why we there is an underspend £26k when we have seen an increased fee income of £339k?
- Can you expand on what the capital budget underspend of £3.5m and slippage means in terms of the delivery of capital projects, and how we are managing and using those funds?
- Regarding the time slippage for completion of King Henry school, is there a revised time for opening, at this stage?

**Chair's Summary:**

Thank you to the Cabinet Member and officers. We have considered a number of points including the provision of education to children, the transfer of additional responsibilities by the Welsh Government, recovery measures for overspending, the strength of forecasting, the deficit for Borough Theatre, the surplus for Newport Leisure Park, the cost of ALN transport from Carmarthenshire, the increase in income for Monmouth Leisure Centre, in-year pressures for Social Care, the increase in Care Home placements, the pressure on unpaid carers, children's placements, the increase in providers' fees, the deterioration in the deficit forecast, the expectation of the forecast overspend in services, the deterioration in the principal services that drive expenditure within the council, the underspend in Highways, the capital budget underspend and slippage, and the time slippage for the completion of King Henry school.

The recommendations and report were moved.



## REPORT

|                                 |  |
|---------------------------------|--|
| <b>SUBJECT:</b>                 | <b>Revenue and Capital Budget 2024/25 – Final proposals following scrutiny and public consultation</b> |
| <b>MEETING:</b>                 | <b>Cabinet</b>   |
| <b>DATE:</b>                    | <b>28th February 2024</b>  |
| <b>DIVISION/WARDS AFFECTED:</b> | <b>ALL</b>   |

### 1. PURPOSE:

- 1.1 To update Cabinet with the consultation responses to the draft budget proposals issued by them on the 17th of January in respect of the Capital and Revenue budgets for 2024/25.
- 1.2 To make recommendations to Council on the Capital and Revenue budgets including the level of Council Tax for 2024/25.
- 1.3 To receive the statutory report of the Responsible Financial Officer on the budget process and the adequacy of reserves.
- 1.4 To receive the Responsible Financial Officer's Prudential Indicator calculations for capital financing.

### 2. RECOMMENDATIONS:

- 2.1 That Cabinet considers the responses to consultation and recommends to Council:
  - a) The 2024/25 revenue budget as attached in **Appendix C**.
  - b) The 2024/25 capital budget and indicative 2025/26 to 2027/28 budgets as attached in **Appendix I**.
- 2.2 That a 7.8% increase in the Band "D" equivalent Council Tax is applied for County purposes for 2024/25. Cabinet asks that efforts are maximised to ensure that individuals and households eligible for council tax exemptions or reductions claim the benefit available to them.
- 2.3 That Cabinet approves changes to proposed saving and pressures, updated following public consultation, scrutiny and more up to date information being made available since the draft proposals were released on consultation on 17th January 2024.
- 2.4 That Cabinet approves the proposed changes to the capital programme that include additional highways and infrastructure investment of £1.65m for 2024/25.
- 2.5 That Cabinet considers the Responsible Financial Officer's report on the robustness of the budget process and adequacy of reserves issued under the provisions of the Local Government Act 2003 and an assessment of the current and future financial risks facing the Council.
- 2.6 That Cabinet adopts the Responsible Financial Officer's report on the prudential Indicator calculations for capital financing.

## 2.7 That Cabinet requests:

- a) That the existing arrangements in place for more regular budget monitoring and scrutiny continue during 2024/25, with monitoring and reporting of budget savings being strengthened in acknowledgement of the deliverability risk involved.
- b) That the financial strategy is now developed, accompanied by a medium-term financial plan (MTFP) that looks to keep the Council on a secure and sustainable path going forward.
- c) That timely review is undertaken of the MTFP to ensure it remains up to date, including an assessment of evidence-based pressures and risks, underlying modelling assumptions and the ongoing affordability implications of the Community and Corporate Plan.

## 3. KEY ISSUES:

### BUDGET CONTEXT

- 3.1 Councils across the UK are continuing to face significant financial challenges. It is widely acknowledged that local government funding has not kept pace with increased service demand and inflationary pressures. 2024/25 will be no different.
- 3.2 The Council has seen continuing financial headwinds which are severely impacting the service operating environment:
- 3.3 The Inflationary drivers impacting pay and supplies and services continue to far outstrip available resources:
  - Demand led pressures continue to increase in the areas of Homelessness, Social Care, Children's additional learning needs, and Transport;
  - Interest rates have risen sharply to combat inflation, significantly above economic forecasts;
  - The Council continues to deal with a shortage of staff resources due to ongoing labour market challenges which require the use of more costly temporary solutions;
  - Supply chain issues continue which require more costly alternative or expedited arrangements;
  - The cost of living crisis continues to have a significant impact on our communities. This will be further exacerbated over the medium term by a weak growth forecast in the UK economy impacting on public sector spending, and by heightened interest rates that will impact housing costs as we move through the year.
- 3.4 All the above results in a growing need for supportive Council services, a reduced demand for income generating services, increased risks around debt recovery, and a continued high-cost operating environment.
- 3.5 Cabinet published their budget setting process and timetable at their meeting on the 15th of November 2023. This highlighted an initial budget gap of £14.4m, which was made up of gross expenditure pressures of £22.7m or 10%, offset by modelled increases in funding of £8.3m or 4% of increased Welsh Government grant, Council tax and fees and charges for services.



- 3.6 This is the second successive year that the Council has needed to tackle gross expenditure pressures of £20m+. Whilst the Council in the past has regularly dealt with financial challenges in the order of £5m - £10m in an annual planning cycle, the scale of the pressure for 2024/25 is challenging, and particularly following a budget cycle for the current financial year which saw significant service change needing to be delivered across the Council that continues to draw on staff capacity and resources.
- 3.7 Cabinet released its draft budget proposals on consultation following its meeting on 17th January. The proposals looked to meet the budget gap through:

|  |       |
|--|-------|
| Reduction in energy costs              | £1.6m |
| Reduction in borrowing costs           | £1.8m |
| Increased in income through grant      | £2.7m |
| Increased income from Council tax      | £5.4m |
| Increased income from Fees and charges | £0.8m |
| Service savings and efficiencies       | £8.5m |

## FINAL SETTLEMENT

- 3.8 The provisional settlement from Welsh Government received on 20th December 2023 provided a funding increase of 2.3% for 2024/25, set alongside an all-Wales average increase of 3.1%, and introduced a year-on-year increase of £2.7m of funding to the Council.
- 3.9 Welsh Government is due to publish its final budget on 27<sup>th</sup> February 2024 and alongside it the final settlement for local authorities in Wales. Due to the provisional settlement being issued in late December it is not expected that there will be any further changes brought about by distributional changes. However, there are two key changes that are expected:
- a) An increase in the settlement resulting from £25m of consequential funding from UK Government that Welsh Government have confirmed will be passported through to local authorities in full by way of a reversal of a planned reduction in the social care workforce grant (£10m to restore the grant to £45m across Wales) with the remainder being added to the final settlement. Both of these changes have been factored into the Council's final budget proposals.
  - b) A small number of transfers into the settlement from specific grants which result from an ongoing programme of work by Welsh Government to reduce the number of separate grants paid to local authorities or to consider moving grants into the de-hypothecated settlement if the wider context makes this appropriate. There is no overall impact on the final budget proposals as a result of these transfers.
- 3.10 There are also two notable remaining uncertainties relating to further and future funding allocations:
- a) Notification and passporting of funding by UK Government for planned increases in employer pension contribution rates for the centrally administered Teachers and Fire and Rescue Authority (FRA) pension schemes. An expectation was set by the Chancellor in his Autumn budget statement that these would be funded. However, confirmation is still awaited on whether full funding will be provided. This represents

a potential risk and further budget pressure for 2024/25. If it is not fully funded. It is expected that confirmation will be provided in the Spring budget announcement by the Chancellor on 6<sup>th</sup> March. The current budget planning assumption is that it will be fully funded.

- b) A question mark remains over the actual pressures that will arise for pay. Welsh Government has been clear that authorities' budget planning must accommodate the cost of pay awards and in light of the settlement. The Teachers pay offer is expected to be made known by Welsh Government in the summer for the period September 2024 to March 2025. The NJC pay offer is usually expected to be lodged with unions before the end of March. However, recent years have shown that negotiations with unions have become protracted as pressure is applied for pay offers to be increased further. The budget planning assumption is that no further funding will be made available by either UK Government or Welsh Government if pay awards exceed modelling assumptions.

- 3.11 As a result of the final settlement being announced the day prior to the meeting of Cabinet a verbal update will be provided at the meeting to confirm any further changes and how these would be accommodated in the final budget proposals.
- 3.12 No further changes to funding levels are anticipated beyond those above as a result of the final settlement announcement by Welsh Government on 27<sup>th</sup> February. However, any further changes to the budget will need be considered as part of the Council Tax resolution when it is considered by Full Council on 29<sup>th</sup> February 2024.
- 3.13 There remains a need to think differently about the even greater challenges over the medium term. This work and engagement will continue in the coming months, notably with other local authorities, Welsh Government and the Welsh Local Government Association (WLGA).

## **BUDGET CONSULTATION**

- 3.14 Given the nature and extent of the budget challenge faced for 2024/25 and the range of budget savings proposals being proposed, Cabinet directed Council to reached out and purposefully engage with a wide range of different interest groups and communities within Monmouthshire. The feedback received has been addressed in the final budget.
- 3.15 The Council's engaged with 206 attendees across 13 stakeholder session that included:
- a) Delivering a number of countywide budget consultation events throughout the consultation period;
  - b) Reaching out and consulting with town and community councils representatives;
  - c) Meeting with business representatives and forums from across the County;
  - d) Holding a number of targeted consultation events with groups who were keen to engage in the consultation process (e.g. Care experienced children, MyMates, School Council representatives).
  - e) Engaging with the school budget forum, Head Teachers and School Governors
- 3.16 Beyond the direct engagement held with residents, key stakeholders and interest groups, a letter was sent out to other stakeholders to signpost them to the consultation on the draft budget proposals and in offering them to provide feedback or to meet if required.

- 3.17 A dedicated budget section on the Council's website signposted members of the public to accessible information about the draft budget proposals along with ways to engage in the process. A budget survey was also available and to allow feedback on the proposals to be rated and commented upon. Members of the public were also able to pre-submit questions in advance of countywide events.
- 3.18 Beyond the direct and targeted engagement outlined above the consultation period clearly demonstrated that residents had a clear preference to engage digitally. Footfall at countywide digital events whilst low significantly outweighed those indicating a preference to attend face to face countywide consultation events. The budget survey was by far the most popular means by which the wider public engaged in the consultation process with 313 responses received.
- 3.19 The proposals were also scrutinised by the Performance and Overview Scrutiny Committee, People Scrutiny Committee, Place Scrutiny Committee and the Joint Advisory Group (JAG).
- 3.20 **Appendix A** outlines the feedback received throughout the consultation process. In summary this positioned itself in the following areas:
- a) The majority of respondents to the budget survey agreed with the individual savings proposals being considered. However, there was disagreement in respect of some education savings that concerned the increased charge for school breakfast clubs, reduced funding of the Gwent Music Service, and the requirement for efficiencies within school's budgets. This was similarly echoed in public consultation events, stakeholder engagement, and during member scrutiny.
  - b) A significant number of residents raising concern about the level of council tax increase proposed, especially in light of cost of living and inflationary pressures being experienced in households. However, there was a recognition that the choices available to the Council were limited in the face of an unprecedented cost and demand pressures for services that supported the needs of residents.
  - c) Concerns were raised regarding charging for food waste bags and the impact this could have on recycling rates and the additional costs to families.
  - d) Whilst acknowledging the need for increases in discretionary fees and charges to meet the increasing cost of providing those services assurances were asked for to ensure those who don't have sufficient means were not being adversely impacted by the increases.
  - e) Concerns about the deliverability of the proposed savings, the risk involved and the cross-collateral impacts. With particular concerns raising around adult social care and the impact of the savings proposed.
  - f) Comments were raised about condition of the extensive highways network across the county and the need to improve infrastructure for residents.
  - g) Concerns were raised around the extent of the cumulative impact of savings proposals on families/parent(s) with children and low pay/income households.
  - h) The need to consider different ways of using the Council's assets to provide services or to support communities. Assurances were asked for and clarification provided around assets that had been identified for potential disposal or alternative use.
  - i) Concerns were raised about the impact on businesses of increased car parking charges and the national issues affecting business rate reliefs.
  - j) Concerns around the reduced opening hours proposed at MonLife facilities and the impact that would have on residents and users of the services.

- k) Reassurances were asked for around the risks and uncertainties that the Council was facing at this time and into the future. With particular concern around homelessness and adult social care.
- l) Concerns raised around continued pressure on services such as in education, social care, operational frontline services and children with additional learning needs.

## **FINAL BUDGET**

3.21 After review, reflection and consideration of feedback received it is recommended that the following revisions are made to service savings and pressures proposals:

### Change in service savings:

- That the proposal to require schools to make efficiency savings of £835,000 is removed in full. Cabinet have listened to the feedback from all stakeholders and understand the impact that this saving would have on the school environment and the ability for schools to support our most vulnerable learners at a time of increasing need.
- That the proposal to charge for food waste bags is removed. The consultation process highlighted concerns of the impact this may have on our excellent recycling rates and the disproportionate impact upon low income households.
- The removal of the saving proposal related to an increase in planning application fee income. The proposal highlighted that this required Welsh Government legislative change which has not been progressed as quickly as anticipated.
- Similarly, the saving in relation to additional income from an increase in the social care domiciliary care cap required legislative change by Welsh Government. It is anticipated that the introduction of any such change will not happen until the Autumn.

### Change in service pressures:

- Cabinet have recognised the continuing demand pressures being placed upon our Adult's social care service, with a continuing upward trend in care home placements, alongside further complexity presenting in cases transferring into the service. A further cost pressure of £600,000 is recognised within the final budget proposals.

3.22 Cabinet have used Integrated Impact Assessments to inform its decision making and ensure mitigations are identified wherever possible to minimise the impact on people in greatest need.

3.23 The scope to reduce the level of savings or to generate additional income through council tax or fees is very limited. Given the scale of the challenge it was inevitable that council tax needed to rise to support valued local services. Council tax is a key source of income that allows the council to sustain services that meet the needs of residents and in particular those who are most vulnerable.

3.24 Following consultation feedback Cabinet considered that the impact of the proposed level of service savings upon the most vulnerable residents in the County was too high. To mitigate this impact, Cabinet have explored every opportunity for further cost saving, efficiency, or income generation.

3.25 As a result, Cabinet are proposing a slight variation in the level of Council tax increase from 7.5% to 7.8%, a £4.69 increase for the year (9 pence a week) on a band D equivalent

property. This will generate a further £202,000 that together with other proposed changes will protect vital local services and our most vulnerable residents in the County.

- 3.26 The council tax reduction scheme, which offers mitigation for those on low incomes and those in receipt of benefits, will still be in place and single person households are also eligible for a 25% reduction on council tax. There are currently 5,506 (12.8%) of council taxpayers benefitting from the council tax reduction scheme, and 14,891 (34.7%) in receipt of single person discount.
- 3.27 Cabinet will maximise its efforts to ensure that individuals and households eligible for council tax exemptions or reductions claim the benefit available to them. Take-up will be monitored through the year.
- 3.28 The table below illustrates the movements that have been seen as a result of the budget proposals being finalised and subsequent to public consultation, scrutiny and more up to date information being made available since the draft proposals were released on consultation on 17th January 2024.

| <b>Budget Reconciliation</b>  | <b>Amount<br/>£'000</b> |
|---|-------------------------|
| <b>Draft budget proposals – (Surplus) / Deficit</b>                                       | <b>0</b>                |
| Change in service savings   | 1,186                   |
| Change in service pressures   | 600                     |
| Update to core WG funding   | (381)                   |
| Notification of reversal of cut in specific social care workforce grant                   | (250)                   |
| Use of specific service reserves to fund one-off costs                                    | (325)                   |
| Utilise further capitalisation direction to meet the costs of service reform and redesign | (685)                   |
| Increase in borrowing costs – Capital investment in highways                              | 57                      |
| Council tax increase: further 0.3%  | (202)                   |
| <b>Final budget proposals – (Surplus) / Deficit</b>                                       | <b>0</b>                |

- 3.29 Further key changes to the budget proposals for 2024/25 include:
- Consequential funding from UK Government that Welsh Government have confirmed will be passported through to local authorities in full by way of a reversal of a planned reduction in the social care workforce grant and an increase to the final settlement will provide a £631k benefit, and that has in part enabled Cabinet to accommodate further changes to the budget proposals.
  - A clear and firm commitment was made as part of the budget strategy not to support the funding of any recurrent costs and as a result of the need to preserve and protect the limited amount of general and specific revenue reserves held. However, some earmarked reserves are established to meet specific and intended one-off expenditure.

The final proposals include a transfer from the Ukraine reserve to meet anticipated eligible costs of £400k, along with a prudent draw of £125k on the council tax premium reserve to meet legitimate one-off cost that supports the provision of homelessness accommodation.

- c) As a result of a further assessment of capital receipts balances a careful and planned further use of the capitalisation direction that allows for flexible use of capital receipts to meet £685k of costs associated with service reform and redesign.
- d) An increase in borrowing costs of £57k and that reflects additional unsupported borrowing proposed and that allows further capital investment to support the ongoing repair of the Council's highways and bridge infrastructure.

Welsh Government plan to make one further key change that will feature in the final settlement. Welsh Government plan to make a small number of specific grant transfers into the final settlement and that results from an ongoing programme of work by Welsh Government to reduce the number of separate grants paid to local authorities or to consider moving grants into the de-hypothecated settlement if the wider context makes this appropriate. There is no overall impact on the final budget proposals as a result of these transfers and the adjustment is anticipated to be £283k.

## **BUDGETARY RISK**

3.30 It is worth noting that the ongoing financial challenges remain as always, a dynamic situation. Further work will be undertaken to develop the medium term strategy and plan that will include an ongoing assessment of pressures, risks and modelling assumptions along with a clear plan and approach to address the budget shortfalls forecast.

3.31 The key risks remaining to be assessed and managed in 2024/25 and as yet unknown are:

- The deliverability of budget savings proposals represents an ongoing risk for 2024/25, especially where the budget proposals involve the generation of income, changes to current structures, systems and processes, consideration of alternative delivery models or have implications for service design involving community, other partners and entities. The month 9 forecast reported an anticipated 85% delivery of £12.3m of savings and a resultant deficit that needed to be managed as part of in-year budget recovery action taken.
- Continued service demand pressures in children's social services, demographic changes such as an increasing elderly population, changes in pupil numbers, increase in special educational need provision and increase in homeless presentations have been included where known in the current budget process. These pressures remain significant in both the current year and next year. The need for continued and robust monitoring is essential to ensure that there is cost control and continued efforts are made to refrain from non-essential spend.
- Late notification of grant funding streams being removed or reduced. There are still some specific grant streams that the Council relies upon, that have either not yet been communicated by Welsh Government, have been received late in the budget process or where the impact of notifications is awaiting further clarification. It is hoped that

further detail will be provided when Welsh Government release the final settlement on 27th February. Any funding shortfalls will need to be managed on a case by case basis.

- The risk of pay awards being greater than modelled budget assumptions and not being fully funded by UK and Welsh Government.
- Formal confirmation is still awaited from UK Government to confirm its full funding of the planned increase in the employer pension contribution rates for the centrally administered Teacher's pension scheme. To the extent that it is not fully funded this presents a potential risk and further budget pressure for 2024/25.
- The impact of higher interest rates and inflation brought about by a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, has the potential to impact on service and treasury budgets respectively.

3.32 In light of the above risks and the ongoing strain on the Council's finances the strengthened governance arrangements and that include the oversight provided by the Financial Management Board will continue through 2024/25 such as to provide assurance that arrangements are in place leading into and throughout next financial year to both deliver savings and to respond to any circumstances where further budget pressures might require further mitigation or savings to be brought forward.

## 2024/25 REVENUE BUDGET AND INDICATIVE FUTURE BUDGETS

3.33 The proposed revenue budget for 2024/25 and indicative budgets for 2025/26 to 2027/28 are shown below.

| Services                             | Final Base Budget 2024/25<br>£000's | Indicative Base Budget 2025/26<br>£000's | Indicative Base Budget 2026/27<br>£000's | Indicative Base Budget 2027/28<br>£000's |
|--------------------------------------|-------------------------------------|--|--|--|
| Children & Young People              | 64,853                              | 66,188                                   | 67,553                                   | 68,940                                   |
| Social Care & Health                 | 68,410                              | 69,123                                   | 69,896                                   | 70,593                                   |
| Communities & Place                  | 27,249                              | 27,585                                   | 28,460                                   | 29,100                                   |
| MonLife                              | 8,088                               | 8,274                                    | 8,467                                    | 8,629                                    |
| Resources                            | 8,344                               | 8,489                                    | 8,638                                    | 8,774                                    |
| Chief Executive's Unit               | 3,288                               | 3,372                                    | 3,458                                    | 3,536                                    |
| Law & Governance                     | 2,894                               | 2,962                                    | 3,031                                    | 3,095                                    |
| Corporate Costs & Levies             | 29,553                              | 40,974                                   | 49,548                                   | 58,253                                   |
| <b>Sub Total</b>                     | <b>212,680</b>                      | <b>226,967</b>                           | <b>239,050</b>                           | <b>250,919</b>                           |
| Transfers to reserves                | 833                                 | 872                                      | 914                                      | 957                                      |
| Transfers from reserves              | (1,955)                             | (349)                                    | (527)                                    | (354)                                    |
| Treasury                             | 8,423                               | 10,324                                   | 10,779                                   | 10,562                                   |
| <b>Treasury &amp; Reserves Total</b> | <b>7,302</b>                        | <b>10,847</b>                            | <b>11,166</b>                            | <b>11,165</b>                            |
| <b>Total Expenditure Budget</b>      | <b>219,981</b>                      | <b>237,814</b>                           | <b>250,216</b>                           | <b>262,084</b>                           |
| Aggregate External Financing (AEF)   | (126,096)                           | (126,939)                                | (127,828)                                | (128,722)                                |
| Council Tax (MCC)                    | (72,582)                            | (76,356)                                 | (80,326)                                 | (84,503)                                 |
| Council Tax (MCC Premium)            | (755)                               | (794)                                    | (836)                                    | (879)                                    |
| Council Tax (Gwent Police)           | (16,940)                            | (17,821)                                 | (18,747)                                 | (19,722)                                 |
| Council Tax (Community Councils)     | (3,608)                             | (3,608)                                  | (3,608)                                  | (3,608)                                  |
| Contribution to/(from) Council Fund  | 0                                   | 0  | 0  | 0  |
| <b>Sub Total Financing</b>           | <b>(219,981)</b>                    | <b>(225,518)</b>                         | <b>(231,345)</b>                         | <b>(237,435)</b>                         |

|                          |          |               |               |               |
|--------------------------|----------|---------------|---------------|---------------|
| <b>(Surplus)/Deficit</b> | <b>0</b> | <b>12,296</b> | <b>18,871</b> | <b>24,649</b> |
|--------------------------|----------|---------------|---------------|---------------|

**Note:** An explanation of how services are grouped is included in **Appendix H**.

- 3.34 Indicative budgets for the 2025/26 to 2027/28 period are modelled using a range of budget assumptions for pay and employer pension contributions, future Welsh Government funding increases and council tax increases (for modelling purposes only).
- 3.35 Provision of £7.5m per annum is currently made within the medium-term financial plan for modelling purposes, reflective of the trend in service pressures developing annually over recent years, over and above the approved budget. This is represented in the table above by the increase in Corporate Costs and Levies over the 2025/26 to 2027/28 period.
- 3.36 The resultant production of the Council's financial strategy and update to the MTFP will require a reassessment of the underlying budget assumptions and in light of the expected challenges facing local authorities over the medium term in respect of anticipated cost and demand pressures alongside constraint on funding for local government. It is clear from current modelling that the challenge over the medium term will be a significant one for the Council with a £24.6m budget shortfall projected to be managed over the next three years.
- 3.37 The medium term financial strategy (MTFS) currently being developed will outline the approach to addressing these forecast shortfalls, and align the shape and cost of future service delivery with the approved Community & Corporate Plan in a financially sustainable model.

### **THE ROBUSTNESS OF BUDGET PROCESS AND RESERVES**

- 3.38 As can be seen from the table below the Council's reserves have been and will be significantly depleted as a consequence of the reserve cover needed to both support budget proposals and resultant budget recovery action in 2022/23 and 2023/24. This follows a period through the pandemic where reserves were restored as a result of significant Welsh Government funding.
- 3.39 The decisions taken to draw on reserves had been carefully considered as the consequence of not doing so would have led to very significant consequences for service delivery. Ultimately a balance had to be struck and given the extent of the inflationary and demand pressures faced as a result of the Cost of Living and Health crises.
- 3.40 Cabinet were clear in their budget planning framework for 2024/25 that there is a need to progress the Council on a path towards financial sustainability including conserving an appropriate and prudent level of financial resilience. The framework established the principles for general and earmarked reserve use.
- 3.41 The level of the Council Fund reserve stood at £11.1m at the start of 2023/24, excluding delegated school balances. The budget for 2023/24, as updated for the in-year budget recovery action needed, includes a £1.18m call on the Council Fund reserve. Subject to outturn this reduces the Council Fund reserve to £9.92m.
- 3.42 The final revenue budget proposals do not include any use of the Council Fund reserve to balance the budget for 2024/25 in line with the budget planning framework agreed by Cabinet. The level of the reserve remains in the range of 4-6% at 5.86% of net revenue budget and is considered to be at a prudent level.
- 3.43 The focus therefore turns to the uncertain outlook and future financial challenges and where the headroom in the Council Fund balance is reserved and if required to cover the



following, and where mitigating budgetary recovery action is unable to manage such pressures on the Council's budget:

- Any budget pressure in 2024/25 resulting from pay award announcements in excess of the modelling assumptions used in the final budget proposals;
- Any continuing pressures caused by the cost of living and health care crises, particularly in the areas of Homelessness, Adult social care and Children's Services;
- To allow for any future reserve cover to meet any one-off costs across the MTFP and beyond as the Council looks to put its finances back on a sustainable footing, and to the extent that they cannot be funded from capital receipts under Welsh Government guidance allowing for one-off costs of service reform to be met.

- 3.44 Pre pandemic, net school balances had remained at low levels and had reduced to a net deficit balance of £435k at the end of 2019/20. Receipt of unprecedented levels of grant support from Welsh Government during 2020/21 and 2021/22 had looked to ensure support for schools and their pupils during a period of significant disruption to learning. This had resulted in school balances being in surplus at the beginning of 2022/23 of £6.95m.
- 3.45 The investment plans enacted by schools looked to deliver the best learning outcomes for pupils in line with the purpose of the grant funding provided. At the beginning of 2023/24 school balances had reduced to £4.26m as a result.
- 3.46 Irrespective of the significant one-off grant funding given to schools and the surplus balances held at the beginning of 2022/23, it is clear that the inherent structural budget deficits that led to a significant number of schools being in deficit over the past few years remain and these will require resolution regardless. The month 9 forecast highlights a forecast draw of £5.6m on schools delegated balances, an increased draw of £1.85m since the previous forecast and with cumulative school balances now forecast to move into a deficit of £1.35m by the end of the financial year, with sixteen schools now forecast to be in a deficit balance.
- 3.47 School balances are designed to provide a level of financial resilience to mitigate and smooth such risks and are not expected to fund ongoing day-to-day expenditure. Officers will continue to work closely with those schools of concern and look to aid the return to a more sustainable budget plan over the medium term without impacting on educational standards.
- 3.48 Recovery plans are put in place for schools that move into deficit, and these are being closely monitored by the LEA and relevant Cabinet members.
- 3.49 The total planned use of earmarked reserves in support of the 2024/25 revenue and capital budget is £1.38m. Earmarked reserve use is only planned to meet one-off costs and in line with a specific reserve's intended purpose and use. **Appendix F** shows the call on and contributions to reserves for the 2024/25 budget and the reserve balances projected for the medium term.
- 3.50 Total planned reserve use in support of current year revenue and capital budgets means that by the end of 2023/24 the balance of earmarked reserves is likely to be £7.84m. The

further call in 2024/25 means that the earmarked reserves will then fall to £6.46m, with the useable balance down to £3.93m. The low level of revenue reserves now requires the reserves policy to adapt such that revenue reserves are very much protected to provide cover for foreseen or unforeseen risks that might result. Improved budget management and discipline going forward will need to ensure that in-year over spends are quickly identified and to the extent they cannot be mitigated for in-year savings to be found.

- 3.51 Useable capital receipts also provide a limited one-off resource to support financing of the capital programme. In recent years the Council has also made use of Welsh Government's guidance allowing flexible use of capital receipts to meet one-off costs associated with service reform. The Council has needed to make use of this flexibility since 2019/20. The planned use in 2023/24 has been extended to support the budget recovery plan and will continue for 2024/25.
- 3.52 Useable capital receipts are forecast to reduce to £4.97m by the end of 2027/28 based on the capital MTFP. The continued use of capital receipts for this purpose is recognised as a necessary approach to support the Council to transition itself on to a more sustainable financial footing. However this is not a sustainable approach in itself and has the added consequence of requiring the Council to fund any further and future capital investment through prudential borrowing where it cannot be met from other sources.
- 3.53 Under the provisions of the 2003 Local Government Act, the Responsible Financial Officer has to provide conclusions on the robustness of the budget process and the adequacy of reserves. Those conclusions are shown at **Appendix E**. The RFO opinion also includes an acknowledgement of the risks taken into account in producing the budget proposals for 2024/25 as well as those budgetary risks that will need to be managed going forward in the MTFP.
- 3.54 The effect of Cabinets revenue budget recommendations is shown at **Appendix C**. The effect of Cabinet's capital recommendations is shown at **Appendix I**. Final Council Tax and budget setting is reserved for decision of Full Council on 29th February 2024.

## **CAPITAL BUDGET**

- 3.55 In the current climate of financial constraint, capital investment needs to remain within affordable limits. Demand for capital resources remains high and therefore inevitably, prioritisation of projects, leveraging in other sources of funding and working with partners remain key to meeting this demand.
- 3.56 The current Capital programme is impacted by the same external factors affecting the revenue budget. Inflation, supply chain issues and internal resourcing capacity means that current capital budgets are being delayed or deliver less for the same amount of budget.
- 3.57 The Welsh Government provisional funding settlement announced on 20th December 2023 highlighted a small increase of £6k in respect of core general funding for 2024/25. This is extremely disappointing, especially in light of the Councils limited recourse to internal resources in the form of capital reserves and receipts, or the additional revenue burden that materialises from any resultant borrowing to meet the funding gap.
- 3.58 The current and forward capital programme has been reviewed since draft budget stage to establish:
- Whether the schemes are still relevant to current Council priorities;
  - Are current budgets allocated still workable given the factors identified ;

- Are there more urgent schemes coming forward, either from the backlog list of pressures or otherwise that need to displace existing schemes;
- Whether there are any further external funding opportunities;
- Does the capital programme remain prudent and affordable in light of the wider economic pressures and revenue budget gap;
- Does potential slippage or under spend from the 2023/24 capital budget provide opportunities to re-purpose existing budgets to allow one-off investment in immediate capital risks.

3.59 When considering the relative merits of projects and potential displacement, the priority matrix in the capital strategy has been applied to ensure consistency of approach.

3.60 The draft capital budget proposals were released on consultation by Cabinet on January 17th. Feedback from public consultation and scrutiny, more up to date information being made available, and clarification of the urgent capital risks impacting 2024/25 have resulted in the following proposed changes to the capital budget proposals:

| <b>Scheme</b>  | <b>£000's</b> |
|--|---------------|
| <b>Infrastructure</b> – Urgent road infrastructure improvements  | 1,000         |
| <b>Infrastructure</b> - Footway Reconstruction   | 148           |
| <b>Infrastructure</b> - Carriageway Resurfacing, drainage & SCRIM surveys                              | 312           |
| <b>Infrastructure</b> - Bridges, Structures & Retaining Walls  | 141           |
| <b>Infrastructure</b> - Flood Alleviation  | 19            |
| <b>Infrastructure</b> - Road Safety & Traffic Management and Signing Upgrades and Disabled adaptations | 32            |
| Rights of Way bridges - emergency works and replacement  | 150           |
| Decarbonisation assessments  | 100           |
| <b>Depots</b> - H&S improvements Countywide  | 350           |
| <b>Depots</b> – Feasibility works - Transport Depot South of County                                    | 150           |
| Public spaces protection orders – signage and implementation   | 45            |
| Solar Farm Development Costs   | 150           |
| <b>Total</b>   | <b>2,597</b>  |

- Further investment of £1.65m in our highways and structures with targeted work to improve the condition of our road infrastructure.
- Capital investment of £150,000 to allow for emergency works to be undertaken on bridges across the Council's extensive public rights of way network, and to ensure that a risk based approach is being taken to maintain assets and keep the network safe.
- Capital investment of £100,000 to allow full assessment of potential Decarbonisation measures across the Council's estate with the aim of reducing carbon emissions, making a positive contribution to addressing the climate and nature emergency.
- Capital investment of £350,000 to address urgent health and safety improvements at our Depots, and a further £150,000 to explore the potential for consolidating depot

provision in the South of the County to provide efficiencies in provision and lower our overall Carbon footprint.

- Public spaces protection orders – £45,000 for signage in parks and other open spaces, in readiness for the implementation of the Council’s ‘Public Spaces Protection Order (PSPO) for dog control’.
- Solar Farm Development Costs - £150,000 to develop a business case and planning application to determine the potential revenue stream and viability of further development.

3.61 The additional capital investment has been assessed using the principles embedded within the Council’s capital strategy. This prioritises urgent Health & safety or meeting statutory obligations for the Council. The investment is therefore considered affordable, prudent and sustainable in that will prevent future additional cost burden falling upon the Council.

3.62 The further investment is funded by under spends identified in the 2023/24 capital budget of £815k; a one-year reduction in existing 2024/25 recurrent budgets of £210k; the permanent removal of the area management budget of £20k; the Solar farm reserve of £150k; and an increase in unsupported borrowing of £1,402k:

| Year            | Programme                         | Change                                     | £000's       |
|-----------------|-----------------------------------|--|--------------|
| 2023/24         | Laptop replacement                | Under spend                                | 230          |
| 2023/24         | Match funding budget              | Under spend                                | 400          |
| 2023/24         | Safe routes to schools investment | Under spend                                | 185          |
| 2024/25         | County farms maintenance budget   | Reduced from £300k to £250k                | 50           |
| 2024/25         | Laptop replacement programme      | Reduced from £260k to £150k                | 110          |
| 2024/25         | Access for all budget             | Reduced from £250k to £200k                | 50           |
| 2024/25 onwards | Area management budget            | Removed from forward programme permanently | 20           |
| 2024/25         | Solar Farm reserve                | Draw on reserve                            | 150          |
| 2024/25         | Balance to be met from borrowing  | Increase in unsupported borrowing          | 1,402        |
|                 |                                   | <b>Total</b>                               | <b>2,597</b> |

3.63 The Summary Capital MTFP is shown in **Appendix I**. Whilst the core capital programme is being sustained, and sees planned investment in the Council’s infrastructure, there still remains a considerable number of backlog pressures that sit outside the core capital programme. This will continue to have varying levels of risk associated with it. Cabinet have acknowledged and accepted this risk given the affordability and funding constraints facing the Council at this time.

3.64 The capital receipts summary below shows the expected level of receipts and planned usage and highlights the balances available in the next few years. Future investment in capital schemes, is in part dependent on future success of achieving capital receipts and there remain risks attached to some receipts materialising over this period.

|   | £000         | £000         | £000         | £000         | £000         |
|---|--------------|--------------|--------------|--------------|--------------|
| Balance as at 1st April   | 12,446       | 8,785        | 7,004        | 6,700        | 5,835        |
| Less: capital receipts used for financing                       | (2,778)      | (1,815)      | (460)        | (460)        | (460)        |
| Less: capital receipts used to support capitalisation directive | (4,008)      | (3,358)      | (508)        | (508)        | (508)        |
| Capital receipts Received                                       | 1,043        | 0            | 0            | 0            | 0            |
| Capital receipts Forecast                                       | 2,092        | 3,393        | 663          | 103          | 103          |
| <b>Forecast Balance as at 31st March</b>                        | <b>8,785</b> | <b>7,004</b> | <b>6,700</b> | <b>5,835</b> | <b>4,970</b> |

- 3.65 The value of Capital receipts forecast after 2024/25 drops off quite considerably which is reflective of the replacement local development plan (RDLP) not proceeding as quickly as envisaged in the original delivery agreement. Whilst candidate sites have now been submitted, this will have an impact on the balance of receipts available to fund future capital investment demands in the near term.
- 3.66 It is therefore important that reliance on capital receipts used to support capitalisation direction (to fund one-off revenue costs eligible to be met from capital resources) is seen as a short-term measure only and is therefore currently modelled to reduce substantially from 2025/26 onwards.
- 3.67 Assets are only disposed of following options review and where there are alternative means of maintaining existing services or where disposals better enable policy objectives of the Council to be met.

#### THE PRUDENTIAL CODE

- 3.68 Under the Prudential Code, local authorities are required to publish Prudential Indicators produced to demonstrate that capital programmes are prudent, sustainable and affordable in the longer term. The indicators for 2024/25 to 2027/28 are contained at **Appendix J** to this report, assuming eventual Council approval of Cabinet's budget and Council Tax recommendations. The indicators have been subject to scrutiny via the Governance and Audit Committee at its meeting on 22nd February 2024.

#### 4. OPTIONS APPRAISAL:

- 4.1 Chief Officers and Directorates are required to consider and outline the options that have been considered for each of the budget savings proposals and pressures accommodated within the final budget proposals presented in this report.
- 4.2 The detail is contained in the original budget mandates that supported the drafted budget proposals. Where budget proposals have been amended or new changes introduced these are outlined in the report as part of the final budget proposals. These changes are summarised in **Appendix B and C**.

#### 5. EVALUATION CRITERIA:

- 5.1 The means of assessing whether the final budget proposals for 2024/25 have been successfully implemented is undertaken throughout the year via regular budget monitoring and periodic reports to Cabinet and then through Scrutiny committees. Given the financial risks facing the Council budget monitoring will continue to be strengthened in 2024/25, including the monitoring and evaluation of budget savings being implemented. This is being achieved through the ongoing review and assessment being undertaken by the Financial Management Board as well as periodic targeted review of service areas that carry budgetary risk.

- 5.2 The ongoing assessment and update of the Community and Corporate Plan will influence a full update of the Medium-Term Financial Strategy and Plan which will build the foundation for the 2025/26 budget process. This comprehensive update will include an ongoing assessment of pressures, risks and modelling assumptions. As well as savings proposals and options that together with a robust and updated capital receipts and reserves strategy will enable the Council's finances to remain on a sustainable footing.
- 5.3 Regular monitoring of the performance of the Council will take place against service business plans, and the Community and Corporate Plan. Taken together these arrangements enable the Council to evaluate its success and progress against its longer-term plans within the resources available.

## **6. REASONS:**

- 6.1 To make appropriate recommendations to Council on the revenue and capital budgets for 2024/25, and the resultant Council Tax recommended to be set for County purposes, taking into account the public consultation and scrutiny process in January and February.
- 6.2 As required by statute, to consider the Responsible Financial Officer's conclusions on the robustness on the budget process and the adequacy of reserves going forward.
- 6.3 To approve the Prudential Capital Indicators calculated by the Responsible Financial Officer.

## **7. RESOURCE IMPLICATIONS:**

As identified within the report and appendices.

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

- 8.1 Where a budget proposal could alter a service, or the way it is delivered an Integrated Impact Assessment needs to be completed. This identifies the potential impact on the national well-being goals and the ways of working enshrined in the Well-being of Future Generations Act. It also considers the people and groups who possess the protected characteristics specified in the Equality Act 2010. We also evaluate the potential impact on those experiencing socio-economic disadvantage as well as the effects on the Welsh language.
- 8.2 The Council built considerations of equality, diversity and sustainability into the planning and delivery of its 2024/25 budget. It has done this by:
- Requiring officers to undertake an Integrated Impact Assessment of individual savings proposals that could alter a service, or the way it is delivered. Where necessary this evaluation has been updated to reflect the final budget proposals.
  - Producing an overall impact assessment for the budget proposals. This was published as part of the budget consultation. The assessment has been updated following consultation to reflect recommended changes in service savings and pressures.
- 8.3 This has allowed us to assess the overall potential impact of the budget on people within the County. It is recognised that the proposals will affect different groups of people in different ways.

- 8.4 Given the scale of the budget challenge for 2024/25, it is inevitable that this has identified some negative impacts on some groups of people. The nature of the services the council provides means that almost any change to a council service will have a socio-economic impact. For example, disabled people will be more likely to use social services and people on lower incomes will be more affected by increased fees and charges. These are set out in more detail in **Appendix D**.
- 8.5 Conducting the assessment alongside the development of the budget has allowed us to identify actions that mitigate the potential negative effects of our proposals on vulnerable people and households on the lowest incomes. It also highlights the anticipated positive effects of increasing expenditure on certain groups. This helps to offset some of the negative effects. Changes to the impact assessment have also been made as a result of the consultation, for example with the effects on young people being lessened as a result of the recommendation being made not to proceed with proposed reductions in individual school budgets.
- 8.6 Once the final budget is agreed by Council in March, service areas will carry out work to mitigate, manage and monitor any impacts identified. Where proposals are subject of subsequent decisions, it is expected that further Integrated Impact Assessment will be undertaken at that time.

## 9. **CONSULTEES:**

Cabinet  
Strategic Leadership Team

## 10. **BACKGROUND PAPERS:**

- a) Directorate Budget builds, detailed capital programme and associated papers
- b) Draft revenue budget proposals, draft capital budget proposals – released on consultation by [Cabinet](#) on 17th January 2024
- c) Provisional Local Government Settlement
- d) The CIPFA Prudential Code for Capital Expenditure

## 11. **AUTHORS:**

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## **Appendices:**

- A Overview of Council budget consultation process and feedback
- B Changes in service savings and pressures between draft and final budget
- C Revenue budget summary
- D Cumulative impact assessment
- E Responsible Financial Officers Opinions

|   |   |
|---|---|
| F | Use of reserves for budget purposes and forecast reserve balances   |
| G | Provisional Settlement Data and Specific Grants 2024/25 (All Wales) |
| H | Revenue budget service groupings                                    |
| I | Capital Budget Summary  |
| J | Prudential Indicators   |
| K | Capital and treasury management strategies 2024/25                  |





**Y CYLLIDEB  
BUDGET**

**2024/25**

**DRAFT  
BUDGET  
PROPOSALS**

**CONSULTATION  
ANALYSIS**



monmouthshire  
sir fynwy

**Gyda'n gilydd, ar gyfer ein dyfodol  
Together, for our future**



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This document displays the results of the Budget Consultation Survey conducted between 18th January 2024 and 15th February 2024.

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## Foreword



**Cllr Mary Ann Brocklesby**

(Leader – Monmouthshire County Council)



**Cllr Ben Callard**

(Cabinet Member for Resources)

A commitment of our administration is to be a Council that listens. From the outset of this budget process, we wanted to capture opinions, from far and wide, about what meant the most to you. We've not hidden away from the fact that we will face a significant challenge in the upcoming year as we set out our proposed budget for 2024/25. We have listened during engagement sessions and have read the comments made within the survey. We are now looking to make changes to reflect those opinions as we finalise our budget proposals.

Over the last month, we have been engaging with our residents and stakeholders. We used a survey and talked to many groups, asking what is important to them and how our budget can support their needs whilst also focusing on our core budget principles and our Community and Corporate Plan. If you have completed the survey, attended one of our engagement sessions or contacted us via email or telephone, we want to say a big thank you. You have provided feedback to help shape our council for the next year and beyond.

Throughout the consultation process, it was clear that elements of our Children & Young People's proposals concerned our residents and stakeholders. This was a concern to us too. We made it clear that where additional resources could be found, we would use them for Education. We acknowledge that Education is paramount if our young people are to get the best possible start in life, allowing them to learn and develop the skills and knowledge they will need to reach their full potential. Following your feedback, we redoubled our efforts to provide additional funding to our Children & Young People Directorate for the coming year.

As a county, we can be very proud that we have one of the highest recycling rates in Wales. None of the proposals in the draft budget were taken lightly, including the charges proposed for food waste bags. It was evident throughout the conversations and feedback received that this was a matter that concerned many of you. Following reflection, this proposal has now been removed from the budget to allow bags to remain free for our residents.

The condition of our roads was another concern highlighted in the feedback. We, like you, travel across the county regularly, and the general condition of the extensive road network we manage is not to the standards we would like it to be. This affects public transport, cyclists, pedestrians, and car users. Based on the feedback received, we have looked at ways, where possible, to increase the budget for highways investment.

Our next steps will be setting the final proposed budget and publishing a report, which will be discussed in Cabinet on 28th February and then in our next Council meeting on 29th February.



Once again, as a Cabinet and a Council, we thank you all for engaging with us in this crucial decision-making process. We look forward to continued engagement and consultation across all our services, throughout the rest of this year and beyond, as we collectively shape our future.

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**A FINANCIALLY RESPONSIBLE COUNCIL**

**REDUCING INEQUALITIES**

**PROTECTING OUR ENVIRONMENT**

**PROTECTING OUR MOST VULNERABLE**

**PLANNING FOR THE FUTURE**

**2024/25**  
**DRAFT**  
**BUDGET**  
**PROPOSALS**

**Gyda'n gilydd, ar gyfer ein dyfodol**  
**Together, for our future**



# DRAFT BUDGET PROPOSALS INTERACTIONS



**RESPONSES  
CAPTURED  
FROM AGE  
12-85+**



**SOCIAL MEDIA  
ENGAGEMENTS  
71,609**



**13  
STAKEHOLDER  
SESSIONS  
DELIVERED  
WITH  
206  
ATTENDANCES**



**WEBSITE  
VIEWS  
3,104**



**ENGAGEMENTS  
WITH DIGITAL  
SESSIONS  
436**



**HOURS SPENT  
WITH KEY  
IDENTIFIED  
STAKEHOLDERS  
30.5hrs**



**CONSULTATION  
RESPONSES  
313**





## **Scrutiny & Stakeholder Engagement**

### **Monmouthshire County Council - Performance and Overview Scrutiny Committee**

The committee received a presentation from the Cabinet for Resources before raising questions regarding the Draft Budget Proposals. Questions varied between all proposals, with proposals in Children & Young People, MonLife and Social Care & Health being brought before Cabinet Members and Officers present. Within Social Care, questions were raised around proposals to the impact on the workforce and the Council's ability to meet statutory requirements to assess individuals. Further questions were raised on the latest forecast of expenditure. Under the Children & Young People proposals, questions were raised about the funding reduction for Gwent Music and how this will impact young people's ability to access music lessons.

### **Monmouthshire County Council – Place Scrutiny Committee**

The committee has acknowledged the budget pressures the council is currently dealing with. During the discussion, several questions were raised about the Draft Budget Proposals, including the potential impact of increased trade waste fees on businesses in Monmouthshire. The committee also expressed concerns about the Home to School transport proposals and emphasized the need to ensure they do not affect ALN students. Additionally, they raised concerns about the lower settlement from the Welsh Government compared to the average across Wales, and they hope that the Cabinet Member will continue to push for additional funding from the Welsh Government. Other areas of discussion included the early closure of leisure centres on weekends and its impact on health and well-being and the impact on tourism caused by the proposed changes to MonLife centres. The committee also discussed the impact of car parking charges on footfall in towns.

### **Monmouthshire County Council – People Scrutiny Committee**

The committee engaged with the Cabinet Member for Resources and Council officers regarding the Draft Budget Proposals. The committee expressed its concerns that people are not disadvantaged by the budget proposals and asked the Cabinet Members to reflect on the points raised. Within the points raised, questions were asked regarding the school's budget and the effects on Additional Learning Needs and Gwent Music, Social Care pressures and fostering services. Questions were raised about the opening hours of leisure centres being changed, Council Tax charges and if any changes were being made to community transport.

### **Digital Engagement Sessions (x3)**

The local community was invited to participate in online engagement sessions that featured the Leader of the Council and Cabinet Member for Resource. They provided an update on the Draft Budget Proposals and answered questions from attendees. During the sessions, attendees raised questions about the impact of homelessness in the community and whether the council was considering using empty property assets in its portfolio to provide shelter for people. The proposal of charging for food waste bags was also raised, with concerns about the cost of living crises, which could make this an additional burden. Attendees asked about any provision or support being made available to those who could not afford the bags. Questions were also raised regarding the Education and Social Care budgets with concerns for the most vulnerable people in the county. The rise in Council Tax was also a matter of concern for attendees, who asked whether any support could be provided to those who may be unable to afford the additional cost.

## **School Governing Bodies**

The School Governors have expressed their concerns regarding the financial situation of the schools. They are worried about the negative impact that budget cuts will have on the quality of education and the well-being of staff and pupils. The rationale and fairness of budget allocation, potential savings from ALN provision, capital expenditure on new buildings, and the possibility of increasing Council Tax or taxing private education have been questioned. They also highlighted the long-term consequences of underfunding education and the need for more Council and Welsh Government support.

## **School Headteachers**

This engagement session allowed Headteachers from Monmouthshire schools to discuss the Draft Budget Proposals with Cabinet Members and Council officers. Some of the issues raised by the Headteachers included how the Council plans to request more funding from the Welsh Government, how the Council will support the schools to cope with the reduced budget and how the Council will ensure the quality and safety of education and care services. Additionally, the Headteachers inquired about the Council's plans to communicate with the public and stakeholders regarding the budget proposals.

## **School Budget Forum**

During the engagement session, the Cabinet Member for Resources and the Cabinet Member for Education addressed the attendees about the Draft Budget Proposals. They explained how the proposals would impact the funding available for schools. Representatives from the schools noted that the proposed 2.6% budget uplift would significantly impact the budget for providing education to pupils. Non-statutory delivery would be most affected due to the lack of available funding. For example, ALN students currently supported in mainstream education would lose additional support. Headteachers also raised concerns about the Council Tax increase, which would hit the most vulnerable school families doubly hard. Schools are committed to putting the most vulnerable pupils at the heart of everything they offer. However, if funding is restricted, families will be hit multiple times.

## **Secondary School Student Council**

The student Councils from Monmouth Comprehensive and King Henry VIII 3-19 School, Abergavenny, met with Council Leader Cllr Mary Ann Brockelsby and Cabinet Member for Resources Cllr Ben Callard to discuss the Draft Budget Proposals. The students provided feedback on the Draft Budget Proposals presented by the Council and sought clarification on how the draft budget was set and how decisions were made for each proposal. During the meeting, a broad discussion was held on various proposals outlined in the Draft Budget. The students emphasized that the Council should consider the impact on the Environment and Children & Young People. They referred to several projects that could be modified to free up funds for other departments and projects. Overall, the conversation between the students and Cabinet members was diverse, and the students were keen to have their voices heard on the budget proposals.



## **Town and Community Councils**

This engagement session allowed Town and Community Councils to discuss the Draft Budget Proposals with the Council's Leader, Cabinet Member for Resources and Council officers. A varied conversation was held on different topics within the proposals. The development of a collaborative and stronger partnership was referenced throughout the session, a feeling supported by all participants. There was a reference to what is often seen as a blurred line of local understanding of what responsibilities sit with Town & Community Councils and that which sit with Monmouthshire County Council. A commitment was made for future collaborative work. Car parking charges were raised as a concern by Town Councils to support our town centres and business network.

## **Business Networks**

After an introduction from the Deputy Leader & Cabinet Member for Planning & Economic Development and a presentation from the Cabinet Member for Resources, the attendees had some questions and concerns regarding the Draft Budget Proposals. Some points raised included questions about the changes proposed for the council-owned tourist attractions and leisure centres. The attendees also expressed concern over the withdrawal of funding for the Abergavenny Tourist Information Centre. The increase in trade waste costs and its impact on new business recycling legislation were also discussed. The proposed increase in car parking rates was raised as the attendees were worried about the potential decrease in footfall within the local towns. The attendees were also concerned about the impact of this budget on the most vulnerable members of society, especially disabled young adults. They requested more information to be shared about any studies being conducted on this subject.

## **Care Leavers**

Young Care Leavers spoke with the Leader of the Council and Cabinet Member for Equalities & Engagement during an engagement session. The young people raised several concerns and asked questions about various issues. They mentioned the impact of the cost of living crisis and the need for more support around budgeting skills. The availability of affordable housing options and local employment opportunities were also discussed. The young people expressed their support for proposals related to Children's services, particularly supporting people who need residential care to remain close to their homes. They sought reassurance that personal assistance support would not be reduced. Some of the young people were concerned about the discontinuation of the Basic Income Pilot, and they highlighted the importance of the St Davids fund. One young person raised a concern about the lack of facilities for young people in their local town.

## **MyMates**

During the engagement session with representatives from MyMates, participants had the opportunity to discuss the Draft Budget Proposals with the Cabinet Member for Social Care, Safeguarding & Accessible Services and the Cabinet Member for Resources. The session allowed for general comments and queries on the support available to help members maintain their independence. There was a discussion on securing equal opportunities for disabled people. Examples were shared, such as the lack of dropped kerbs that impact the mobility and accessibility of wheelchair users. Public transport was also discussed, regarding the timetabling and frequency of buses not meeting people's needs.



## **Joint Advisory Group**

The Joint Advisory Group held a meeting where Trade Unions had the opportunity to discuss the Draft Budget Proposals with Cabinet Members and Council officers. Concerns about the workforce, Social Care and Education were raised during the meeting. A discussion was held on the impact of the vacancy freeze and how it could impact current staff well-being were discussed. Trade Unions also expressed concerns about the budget's impact on schools needing to restructure under Children & Young People's proposals. The Cabinet Member for Education noted that a Headteacher engagement session occurred (Summary above). Additionally, a Cumulative Impact Assessment was being completed to evaluate the effects of the budget on different household types and income levels, as well as the impact on groups with protected characteristics as identified by the Equality Act. Mitigating actions were being considered wherever possible.

## **Digital Cwtch**

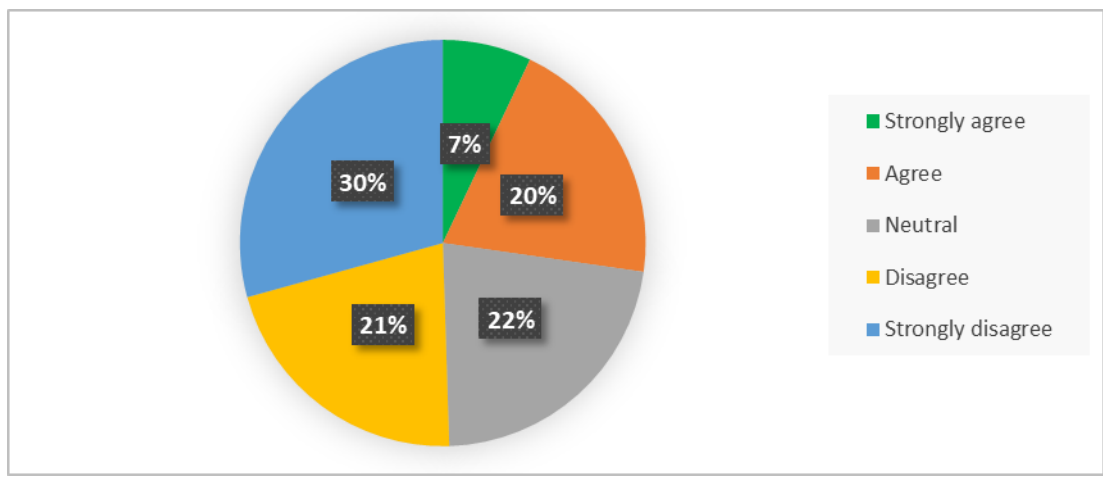
The Cwtch is an online engagement session held for officers of the Council. This provides an opportunity for staff to raise questions to Senior Leadership. Over 220 MCC officers attended the session, which was recorded for members who couldn't participate live. The Cwtch initially was developed through the Covid pandemic and has proved to be an effective platform for continued engagement. This session allows continued engagement with officers to provide feedback on the draft proposals.

## Children & Young People

### Summary:

According to the survey results, 27% of the participants either strongly agreed or agreed with the Draft Budget Proposals for 2024/25 proposals. On the other hand, a majority of 51% strongly disagreed or disagreed with the proposals. Meanwhile, 22% of the participants remained neutral on the proposals. Out of all the individual proposals, most of them received support from the participants, except for two proposals. The saving of £835,000 from "School budget efficiency after uplifting budget for funding of projected pay pressures" was opposed by 56.5% of the participants. Similarly, 47% of the participants opposed the proposed savings of £534,000 from "Net saving on Additional Learning Needs (ALN) placements". 70% of the participants supported the proposed saving of £120,000 from "CYP Support - Release expected reserve from solar panels on schools". Additionally, 49.2% of the participants supported the savings proposed for "Breakfast club charges".

### 1. Do you agree with the proposals to the Children & Young People Directorate?



### 2. Please select below the proposals you SUPPORT or OPPOSE within the Children & Young People Directorate Budget Proposals.

| Proposals   | % Support | % Neutral | % Oppose | % Visual |
|---|-----------|-----------|----------|----------|
| Schools budget efficiency after uplifting budget for funding of projected pay pressures (Saving: £835,000)                        | 24.9%     | 18.5%     | 56.5%    |          |
| CYP Support - Release expected reserve from solar panels on schools (Saving: £120,000)  | 70.0%     | 19.2%     | 10.9%    |          |
| CYP Support - Freeze vacancy in student access team (Saving: £34,000)   | 44.4%     | 27.2%     | 28.2%    |          |
| Net saving on Additional Learning Needs (ALN) placements (Saving: £534,000)   | 33.2%     | 19.8%     | 47.0%    |          |
| ALN & Standards - Continue to hold a vacancy open in the MoSTS (Monmouthshire Specialist Teaching Service) team (Saving: £20,000) | 39.0%     | 37.4%     | 23.6%    |          |
| ALN & Standards - EAS contribution reduction of 10% (£35,000)   | 39.0%     | 27.2%     | 33.9%    |          |
| Gwent Music - Reduce contribution but keep hardship fund (£39,000)  | 45.0%     | 19.8%     | 35.1%    |          |
| Breakfast club charges (£70,000)  | 49.2%     | 20.1%     | 30.7%    |          |



### **3. Is there anything else you would like us to consider within the Children & Young People Directorate**

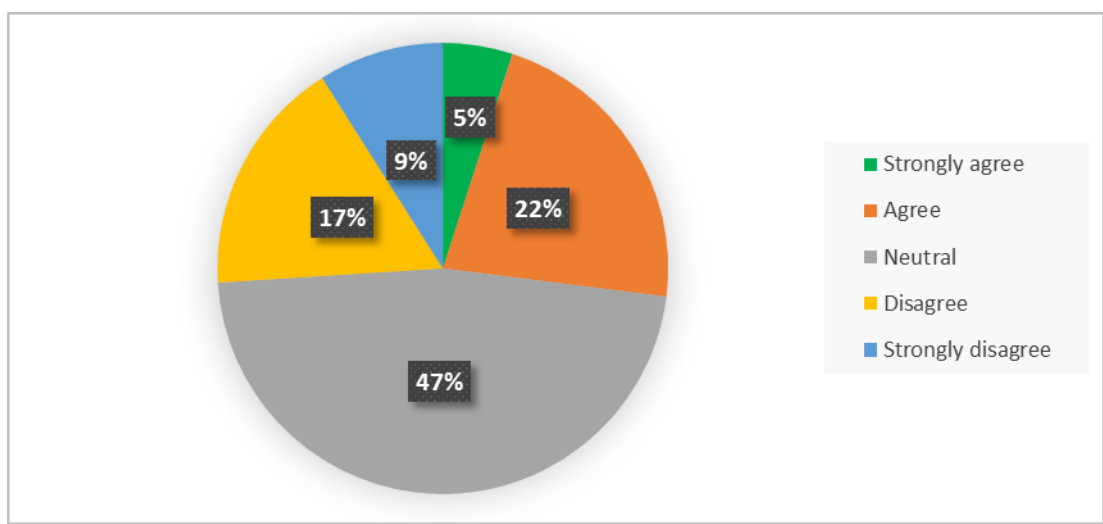
Throughout the comments submitted, some people agree with the proposals and acknowledge the Council's difficult financial situation. However, others strongly oppose the proposals and urge the Council to prioritise education and children's services. The most common themes or issues mentioned by respondents are the provision of Additional Learning Needs (ALN), the Gwent Music service, charges for breakfast clubs and the contribution to the Education Achievement Service (EAS). Many respondents expressed concerns about the impact of the proposals on the quality of education and the well-being of children and young people. Additionally, the respondents mentioned the continued effects of COVID-19 on education, the need for cost-of-living increases for teachers, the possibility of means testing for breakfast clubs and free school meals, the potential of collaborating with other local authorities or businesses, the role of the Welsh language in education, and the need to invest in the future generation.

## Social Care & Health

### Summary:

Based on the survey results, it was found that 27% of the participants either strongly agreed or agreed. In comparison, 26% strongly disagreed or disagreed with the proposals presented in the Draft Budget Proposals for 2024/25. Most participants were neutral regarding the proposed budget (47%). While the participants supported the individual proposals, there was one proposal, "Placement and practice change (Saving: £1,300,000)," which most participants opposed. 49.8% of participants supported the proposal to "Review the legal non-residential weekly charge cap from £100 to £120 replacement".

### 4. Do you agree with the proposals to the Social Care & Health Directorate?



### 5. Please select below the proposals you SUPPORT or OPPOSE within the Social Care & Health Directorate Budget Proposals.

| Proposals  | % Support | % Neutral | % Oppose | % Visual |
|--|-----------|-----------|----------|----------|
| Adults' Social Services - Directorate staffing review (Saving: £1,494,000)   | 46.3%     | 31.9%     | 21.7%    |          |
| Children's Services - Placement and practice change (Saving: £1,300,000)   | 34.5%     | 29.7%     | 35.8%    |          |
| Adults' Services - Practice change agenda (Saving: £1,130,000)   | 44.1%     | 32.3%     | 23.6%    |          |
| Adults' Services - Reduction in adult partnership arrangements for Gwent service delivery models (Saving: £55,000) | 41.5%     | 35.8%     | 22.7%    |          |
| Adults' Services - Savings from service to afford Severn View replacement (Saving: £105,000)                       | 45.7%     | 34.5%     | 19.8%    |          |
| Review the legal non-residential weekly charge cap from £100 to £120 replacement (Saving: £578,000)                | 49.8%     | 30.7%     | 19.5%    |          |
| Adults' Services - Review and increase of directorate schedule of fees and charges replacement (Saving: £388,000)  | 44.4%     | 35.5%     | 20.1%    |          |
| Public Protection - Partial vacancy saving from Environmental Health Officer post replacement (Saving: £23,000)    | 47.0%     | 34.2%     | 18.8%    |          |

## **6. Is there anything else you would like us to consider within the Social Care & Health Directorate**

Many of the responses express concerns about the impact of the budget proposals on vulnerable individuals and the quality of services provided. Some responses suggest alternative ways to save money, such as reducing the salaries of senior leaders, re-tendering care agency contracts, and investing in preventative services. There are also suggestions to improve the efficiency of the system by streamlining processes and reducing administrative costs.

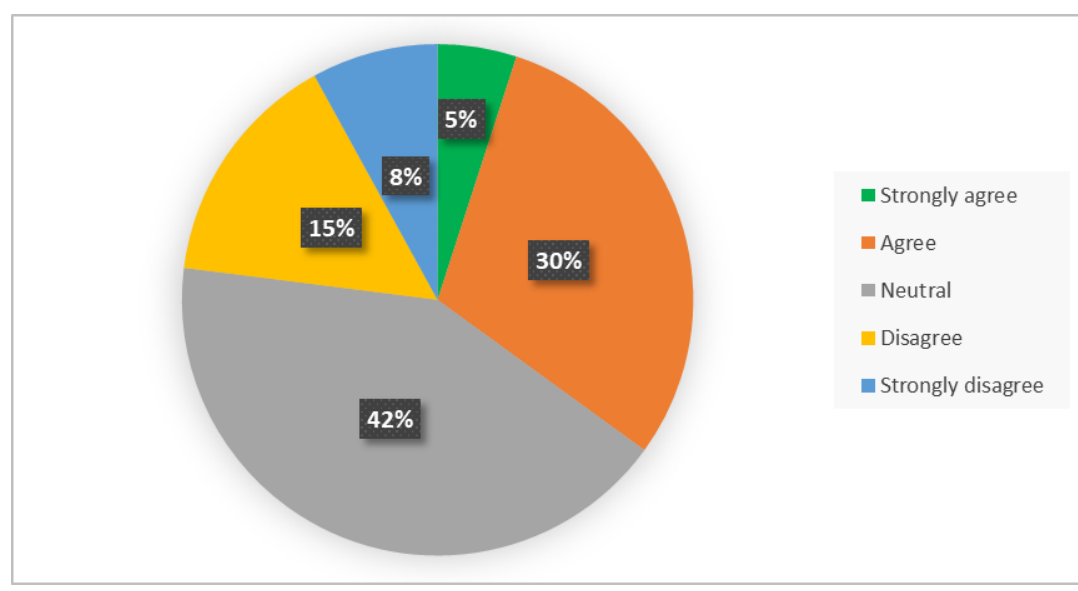


## Communities & Place









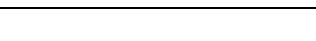








### Summary:

Within Community & Place proposals, 35% of participants strongly agree or agree, with 23% strongly disagreeing or disagreeing with the proposals. 42% of participants have noted they are neutral in the proposals. The majority of proposals were supported except for two. 44.4% of participants opposed the "Stop free provision of food waste bags (Saving: £50,000)", and 49.5% opposed "Fees & Charges - Uplift in car parking charges by 10% (Saving: £66,000)". In support, 82.1% supported "Removal of council car (Saving: £8,000)", and 77% supported "Increase renewable energy generation opportunities across our estate to reduce demand on grid supply (Saving: £50,000)".

### 7. Do you agree with the proposals to the Communities & Place Directorate?



## 8. Please select below the proposals you SUPPORT or OPPOSE within the Communities & Place Directorate Budget Proposals.

| Proposals  | % Support | % Neutral | % Oppose | % Visual  |
|--|-----------|-----------|----------|---|
| Savings from Siltbuster recycling partnership (Saving: £20,000)  | 59.1%     | 30.4%     | 10.5%    |    |
| Fees & Charges - Uplift in garden waste collection costs by 10% (Saving: £75,000)  | 54.3%     | 12.1%     | 33.5%    |    |
| Waste and street services - Restructure to reduce staff costs and not replace a vacant post (Saving: £50,000)                          | 52.1%     | 18.8%     | 29.1%    |    |
| Stop free provision of food waste bags (Saving: £50,000)   | 41.9%     | 13.7%     | 44.4%    |    |
| Restructure of the Environmental Protection Act Team (Saving: £25,000)   | 60.4%     | 24.3%     | 15.3%    |    |
| Removal of council car (Saving: £8,000)  | 82.1%     | 12.8%     | 5.1%     |  |
| Review the provision of small vehicle home to school transport contracts (Saving: £93,000)   | 60.1%     | 15.7%     | 24.3%    |  |
| Home to School Transport - Increase the cost of concessionary transport seats from £440 to £484 (10% uplift) (Saving: £3,000)          | 51.4%     | 19.8%     | 28.8%    |  |
| Increase renewable energy generation opportunities across our estate to reduce demand on grid supply (Saving: £50,000)                 | 77.0%     | 15.0%     | 8.0%     |  |
| Planning income (Saving: £50,000)  | 60.7%     | 28.1%     | 11.2%    |  |
| Request to Welsh Government to increase statutory planning application fees by 25% (Saving: £98,000)                                   | 57.2%     | 20.8%     | 22.0%    |  |
| Fees & Charges - Increase fees by 10% for street naming and numbering, licences, road closures and inspections (Saving: £33,000)       | 69.0%     | 18.8%     | 12.1%    |  |
| Fees & Charges - Uplift in car parking charges by 10% (Saving: £66,000)  | 37.1%     | 13.4%     | 49.5%    |  |
| Fees & charges - Increase the Sustainable Drainage Systems Approving Body (SAB) discretionary pre-application charges (Saving: £2,000) | 53.0%     | 30.0%     | 16.9%    |  |
| Sustainable Drainage Systems Approving Body application (SAB) income (Saving: £25,000)   | 55.0%     | 30.0%     | 15.0%    |  |
| Fees & Charges - Increase in trade waste fees, sale of bags & bins (Saving: £30,000)   | 49.5%     | 19.8%     | 30.7%    |  |
| Homelessness – Rapid rehousing (Saving: £400,000)  | 47.9%     | 24.3%     | 27.8%    |  |

## 9. Is there anything else you would like us to consider within the Communities & Place Directorate

Within the survey, many participants oppose the proposal to increase the garden waste collection fee, citing the high Council Tax, cost of living challenges, and the possibility of more fly-tipping or non-renewal of the service. Another unpopular proposal is to stop providing free food waste bags, which some argue will deter people from recycling, increase black bag waste, and attract rats. Comments raised concerns that raising car parking charges may threaten local businesses and the high street, as people may shop elsewhere or park in residential streets. Participants expressed concern about the proposal to reduce the budget for rapid rehousing of homeless people and stressed the need to provide decent homes and support for this vulnerable group.



# Y GYLLIDEB BUDGET



**Gyda'n gilydd, ar gyfer ein dyfodol**  
**Together, for our future**

Suggestions were made that the concessionary school transport could be means-tested or reduced for some families, especially those living within bus boundaries or with higher incomes. Some respondents offer other suggestions or comments on the budget proposals, such as simplifying recycling, increasing planning fees, reducing administration costs, fining companies polluting our rivers and providing more street cleaning.

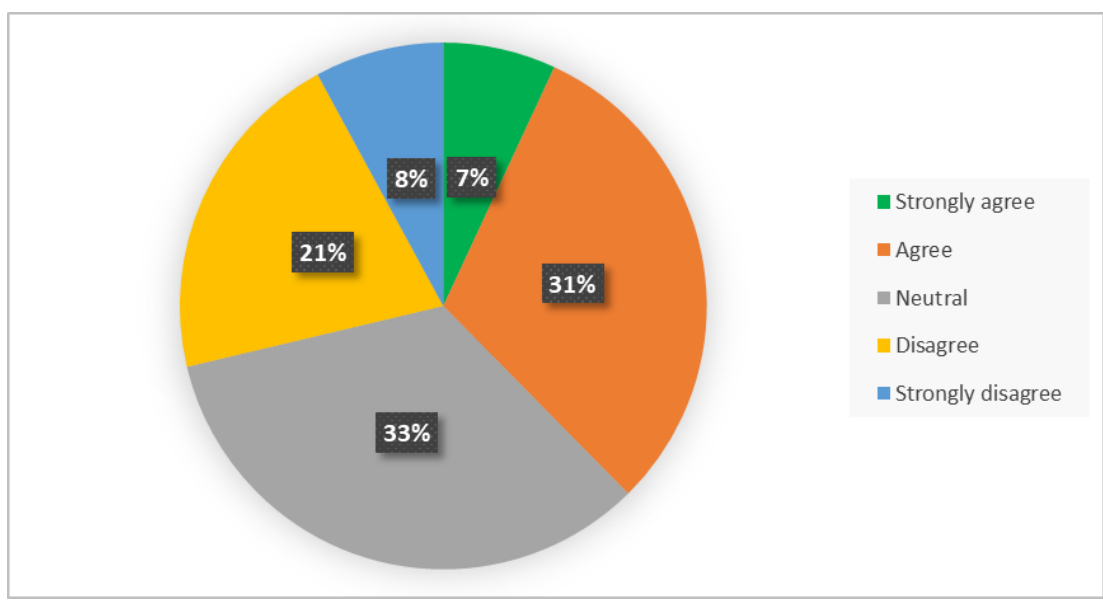


## MonLife












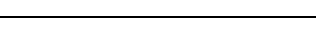

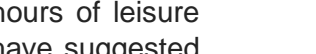
### Summary:

38% of participants Strongly agreed or agreed with the proposals with MonLife, with 29% strongly disagreeing or disagreeing with the proposal. 33% noted they were neutral on the proposals. Participants supported all individual proposals. The highest support was for the proposals to "Realign services within the Town/Market Hall in Abergavenny to improve their potential and ensure continued service delivery (Saving: £20,000)" with 71.6% and "High-Level Management Restructure - Area management model (Saving: £120,000)" with 79.2%.

### 10. Do you agree with the proposals to the MonLife Directorate?



**11. Please select below the proposals you SUPPORT or OPPOSE within the MonLife Directorate Budget Proposals.**

| Proposals  | % Support | % Neutral | % Oppose | % Visual  |
|--|-----------|-----------|----------|---|
| Realign services within the Town/Market Hall in Abergavenny to improve their potential and ensure continued service delivery (Saving: £20,000)   | 71.6%     | 21.7%     | 6.7%     |    |
| Museums - Close Abergavenny and Chepstow museums an additional day a week and review business support (Saving: £40,000)  | 62.3%     | 15.3%     | 22.4%    |    |
| Attractions - Close Old Station Tintern one day a week (Saving: £10,000)   | 59.1%     | 15.7%     | 25.2%    |    |
| Attractions - Utilisation of Share Prosperity Fund (SPF) grants to cover core staffing whilst delivering Today's Heritage Tomorrow and Creative Futures (Saving: £60,000)                          | 62.9%     | 25.9%     | 11.2%    |   |
| Countryside & Culture - Additional income generation (Saving: £25,000)   | 66.1%     | 23.6%     | 10.2%    |  |
| Countryside & Culture - Countryside Access income generation (Saving: £35,000)   | 64.5%     | 23.3%     | 12.1%    |  |
| Countryside & Culture - Review financial contribution and support to Abergavenny Tourist Information Centre (Saving: £10,000)  | 61.3%     | 26.2%     | 12.5%    |  |
| Countryside & Culture – Recover officer time from S106 funding (Saving: £15,000)   | 65.8%     | 25.9%     | 8.3%     |  |
| Leisure, Sports & Outdoor Adventure - Move to a more sustainable operating model, creating a multi-function site with re-engage Pupil Referral Service (PRS) and Social Services (Saving: £70,000) | 59.1%     | 22.4%     | 18.5%    |  |
| Leisure centres - Change closing times, Weekday Closing 21:30 weekend closure 16:30 (Saving: £140,000)   | 51.1%     | 11.2%     | 37.7%    |  |
| Re-alignment of youth club provision (Saving: £20,000)   | 42.2%     | 21.4%     | 36.4%    |  |
| Marketing and memberships service redesign (Saving: £50,000)   | 69.0%     | 20.1%     | 10.9%    |  |
| High Level Management Restructure – Area management model (Saving: £120,000)   | 79.2%     | 14.1%     | 6.7%     |  |
| Increase in fees and charges that are not captured in separate proposals (Saving: £27,000)   | 44.7%     | 25.2%     | 30.0%    |  |

**12. Is there anything else you would like us to consider within the MonLife Directorate**

The majority of the responses that have been received express gratitude for the services provided by MonLife. Many respondents oppose the proposals to reduce the opening hours of leisure centres and museums or close facilities on specific days. Some respondents have suggested alternative ways to save money or generate income. A few participants have made specific complaints or requests regarding certain services or facilities. These include issues such as the quality of staff training, the availability of classes, the marketing and branding, the access to woodland, the rights of way, the parking fees and the telephone service. Some participants have requested more engagement and consultation with users and the public before making any changes.

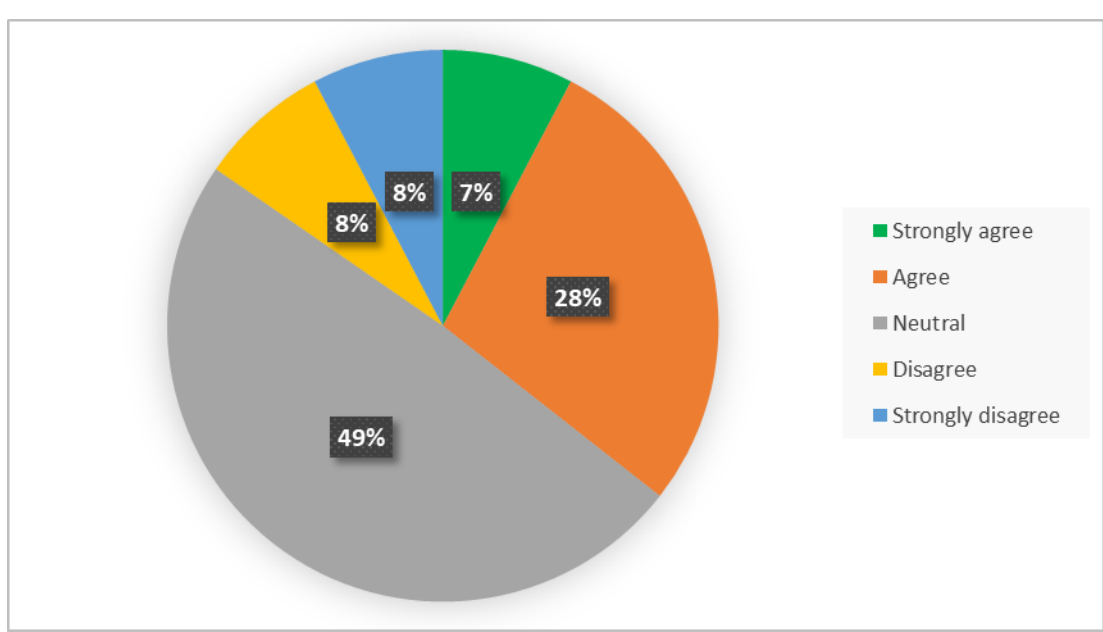


## Resources

### Summary:

Most of the participants (49%) expressed neutrality towards the overall budget proposals for the Resources Directorate. 35% of the participants strongly agreed or agreed with the proposals, while 16% either strongly disagreed or disagreed. All the proposals were supported by over 50% of the participants, with the "Commercial Investments - Reversal of income pressure (Saving: £208,000)" having the lowest opposing percentage of 6.7%.

### 13. Do you agree with the proposals to the Resources Directorate?



### 14. Please select below the proposals you SUPPORT or OPPOSE within the Resources Directorate Budget Proposals.

| Proposals   | % Support | % Neutral | % Oppose | % Visual |
|---|-----------|-----------|----------|----------|
| Commercial Investments – Reversal of income pressure (Saving: £208,000)   | 58.1%     | 35.1%     | 6.7%     |          |
| Income - Industrial units, cemeteries, county farms (Saving: £100,000)    | 53.0%     | 31.0%     | 16.0%    |          |
| Property services - Gwent Police collaboration (Saving: £50,000)          | 57.7%     | 31.0%     | 15.3%    |          |
| Reductions in the shared resource service contributions (Saving: £17,000) | 51.4%     | 36.4%     | 12.1%    |          |

### 15. Is there anything else you would like us to consider within the Resources Directorate

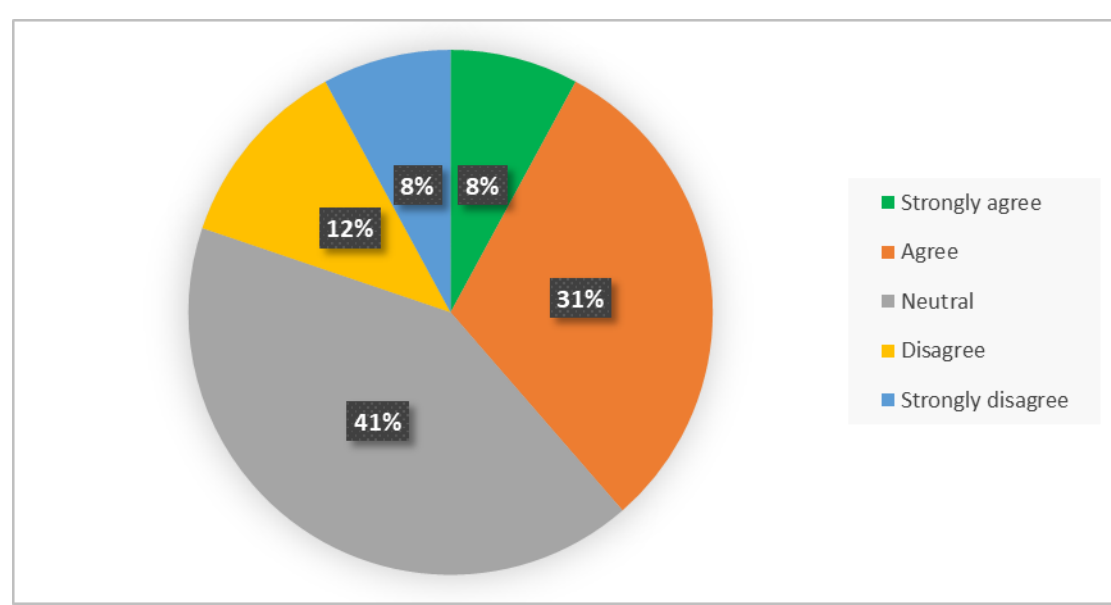
Participants support sharing resources, investing in digital services, and increasing income from commercial and industrial properties. Others oppose the reduction of strategic regulatory services, question the need for certain roles and express ethical concerns about profiting from cemeteries. Some participants suggest selling county farms to farmers, exploring Gwent-wide functions that could be brought into MCC, looking at the central funding costs of all staffing, producing more readable consultation documents, and reviewing the rents of retail investment properties. Some participants commented that it is already impossible to contact MCC or get anyone to call back and that the proposals need to provide more details for commenting. Some participants argue that the resource directorate budget must be reduced significantly.

## Chief Executive's Unit

### Summary:

39% of participants strongly agree or agree with the proposals within the Chief Executive's Unit Directorate, while 20% strongly disagree or disagree. 41% of participants were neutral on the proposals. Both proposals within the Draft Budget Proposals were supported by most participants, with less than 10% opposing either saving proposals; they were supported by over 66% of participants.

### 16. Do you agree with the proposals to the Chief Executive's Unit Directorate?



### 17. Please select below the proposals you SUPPORT or OPPOSE within the Chief Executive's Unit Directorate Budget Proposals.

| Proposals   | % Support | % Neutral | % Oppose | % Visual |
|---|-----------|-----------|----------|----------|
| Policy - Training & Workforce Development - Staffing re-alignment (£65k) Partnership working in online training delivery (£10.5k) (Saving: £75,000) | 67.1%     | 23.6%     | 9.3%     |          |
| Payroll & HR - Release of contingency budgets for implementation of e-recruitment (Saving: £10,000)   | 66.8%     | 25.2%     | 8.0%     |          |

### 18. Is there anything else you would like us to consider within the Chief Executive's Unit Directorate

Participants expressed their concerns regarding the proposed reductions in staff development and training. They questioned the quality and effectiveness of online training and suggested various ways to achieve more savings and efficiency. These included reducing translations into Welsh, outsourcing payroll and HR services and working more closely with other councils. In addition, some participants compared the budget proposal for the Chief Executive's Unit Directorate with other directorates, such as children and young people. They argued that the priorities were wrong and suggested allocating the budget more equitably across all directorates.

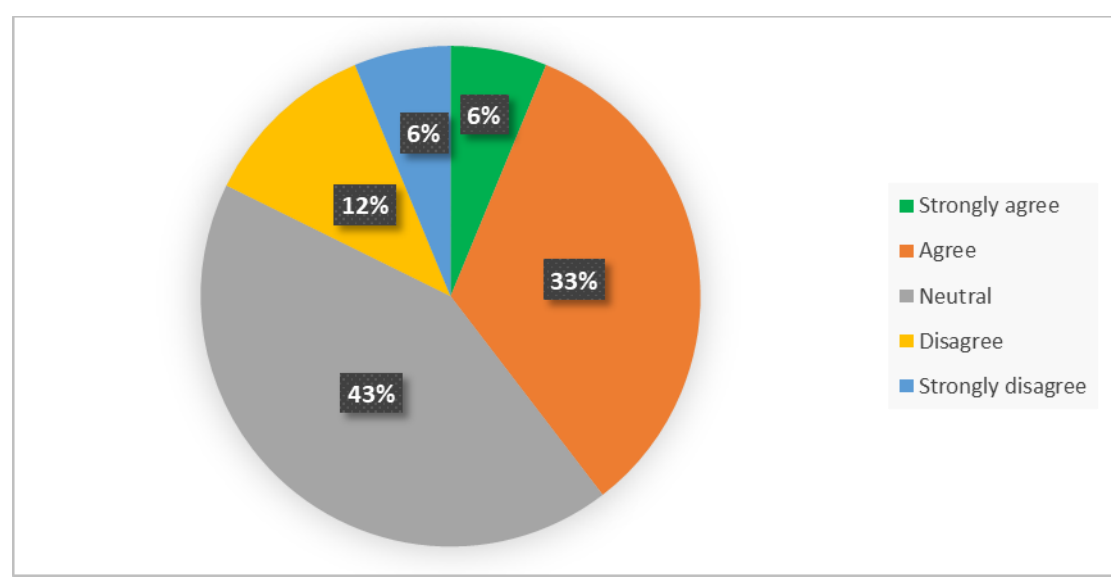


## Law & Governance

### Summary:

The Law & Governance Directorate saw 39% of participants strongly agree or agree with the proposals, with 18% strongly disagreeing or disagreeing. 43% of participants noted they were neutral on the proposal. 66.5% of participants supported the "Vacancy Freeze - Paralegal post (Saving: £33,000)", with 9.9% opposing this proposal.

### 19. Do you agree with the proposals to the Law & Governance Directorate?



### 20. Please select below the proposals you SUPPORT or OPPOSE within the Law & Governance Directorate Budget Proposals.

| Proposals   | % Support | % Neutral | % Oppose | % Visual |
|---|-----------|-----------|----------|----------|
| Vacancy Freeze - Paralegal post (Saving: £33,000) | 66.5%     | 23.6%     | 9.9%     |          |

### 21. Is there anything else you would like us to consider within the Law & Governance Directorate

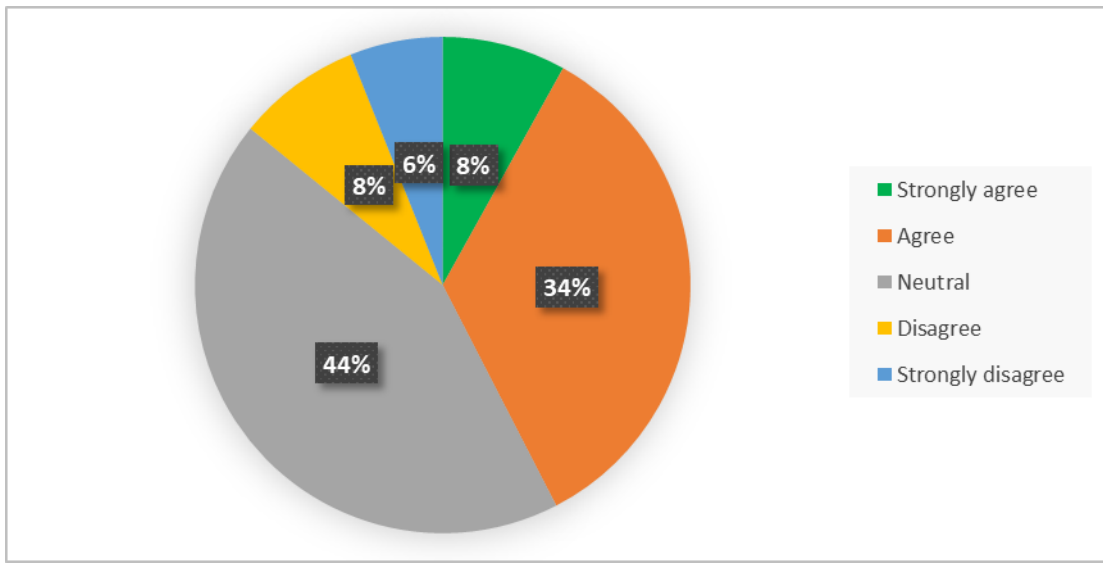
Many of the responses received expressed dissatisfaction, disagreement, or scepticism about the proposed budget increase, mentioning the lack of savings and the impact it could have on other public services. A few participants were curious about why the Council kept a vacant Paralegal post and raised questions about who would do the work and whether it was a false economy or a risk. Some participants suggested that the Law and Governance Directorate should reduce costs, streamline processes, or collaborate with other councils to achieve savings. One response even referred to the paralegal team as a bargain.

## Corporate Costs & Levies

### Summary:

42% of participants strongly agreed or agreed with the proposals with the Corporate Costs and Levies Directorate, with 14% strongly disagreeing or disagreeing with the proposals. 44% of participants were neutral about the proposals. 70.6% of participants supported the proposal "Draw down against Ukrainian reserve for further related costs (Saving: £200,000)", with 8.9% opposing.

### 22. Do you agree with the proposals to the Corporate Costs & Levies Directorate?



### 23. Please select below the proposals you SUPPORT or OPPOSE within the Corporate Costs & Levies Directorate Budget Proposals.

| Proposals  | % Support | % Neutral | % Oppose | % Visual |
|--|-----------|-----------|----------|----------|
| Draw down against Ukrainian reserve for further related costs (Saving: £200,000) | 70.6%     | 20.4%     | 8.9%     |          |

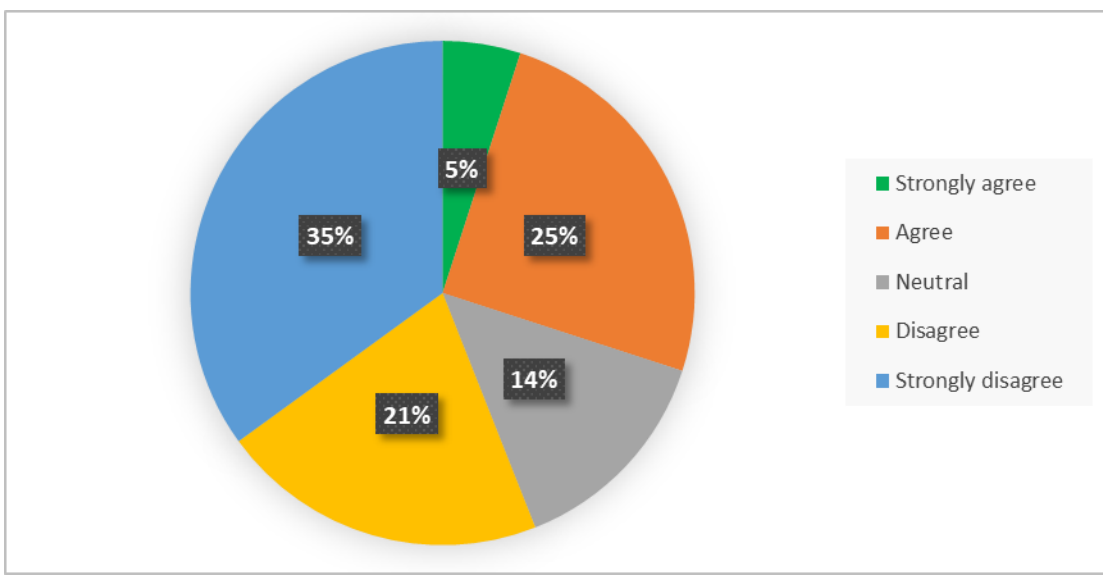
### 24. Is there anything else you would like us to consider within the Corporate Costs & Levies Directorate

Most of the responses received were negative and critical of the budget proposal. These responses questioned the need for a significant increase in the budget, the lack of transparency and efficiency, and the potential impact on other essential services such as education and social care. Responses supported the Council's statutory duties towards Ukraine nationals and asylum seekers, stating they should be maintained and increased.

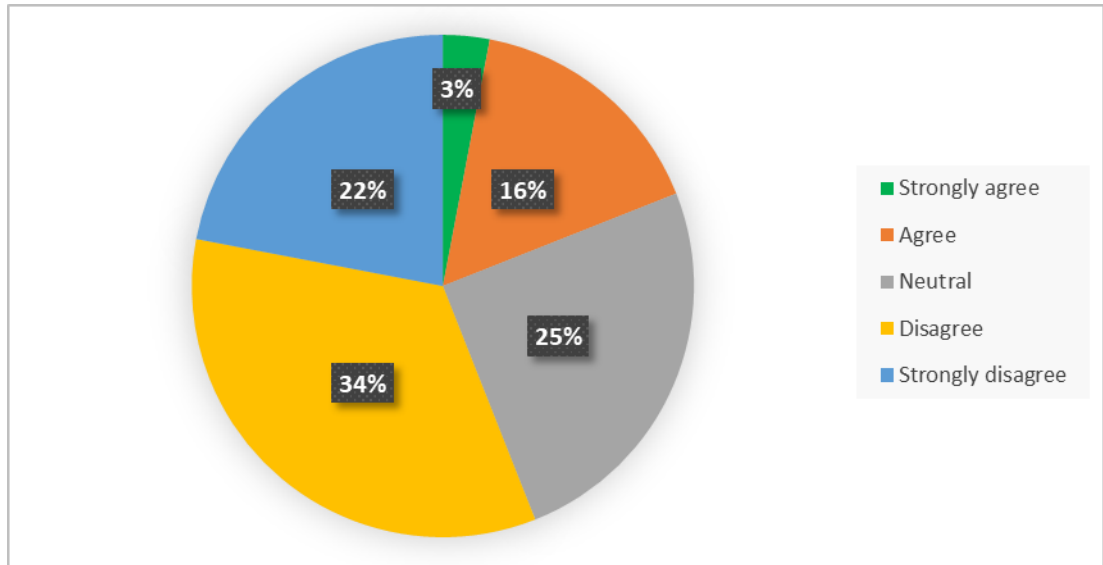


## Overall Budget Proposal Summary

**25. Within the 2024/25 Draft Budget Proposals, the Council proposes to increase the Council Tax by 7.5%. Do you agree with the proposals?**



**26. Do you agree with the 2024/25 Draft Budget?**



**27. Please provide us with any further comments you'd like us to consider as part of the 2024/25 Draft Budget Proposals**

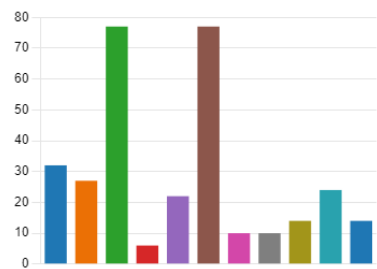
Numerous participants have expressed concerns regarding the proposed 7.5% increase in Council Tax. Some believe the increase is too high, while others have suggested alternative revenue-generating methods. Participants are worried about the impact of the proposed Council Tax increase on households already struggling with the cost of living crisis. They have also expressed concerns about the proposed cuts to school budgets and its effects on children's education. Additionally, there are concerns regarding the proposed budget's impact on the services the Council provides. Participants have also questioned the fairness of the funding formula used by the Welsh Government. Some participants have supported the budget proposal and acknowledged the challenging financial situation that the Council faces.

## Survey Demographic

Selected Demographics of participants that took part in the online survey.

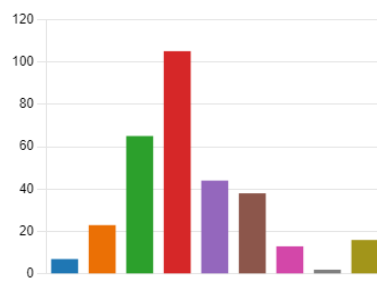
### Location of participants

|                   |    |
|-------------------|----|
| Abergavenny       | 32 |
| Caldicot          | 27 |
| Chepstow          | 77 |
| Gilwern           | 6  |
| Magor & Undy      | 22 |
| Monmouth          | 77 |
| Raglan            | 10 |
| Tintern           | 10 |
| Usk               | 14 |
| Prefer not to say | 24 |
| Other             | 14 |



### Age of participants

|                   |     |
|-------------------|-----|
| 16-24             | 7   |
| 25-34             | 23  |
| 35-44             | 65  |
| 45-54             | 105 |
| 55-64             | 44  |
| 65-74             | 38  |
| 75-84             | 13  |
| 85+               | 2   |
| Prefer not to say | 16  |



### Gender of participants

|                   |     |
|-------------------|-----|
| Female            | 155 |
| Male              | 128 |
| Non-binary        | 1   |
| Prefer not to say | 29  |



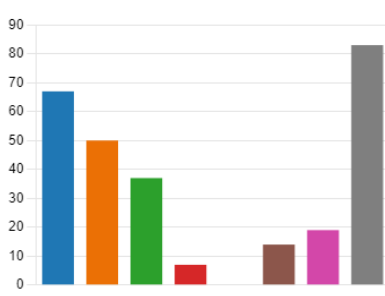
### Participants that considered themselves to have a disability defined by the Equality act

|                   |     |
|-------------------|-----|
| Yes               | 27  |
| No                | 243 |
| Prefer not to say | 43  |



### How participants hear about the consultation survey

|                                     |    |
|-------------------------------------|----|
| MCC social media account (X/Fa...   | 67 |
| Other social media account          | 50 |
| From a local councillor             | 37 |
| A paper copy in my local library... | 7  |
| Poster/digital screen in my town    | 0  |
| Local Press                         | 14 |
| Don't know                          | 19 |
| Other                               | 83 |



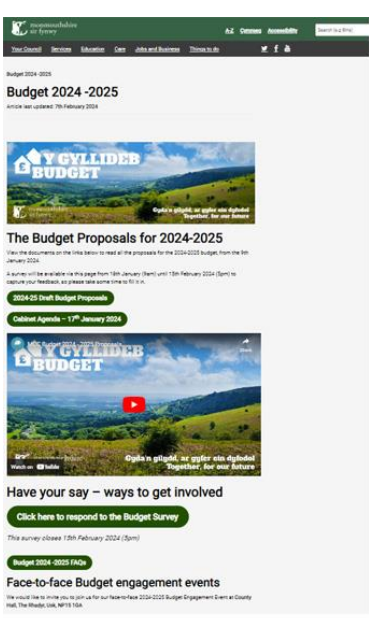
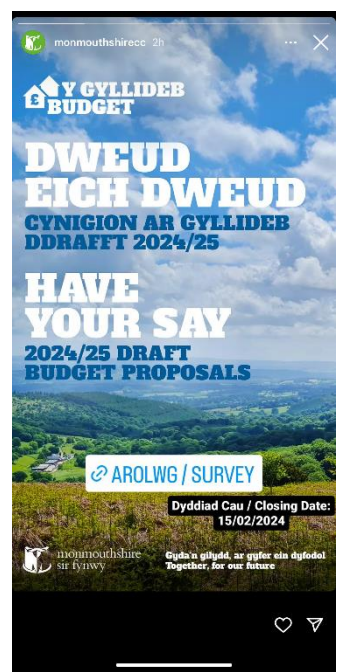


# Y GYLLIDEB BUDGET



**Gyda'n gilydd, ar gyfer ein dyfodol**  
**Together, for our future**

## Examples of Communications





**Thank you to everyone who participated in the Draft Budget Proposals Consultation.**

**[www.monmouthshire.gov.uk/budget-2024-2025](http://www.monmouthshire.gov.uk/budget-2024-2025)**







**Y GYLLIDEB  
BUDGET**

**2024/25**

**FINAL  
BUDGET  
PROPOSALS**

**BUDGET APPENDICES**



monmouthshire  
sir fynwy

**Gyda'n gilydd, ar gyfer ein dyfodol**  
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**Appendix B - Change in service pressures and savings from draft to final budget**

| Ref     | Pressure/Saving by Directorate   | Draft Pressure<br>£000 | Move ment<br>£000 | Final Pressure<br>£000 | Draft Saving<br>£000 | Move ment<br>£000 | Final Saving<br>£000 |
|---------|--|------------------------|-------------------|------------------------|----------------------|-------------------|----------------------|
| CYP     | Children & Young People  | 1,611                  | 1,500             | 3,111                  | (2,507)              | (665)             | (3,172)              |
| SCH     | Social Care & Health   | 7,410                  | 350               | 7,760                  | (5,175)              | 203               | (4,972)              |
| C&P     | Communities & Place  | 1,305                  | 0                 | 1,305                  | (1,075)              | 148               | (927)                |
| MonLife | MonLife  | 285                    | 0                 | 285                    | (1,079)              | 0                 | (1,079)              |
| CEO     | Chief Executives Unit  | 47                     | 0                 | 47                     | (86)                 | 0                 | (86)                 |
| L&G     | Law & Governance   | 135                    | 0                 | 135                    | (33)                 | 0                 | (33)                 |
| RES     | Resources  | 290                    | 0                 | 290                    | (595)                | 0                 | (595)                |
| CORP    | Corporate Costs & Levies   | 641                    | 0                 | 641                    | (200)                | 200               | 0                    |
|         | <b>Totals</b>  | <b>11,724</b>          | <b>1,850</b>      | <b>13,574</b>          | <b>(10,750)</b>      | <b>(114)</b>      | <b>(10,864)</b>      |
| Ref     | Children & Young People  | Draft Pressure<br>£000 | Move ment<br>£000 | Final Pressure<br>£000 | Draft Saving<br>£000 | Move ment<br>£000 | Final Saving<br>£000 |
| PCYP1   | King Henry 3-19 - Building rates increase for new school   | 125                    | 0                 | 125                    |                      |                   |                      |
| PCYP2   | King Henry 3-19 - Management costs for the new Senior Resource Base  | 199                    | 0                 | 199                    |                      |                   |                      |
| PCYP3   | ALN Transport - inflationary pressure in contractor costs  | 745                    | 0                 | 745                    |                      |                   |                      |
| PCYP4   | Additional contingency budget for short-term intensive support for pupils, with statutory Individual Development Plans, who are experiencing a period of crisis.   | 100                    | 0                 | 100                    |                      |                   |                      |
| PCYP5   | To secure an additional £375,000 to provide adequate Additional Learning Provision (ALP) for children/young people with Additional Learning Needs (ALN) who require a local authority led Individual Development Plan.                             | 375                    | 0                 | 375                    |                      |                   |                      |
| PCYP10  | To create increased capacity in the Vulnerable Learner Lead role / scope to meet the high / increasing demand, with a potential uplift in the current VLL role and to create a new post for an additional officer who can support the current VLL. | 67                     | 0                 | 67                     |                      |                   |                      |
| PCYP11  | Teachers pension contribution - increased employer rate  | 0                      | 1,500             | 1,500                  |                      |                   |                      |
| CYP1    | Efficiency saving - No inflationary allowance for school budgets. Pay award and inflation costs will be met from existing budget   |                        |                   |                        | (835)                | 835               | 0                    |
| CYP2    | CYP support - Release expected reserve from rebates for solar panel on schools   |                        |                   |                        | (120)                | 0                 | (120)                |
| CYP3    | CYP Support - Freeze vacancy in student access team  |                        |                   |                        | (34)                 | 0                 | (34)                 |
| CYP4    | Net saving on ALN placements. Reduce the cost of out-of-county and specialist placements by investing in the quality and capacity of local, community and specialist resource basis.   |                        |                   |                        | (534)                | 0                 | (534)                |
| CYP5    | ALN & Standards - Continue to hold a vacancy open in the Most team   |                        |                   |                        | (20)                 | 0                 | (20)                 |
| CYP6    | ALN & Standards - Reduction in Education Achievement Service contribution of 10%   |                        |                   |                        | (35)                 | 0                 | (35)                 |
| CYP7    | Stop contributions to Gwent Music, leaving hardship fund in place  |                        |                   |                        | (39)                 | 0                 | (39)                 |
| CYP8    | Increase Breakfast club charges  |                        |                   |                        | (70)                 | 0                 | (70)                 |
| Energy  | Year-on-year change in energy cost   |                        |                   |                        | (820)                | 0                 | (820)                |
| CORP2   | Teachers pension grant funding   |                        |                   |                        | 0                    | (1,500)           | (1,500)              |
|         | <b>CYP Totals</b>  | <b>1,611</b>           | <b>1,500</b>      | <b>3,111</b>           | <b>(2,507)</b>       | <b>(665)</b>      | <b>(3,172)</b>       |

| Ref               | Social Care, Health & Safeguarding  | Draft Pressure<br>£000 | Move ment<br>£000 | Final Pressure<br>£000 | Draft Saving<br>£000 | Move ment<br>£000 | Final Saving<br>£000 |
|-------------------|---|------------------------|-------------------|------------------------|----------------------|-------------------|----------------------|
| PSCH1             | Review care provider fees across Childrens and Adults as part of our annual fee negotiations. Care providers face various costs and pressures, such as the increase of the real Living Wage, inflation, fuel, insurance, and non-care staff pay | 2,760                  | 0                 | 2,760                  |                      |                   |                      |
| PSCH2             | Annual review of allowances ahead of Welsh Government's announcement of the 2024/25 fee structure in January 2024.  | 185                    | 0                 | 185                    |                      |                   |                      |
| PSCH3             | Public Protection - Reinstate the Head of Service budget following review of the resourcing of the service.   | 99                     | 0                 | 99                     |                      |                   |                      |
| PSCH4             | Adults services 2023/24 recurrent overspend - risks associated with demand levels, complexity of demand, inflationary pressures, and labour shortages.  | 3,909                  | 600               | 4,509                  |                      |                   |                      |
| PSCH5             | Childrens services 2023/24 recurrent overspend due to increasing costs because of staffing, provider fees and inflation.  | 207                    | 0                 | 207                    |                      |                   |                      |
| PSCH6             | Reduction in Social Care Workforce sustainability grant   | 250                    | (250)             | 0                      |                      |                   |                      |
| SCH3/4            | Childrens services - Placement and Practice Change - Reviewing high-cost placements and developing in house placement   |                        |                   |                        | (1,300)              | 0                 | (1,300)              |
| SCH2/5/7/16       | Adults services - Directorate staffing review - reducing the workforce within adult services  |                        |                   |                        | (1,464)              | 0                 | (1,464)              |
| SCH6/8/9/10/14/15 | Adults services - practice change agenda by managing demand, strengthening oversight and controlling costs  |                        |                   |                        | (1,130)              | 0                 | (1,130)              |
| SCH11             | Adults services - Reduction in Adult partnership arrangements for Gwent service delivery models - Shared lives, Emergency duty, Frailty, Regional partnership team  |                        |                   |                        | (55)                 | 0                 | (55)                 |
| SCH12             | Adults services - Transformation Team structure - reduction in core workforce   |                        |                   |                        | (30)                 | 0                 | (30)                 |
| SCH13             | Adults services - Savings from service relating to borrowing to afford Severn View replacement  |                        |                   |                        | (105)                | 0                 | (105)                |
| SCH14             | Review and increase of directorate schedule of fees and charges across Social Care & Health   |                        |                   |                        | (388)                | 0                 | (388)                |
| SCH15             | Public protection - Hold vacant Environmental Health Officer post   |                        |                   |                        | (23)                 | 0                 | (23)                 |
| SCH16             | Energy - Year-on-year change in energy cost   |                        |                   |                        | (102)                | 0                 | (102)                |
| SCH17             | Review the legal non residential weekly charge cap from £100 to £120  |                        |                   |                        | (578)                | 203               | (375)                |
|                   | <b>SCH Totals</b>   | <b>7,410</b>           | <b>350</b>        | <b>7,760</b>           | <b>(5,175)</b>       | <b>203</b>        | <b>(4,972)</b>       |
| Ref               | Communities & Place   | Draft Pressure<br>£000 | Move ment<br>£000 | Final Pressure<br>£000 | Draft Saving<br>£000 | Move ment<br>£000 | Final Saving<br>£000 |
| PC&P1             | Waste - Recycling market pressures, contract inflation and pressures from 2023/24   | 1,009                  | 0                 | 1,009                  |                      |                   |                      |
| PC&P4             | Transport - Increased fuel and maintenance costs for the transport fleet  | 200                    | 0                 | 200                    |                      |                   |                      |
| PC&P5             | Transport - Green Car Scheme income target shortfall  | 46                     | 0                 | 46                     |                      |                   |                      |
| PC&P6             | Annual contract uplift for home to school contracts. The contracts have an annual uplift clause that reflects the rising costs of fuel, maintenance and drivers' costs.   | 50                     | 0                 | 50                     |                      |                   |                      |
| C&P1              | Savings from the disposal of street sweepings through Siltbuster recycling plant  |                        |                   |                        | (20)                 | 0                 | (20)                 |
| C&P2              | Fees & charges - Uplift in garden waste collection costs 10%.   |                        |                   |                        | (75)                 | 0                 | (75)                 |
| C&P3              | Waste and street services - Restructure to reduce staff costs and not replace frozen post   |                        |                   |                        | (50)                 | 0                 | (50)                 |
| C&P4              | Stop free provision or charge for food waste bags   |                        |                   |                        | (50)                 | 50                | 0                    |
| C&P5              | Reduce EPA numbers to reflect uptake of Town Team approach  |                        |                   |                        | (25)                 | 0                 | (25)                 |
| C&P6              | Remove Council Car  |                        |                   |                        | (8)                  | 0                 | (8)                  |
| C&P10             | Review the provision of small vehicle home to school transport contracts with a view to bringing in house   |                        |                   |                        | (93)                 | 0                 | (93)                 |
| C&P11             | Increase the cost of concessionary transport seats from £440 to £484 (10% uplift)   |                        |                   |                        | (3)                  | 0                 | (3)                  |

|            |   |                       |                  |                       |                     |                  |                     |
|------------|---|-----------------------|------------------|-----------------------|---------------------|------------------|---------------------|
| C&P12      | Decarbonisation - Increase renewable energy generation opportunities across our estate to reduce demand on grid supply  |                       |                  |                       | (50)                | 0                | (50)                |
| C&P14      | Planning income target increased  |                       |                  |                       | (50)                | 0                | (50)                |
| C&P15      | Request to WG to increase statutory planning application fees by 25%  |                       |                  |                       | (98)                | 98               | 0                   |
| C&P16      | Fees & Charges - Increase fees by 10% for street naming and numbering, licences, road closures and S.38 inspections   |                       |                  |                       | (33)                | 0                | (33)                |
| C&P18      | 10% Uplift in Car Parking Charges   |                       |                  |                       | (66)                | 0                | (66)                |
| C&P20      | Fees & charges - Increase SAB pre-application charges by 10% and increase the income target to reflect increased service uptake   |                       |                  |                       | (2)                 | 0                | (2)                 |
| C&P21      | Fees & Charges - Increase SAB application budgeted income target by £25k each year for the next two years   |                       |                  |                       | (25)                | 0                | (25)                |
| Energy     | Year-on-year change in energy cost  |                       |                  |                       | 3                   | 0                | 3                   |
| C&P22      | Fees & Charges - Trade waste fees, sale of bags & bins etc... 10%   |                       |                  |                       | (30)                | 0                | (30)                |
| C&P23      | Homelessness - Rapid rehousing transition - reduce the number in unsuitable and costly accommodation  |                       |                  |                       | (400)               | 0                | (400)               |
|            | <b>C&amp;P Totals</b>   | <b>1,305</b>          | <b>0</b>         | <b>1,305</b>          | <b>(1,075)</b>      | <b>148</b>       | <b>(927)</b>        |
| <b>Ref</b> | <b>MonLife</b>  | <b>Draft Pressure</b> | <b>Move ment</b> | <b>Final Pressure</b> | <b>Draft Saving</b> | <b>Move ment</b> | <b>Final Saving</b> |
|            |   | <b>£000</b>           | <b>£000</b>      | <b>£000</b>           | <b>£000</b>         | <b>£000</b>      | <b>£000</b>         |
| PML1       | Reinstate budget from one-off sale of Caterpod  | 10                    | 0                | 10                    |                     |                  |                     |
| PML2       | Borough Theatre Income pressure - Theatre still recovering from a 3-year closure and late opening in January 2023 due to refurbishment, which has compounded the pressures.                             | 100                   | 0                | 100                   |                     |                  |                     |
| PML3       | Contact centre - Insufficient Software Budget. Teams' telephony licence costs have significantly increased.   | 69                    | 0                | 69                    |                     |                  |                     |
| PML4       | Community hubs - Pressures arising from redundancies, service staffing and associated staffing costs.   | 30                    | 0                | 30                    |                     |                  |                     |
| PML5       | Youth - Reduction in grant funding - The Youth Services core funding has been reduced and the service relies more on grant income and income generation, which are not sustainable.                     | 25                    | 0                | 25                    |                     |                  |                     |
| PML6       | Markets Income Pressure due to A need to increase footfall, events and support local businesses with the market towns and through our market offer and alternative events                               | 45                    | 0                | 45                    |                     |                  |                     |
| PML7       | Blue Badge funding shortfall -Blue badges are funded at £6k per annum via Welsh Government RSG. Badge cost is around £12k per annum - a 50% shortfall.  | 6                     | 0                | 6                     |                     |                  |                     |
| ML1        | Realign services within the Town/Market Hall in Abergavenny to improve their potential and ensure continued service delivery  |                       |                  |                       | (20)                | 0                | (20)                |
| ML2        | Museums - Close Abergavenny and Chepstow museums an additional day a week and review business support   |                       |                  |                       | (40)                | 0                | (40)                |
| ML3        | Close Old Station Tintern for one day a week on Mondays from 1st April 2024, except for four bank holidays  |                       |                  |                       | (10)                | 0                | (10)                |
| ML4        | Attractions - To use £60k from SPF grants for 2024/25 to cover core staffing whilst delivering Todays' Heritage Tomorrow and Creative Futures.  |                       |                  |                       | (60)                | 0                | (60)                |
| ML5        | Countryside & Culture - Additional income for additional project management and project delivery costs from grants assumption of £25k   |                       |                  |                       | (25)                | 0                | (25)                |
| ML6        | Countryside Access Income Generation - realign the Countryside Access team to maximise the ability to recover project management and related costs from project budgets and increase income generation. |                       |                  |                       | (35)                | 0                | (35)                |
| ML7        | Countryside & Culture - Stop contributing to Abergavenny TIC as part of Market Hall reconfiguration.  |                       |                  |                       | (10)                | 0                | (10)                |
| ML8        | Countryside & Culture – Recover officer time and project management costs directly associated with the delivery of section 106 funded green infrastructure and recreation schemes.                      |                       |                  |                       | (15)                | 0                | (15)                |
| ML9        | Leisure, Sports & Outdoor Adventure - Move to cost neutral services, creating a multi-function site with re-engage PRU and social services  |                       |                  |                       | (70)                | 0                | (70)                |

|            |  |                       |                  |                       |                     |                  |                     |                |
|------------|--|-----------------------|------------------|-----------------------|---------------------|------------------|---------------------|----------------|
| ML10       | Leisure centres - Change closing times - Weekday Closing 21:30 weekend closure 16:30   |                       |                  |                       |                     | (140)            | 0                   | (140)          |
| ML11       | Reduced Youth club provision - Explore alternative delivery models for open access youth provision, including community youth clubs  |                       |                  |                       |                     | (20)             | 0                   | (20)           |
| ML12       | Marketing and Memberships Service Redesign - achieve efficiencies by realigning services between departments, reviewing and realigning posts and enhancing the front-of house software provision for collecting membership payments. |                       |                  |                       |                     | (50)             | 0                   | (50)           |
| ML13       | High level management restructure – Area management model  |                       |                  |                       |                     | (120)            | 0                   | (120)          |
| Energy     | Year-on-year change in energy cost   |                       |                  |                       |                     | (437)            | 0                   | (437)          |
| F&C's      | Increase in fees and charges for discretionary services in line with the increase costs of delivering these services   |                       |                  |                       |                     | (27)             | 0                   | (27)           |
|            | <b>MonLife Totals</b>  | <b>285</b>            | <b>0</b>         | <b>285</b>            |                     | <b>(1,079)</b>   | <b>0</b>            | <b>(1,079)</b> |
| <b>Ref</b> | <b>Chief Executive's Unit</b>  | <b>Draft Pressure</b> | <b>Move ment</b> | <b>Final Pressure</b> | <b>Draft Saving</b> | <b>Move ment</b> | <b>Final Saving</b> |                |
|            |  | <b>£000</b>           | <b>£000</b>      | <b>£000</b>           | <b>£000</b>         | <b>£000</b>      | <b>£000</b>         | <b>£000</b>    |
| PCE01      | Increased costs of payroll licenses - We are anticipating an above inflation increase in the annual license costs from 2024-25.  | 17                    | 0                | 17                    |                     |                  |                     |                |
| PCE02      | Increased demand for Welsh language translations   | 30                    | 0                | 30                    |                     |                  |                     |                |
| CEO2       | Policy - Training & Workforce Development - Staffing re-alignment (£65k) Partnership working in online training delivery (£10.5k)  |                       |                  |                       | (76)                | 0                | (76)                |                |
| CEO3       | Payroll & HR - Release of contingency budgets for implementation of e-recruitment  |                       |                  |                       | (10)                | 0                | (10)                |                |
|            | <b>CEO Totals</b>  | <b>47</b>             | <b>0</b>         | <b>47</b>             | <b>(86)</b>         | <b>0</b>         | <b>(86)</b>         |                |
| <b>Ref</b> | <b>Law &amp; Governance</b>  | <b>Draft Pressure</b> | <b>Move ment</b> | <b>Final Pressure</b> | <b>Draft Saving</b> | <b>Move ment</b> | <b>Final Saving</b> |                |
|            |  | <b>£000</b>           | <b>£000</b>      | <b>£000</b>           | <b>£000</b>         | <b>£000</b>      | <b>£000</b>         | <b>£000</b>    |
| PLG1       | Cost of members allowances and associated oncosts will exceed available budget   | 135                   | 0                | 135                   |                     |                  |                     |                |
| LG2        | Vacancy Freeze - Paralegal post  |                       |                  |                       | (33)                | 0                | (33)                |                |
|            | <b>L&amp;G Totals</b>  | <b>135</b>            | <b>0</b>         | <b>135</b>            | <b>(33)</b>         | <b>0</b>         | <b>(33)</b>         |                |
| <b>Ref</b> | <b>Resources</b>   | <b>Draft Pressure</b> | <b>Move ment</b> | <b>Final Pressure</b> | <b>Draft Saving</b> | <b>Move ment</b> | <b>Final Saving</b> |                |
|            |  | <b>£000</b>           | <b>£000</b>      | <b>£000</b>           | <b>£000</b>         | <b>£000</b>      | <b>£000</b>         | <b>£000</b>    |
| PRES3      | Head of service - Landlord & property - to allow for the budget for the Head of Commercial and Landlord Services to re-instated to allow for the post to be permanently recruited  | 108                   | 0                | 108                   |                     |                  |                     |                |
| PRES5      | Shared benefits service pay inflation - Annual contribution increase to reflect the annual pay award   | 54                    | 0                | 54                    |                     |                  |                     |                |
| PRES6      | Shared service - Council tax premium administration - Additional posts to assist with the administration of council tax premiums (£78k), and   | 128                   | 0                | 128                   |                     |                  |                     |                |
| RES1       | Commercial Investments – Reversal of income pressure to reflect the forecast improvement in rental income across the commercial investment portfolio   |                       |                  |                       | (208)               | 0                | (208)               |                |
| RES2       | Income - industrial units, cemeteries, County farms - consistently exceeded their income targets over the last number of years, so budgets are being increased to reflect this   |                       |                  |                       | (100)               | 0                | (100)               |                |
| RES3       | Property services - Gwent police collaboration - Increasing Income to reflect projections  |                       |                  |                       | (50)                | 0                | (50)                |                |
| Energy     | Year-on-year change in energy cost   |                       |                  |                       | (220)               | 0                | (220)               |                |
| RES5       | SRS Contribution reduction following identification of efficiency savings  |                       |                  |                       | (17)                | 0                | (17)                |                |
|            | <b>RES Totals</b>  | <b>290</b>            | <b>0</b>         | <b>290</b>            | <b>(595)</b>        | <b>0</b>         | <b>(595)</b>        |                |



| Ref     | Corporate   | Draft Pressure | Move ment | Final Pressure | Draft Saving | Move ment  | Final Saving |
|---------|---|----------------|-----------|----------------|--------------|------------|--------------|
|         |   | £000           | £000      | £000           | £000         | £000       | £000         |
| PCORP1  | Insurance premium increase - projected increase in premiums payable as a result of market pressures and claims history  | 200            | 0         | 200            |              |            |              |
| PCORP2  | Coroner levy increase - additional costs as a result of the Chief Coroner review of facilities and resourcing within Gwent.                                     | 107            | 0         | 107            |              |            |              |
| PCORP3  | Audit Wales Fee increase - a result of fee increases in relation to the introduction of the ISA315 standard and additional resourcing required.                 | 43             | 0         | 43             |              |            |              |
| PCORP 5 | Fire Authority Levy - A combination of inflationary pressure and funding shortfalls impacting the Authority has required an increase of 5.31% in the total Levy | 291            | 0         | 291            |              |            |              |
| CORP1   | Draw down against Ukrainian reserve for further related costs   |                |           |                | (200)        | 200        | 0            |
|         | <b>CORP Totals</b>  | <b>641</b>     | <b>0</b>  | <b>641</b>     | <b>(200)</b> | <b>200</b> | <b>0</b>     |

Appendix C - 2024/25 Revenue Budget

| Net Expenditure Budgets               | January 2024 Cabinet proposals |                 |                   |               |                          |                |                  |                |                    |                      | Final Settlement Changes   |                                    | February 2024 Cabinet and<br>Final budget recommendations to Council |                    |                  |                          |
|---------------------------------------|--------------------------------|-----------------|-------------------|---------------|--------------------------|----------------|------------------|----------------|--------------------|----------------------|----------------------------|------------------------------------|--|--------------------|------------------|--------------------------|
|                                       | Adjusted Base Budget 2023/24   | Service savings | Service pressures | Pay increases | Reserves & Corporate Adj | Energy costs   | Fees and charges | Grant income   | Council Tax Income | Draft Budget 2024/25 | Adjustment to AEF          | Settlement pressures / adjustments | Changes to Pressures   | Changes to Savings | Final amendments | Final budget recommended |
| Children and Young People             | 62,482                         | (1,617)         | 1,611             | 2,432         |                          | (820)          | (70)             |                |                    | 64,018               |                            |                                    | 1,500  | (665)              |                  | 64,853                   |
| Social Care and Health                | 64,094                         | (4,685)         | 7,410             | 1,488         |                          | (102)          | (388)            |                |                    | 67,817               |                            | 40                                 | 350  | 203                |                  | 68,410                   |
| Communities & Place                   | 25,470                         | (746)           | 1,305             | 1,167         | 9                        | 3              | (332)            |                |                    | 26,876               |                            | 225                                |  | 148                |                  | 27,249                   |
| Monlife                               | 8,353                          | (615)           | 285               | 528           |                          | (437)          | (27)             |                |                    | 8,088                |                            |                                    |  |                    |                  | 8,088                    |
| Resources                             | 8,381                          | (375)           | 290               | 329           | (79)                     | (220)          |                  |                |                    | 8,326                |                            | 18                                 |  |                    |                  | 8,344                    |
| Chief Executive's unit                | 3,181                          | (86)            | 47                | 146           |                          |                |                  |                |                    | 3,288                |                            |                                    |  |                    |                  | 3,288                    |
| Law & Governance                      | 2,667                          | (33)            | 135               | 125           |                          |                |                  |                |                    | 2,894                |                            |                                    |  |                    |                  | 2,894                    |
| Corporate Costs & Levies              | 30,517                         | (200)           | 641               | 185           | (2,845)                  |                |                  |                | 1,163              | 29,462               |                            | 77                                 |  | 200                | (186)            | 29,553                   |
| <b>Sub Total</b>                      | <b>205,147</b>                 | <b>(8,357)</b>  | <b>11,724</b>     | <b>6,399</b>  | <b>(2,914)</b>           | <b>(1,576)</b> | <b>(817)</b>     | <b>0</b>       | <b>1,163</b>       | <b>210,769</b>       | <b>0</b>                   | <b>360</b>                         | <b>1,850</b>   | <b>(114)</b>       | <b>(186)</b>     | <b>212,680</b>           |
| Borrowing Costs                       | 9,170                          |                 |                   |               | (1,796)                  |                |                  |                |                    | 7,374                |                            |                                    |  |                    | 1,049            | 8,423                    |
| Contributions to Earmarked reserves   | 63                             |                 |                   |               |                          |                |                  |                | 625                | 688                  |                            |                                    |  |                    | 145              | 833                      |
| Contributions from Earmarked reserves | (4,681)                        |                 |                   |               | 4,386                    |                |                  |                |                    | (295)                |                            |                                    |  |                    | (1,660)          | (1,955)                  |
| <b>Total Expenditure</b>              | <b>209,699</b>                 | <b>(8,357)</b>  | <b>11,724</b>     | <b>6,399</b>  | <b>(324)</b>             | <b>(1,576)</b> | <b>(817)</b>     | <b>0</b>       | <b>1,788</b>       | <b>218,536</b>       | <b>0</b>                   | <b>360</b>                         | <b>1,850</b>   | <b>(114)</b>       | <b>(652)</b>     | <b>219,981</b>           |
| <b>Funding Budgets</b>                |                                |                 |                   |               |                          |                |                  |                |                    |                      |                            |                                    |  |                    |                  |                          |
| Aggregate External Financing (AEF)    | (122,675)                      |                 |                   |               |                          |                |                  | (2,680)        |                    | (125,355)            | (741)                      |                                    |  |                    |                  | (126,096)                |
| Council Tax (MCC)                     | (66,955)                       |                 |                   |               |                          |                |                  |                | (5,425)            | (72,380)             |                            |                                    |  |                    | (202)            | (72,582)                 |
| Council Tax (MCC Premium)             | 0                              |                 |                   |               |                          |                |                  |                | (753)              | (753)                |                            |                                    |  |                    | (2)              | (755)                    |
| Council Tax (Gwent Police)            | (15,505)                       |                 |                   |               |                          |                |                  |                | (1,163)            | (16,668)             |                            |                                    |  |                    | (272)            | (16,940)                 |
| Council Tax (Community Councils)      | (3,381)                        |                 |                   |               |                          |                |                  |                |                    | (3,381)              |                            |                                    |  |                    | (227)            | (3,608)                  |
| Council Fund Contribution             | (1,184)                        |                 |                   |               | 1,184                    |                |                  |                |                    | 0                    |                            |                                    |  |                    |                  | 0                        |
| <b>Total Funding</b>                  | <b>(209,699)</b>               | <b>0</b>        | <b>0</b>          | <b>0</b>      | <b>1,184</b>             | <b>0</b>       | <b>0</b>         | <b>(2,680)</b> | <b>(7,341)</b>     | <b>(218,536)</b>     | <b>(741)</b>               | <b>0</b>                           | <b>0</b>   | <b>0</b>           | <b>(703)</b>     | <b>(219,981)</b>         |
| <b>Total Budget</b>                   | <b>0</b>                       | <b>(8,357)</b>  | <b>11,724</b>     | <b>6,399</b>  | <b>860</b>               | <b>(1,576)</b> | <b>(817)</b>     | <b>(2,680)</b> | <b>(5,553)</b>     | <b>0</b>             | <b>(741)</b>               | <b>360</b>                         | <b>1,850</b>   | <b>(114)</b>       | <b>(1,355)</b>   | <b>0</b>                 |
| <b>Council Tax Recommendations</b>    |                                |                 |                   |               |                          |                |                  |                |                    |                      |                            |                                    |  |                    |                  |                          |
|                                       | Band D Council Tax 2023/24     |                 |                   |               |                          |                |                  |                |                    | 2024/25 tax base     | Band D Council Tax 2024/25 | %age increase                      |  |                    |                  |                          |
| Council tax recommendations           | 1,564.66                       |                 |                   |               |                          |                |                  |                |                    | 48,465.53            | 1,686.70                   | 7.80%                              |  |                    |                  |                          |

## Appendix D - Evaluating the Potential Impact of the 2024/25 Budget Proposals

### Introduction

This report outlines the results of the impact assessment undertaken alongside the individual budget proposals for the financial year 2024-25. The assessment had two aims:

- to help assess the overall potential impact of the budget on different people within our communities and,
- to identify actions that mitigate against or reduce the potential negative effects of our proposals on vulnerable people and households on the lowest incomes.

The spending proposals for the next financial year – 2024/2025 are informed by a set of principles against which all our budget decisions were tested and assessed. These are: fairness in budgetary allocations, protecting the most vulnerable citizens and our environment while always delivering value for money.

Spending on front-line service delivery will rise next year but the growth in the council's budget will not be enough to keep pace with increasing demand for our services. Nor will it cover our rising costs for items such as energy or fuel. We've also been hit by higher interest rates which means we must make higher repayments on the borrowing we use for things like building new schools.

The combination of increased demand on services and rising costs means we have had to take some difficult decisions. Decisions that will impact residents in different ways. We recognise, for example, that a reduction in social care could be felt more acutely by older people and disabled people. Increased charges for services will be more of an issue for those on lower incomes. This does not just mean those who are unemployed. People who experience in-work poverty, disabled people or those with protected characteristics may also be impacted.

We assessed the impact of our proposals in three ways:

- an assessment of the impact that changes to policy or increase in charges could have on different groups,
- completion of an overall Integrated Impact Assessment on all budget proposals which could alter a service or the way that service is delivered. This assesses its potential impact on the national well-being goals and the ways of working enshrined in the Well-being of Future Generations Act and the people and groups who possess the protected characteristics specified under the Equality Act 2010,
- a review of the potential impact on those in poverty and assessment of the impact on those experiencing socio-economic disadvantage, in line with the socio-economic duty in Wales.

Below we summarise the headline messages from these assessments. We also analyse the cumulative financial impact of the budget proposals on households with different income levels.

Open and robust scrutiny and challenge has been an essential part of the budget setting process. Together they ensure our proposals are shaped in line with the priorities in our community and corporate plan and the issues that matter most to our communities. The assessment has been updated following the consultation undertaken in January and February 2024 and reflects subsequent recommended changes in service savings and pressures.

As a result, some of the negative impacts identified in the draft impact assessment have been reduced or removed. For example, the proposed reduction in individual schools budgets has been

removed meaning the negative effect on the age protected characteristic is lessened from that seen in the draft impact assessment. An additional £600K is being invested in social services. This is being made in addition to existing investments to recognise cost pressures in social care and will further support adult and children's services.

## **The Legal Context**

Our evaluation is framed by the obligations we have as a council under the following three acts.

**The Equality Act 2010** protects people from discrimination in the workplace and wider society. It provides a legal framework to protect the rights of individuals and advance equality of opportunity for all.

The public sector equality duty means that local authorities must consider or think about how their policies or decisions affect people who are protected under the Equality Act. We must do this when we design policies, deliver services and make decisions.

The protected characteristics are age; disability; sex; gender re-assignment; pregnancy and maternity; sexual orientation; race; religion or belief; marriage and civil partnership.

**The Well-being of Future Generations Act** creates a legal framework for better decision-making by public bodies in Wales by ensuring that we take account of the long-term, help to prevent problems occurring or getting worse, take an integrated and collaborative approach, and considers and involves people of all ages.

Together, the seven well-being goals and five ways of working provided by the Act are designed to support and deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs.

**The Socio-Economic Duty** came into effect in Wales on 31st March 2021 placing a responsibility on councils to consider the need to reduce the inequalities that result from socio-economic disadvantage. This evaluation is one of the ways we demonstrate our compliance with these duties.

## **Our Approach to the Impact Assessment**

The approach taken in this assessment has been developed in line with the socio-economic duty, to evaluate the potential impact of the 2024-25 budget proposals on those experiencing socio-economic disadvantage and consider how this might help reduce inequalities. Almost any change to a council service has some socio-economic impact. This is because of the nature of our responsibilities and the extent to which some groups, communities and vulnerable people rely on public services. Our aim is to understand this impact so that we can identify appropriate mitigations wherever possible and minimise the impact on people in greatest need. We will continue to develop this approach as we further embed the requirements of the socio-economic duty in the way we plan, work, and evaluate.

As part of the impact assessment, we have established the cumulative financial impact of the budget. It also brings together the most significant issues and impacts identified by individual budget proposals to understand whether any groups will experience a detrimental position as a result of the cumulative impact of separate proposals.

**Defining Poverty:** Monmouthshire has adopted the Joseph Rowntree Foundation definition to define poverty 'When a person's resources (mainly their material resources) are not sufficient to meet their minimum needs (including social participation).' This is supplemented by one of the

statistical ways of assessing poverty in the UK; the proportion of households where the income is below 60% of the median income. We recognise that there is a correlation between some protected characteristics and an increased risk of poverty. Intersectionality plays a large role; the more protected characteristics a person has, the more likely they are to experience financial hardship<sup>1</sup>.

This assessment identifies areas where there is a risk that changes resulting from individual budget proposals may have a significantly greater impact on particular groups when looked at together with other proposals. By doing so we can identify where we may need to mitigate against negative impacts on certain groups of people. Mitigating actions could include re-shaping services to target them more efficiently and to reduce the potential of disproportionate impacts on groups with protected characteristics as defined by the Equality Act 2010.

In developing our approach, we have created three tables which summarise the findings from our assessment. Together these enable a clear understanding of the impacts of the budget proposals and the mitigating actions we have identified to reduce the effects on vulnerable groups and those with protected characteristics. These mitigations were developed in line with the principles guiding the budget setting process.

Table 1 provides an 'at a glance' view of the main proposals and whether they have been assessed as having a positive or negative effect on groups who possess the protected characteristics. It also does this for other important responsibilities such as safeguarding, the Welsh language and the effect on people with low incomes. It uses a simple Red, Amber, Green system to show this.

Table 2 provides an overview of the cumulative financial impact of the proposed increases in fees and charges on six different household compositions. For each of these it uses different income levels to identify the potential effect of our proposals on their household income. The table includes a column that shows what this looks like before and after the mitigations we have put in place.

Table 3 contains an Integrated Impact Assessment for the budget. This is the same tool that accompanies all policy decisions taken by Cabinet or full Council. It summarises the effects of the main changes proposed by the budget on different groups and legislation alongside some of the mitigating actions that have been put in place.

## The Impacts and Mitigations

This section draws out some of the key impacts of the proposals on groups with protected characteristics and other important responsibilities such as safeguarding, the Welsh language and the effect on people with low incomes. It also outlines some of the mitigating actions we are taking to reduce any negative effects. More detail on the financial effects are shown later in the analysis. This is done based on income level rather than protected characteristics. However, we recognise that people with some protected characteristics are proportionally more likely to have a lower income.

We also recognise that many people possess more than one protected characteristic. It is not always possible to separate out the disadvantages people face for example the disadvantages faced by young, black women could be related to age, race or sex. We know that this will be an important consideration in finalising our proposals and the mitigating actions that we put in place.

### **Table 1 – Overview of 2024/25 Budget Savings and Pressure Proposals with more significant identified impacts**

#### Key:

Red – negative impact on this category that is difficult to overcome with mitigating actions.

Amber – some potential negative impact which is lower risk or can be managed with mitigation.

Green – impact is largely positive.

White – no significant impact has been identified at this stage.

The numbers in brackets correlate with the references for individual impact assessments. These can be accessed from the background papers linked in the budget papers.

|  | Age    | Disability | Gender Re-assignment | Marriage or civil partnership | Pregnancy and Maternity | Race  | Religion or Belief | Sex | Sexual Orientation | Welsh Language | Socio-Economic | Safeguarding | Sustainable Development | National Well-being goals |
|--|--------|------------|----------------------|-------------------------------|-------------------------|-------|--------------------|-----|--------------------|----------------|----------------|--------------|-------------------------|---------------------------|
| Adult staffing reductions (SCH 2, 5, 7 & 16)                       | Red    | Red        |                      |                               |                         | Green | Green              | Red |                    |                | Yellow         | Yellow       | Yellow                  | Yellow                    |
| Children's practice change (SCH 3 & 4)                             | Green  | Green      |                      |                               |                         | Green | Green              |     |                    |                | Green          | Green        | Green                   | Green                     |
| Adult practice change (SCH 6, 8, 9, 10, 14 & 15)                   | Red    | Red        |                      |                               |                         |       |                    | Red |                    |                | Red            | Yellow       | Yellow                  | Yellow                    |
| Fees uplift (PSCH 1)   | Green  | Green      |                      |                               |                         |       |                    |     |                    |                | Green          | Green        | Green                   | Green                     |
| Foster carer support (PSCH 2)                                      | Green  | Green      |                      |                               |                         |       |                    |     |                    |                | Green          | Green        | Green                   | Green                     |
| Children's and adult overspend (PSCH 4 & 5)                        | Green  | Green      |                      |                               |                         |       |                    |     |                    |                | Green          | Green        | Green                   | Green                     |
|  |        |            |                      |                               |                         |       |                    |     |                    |                |                |              |                         |                           |
| ALN net saving (CYP 4)   | Green  | Green      |                      |                               |                         |       |                    |     |                    |                |                | Green        | Green                   | Green                     |
| Gwent Music (CYP 7)  | Red    | Yellow     |                      |                               |                         |       |                    |     |                    |                | Yellow         |              | Yellow                  | Yellow                    |
| Before school club charge (CYP 8)                                  | Yellow |            |                      |                               |                         |       |                    |     |                    |                | Yellow         |              |                         | Yellow                    |
| King Henry VII School specialist resource base (PCYP 2)            | Green  | Green      |                      |                               |                         |       |                    |     |                    |                | Green          | Green        | Green                   | Green                     |
| ALN transport (PCYP 5)   | Green  | Green      |                      |                               |                         |       |                    |     |                    |                | Green          | Green        |                         | Green                     |
| Before school clubs budget uplift (PCYP 6)                         | Green  |            |                      |                               |                         |       |                    |     |                    |                | Green          | Green        |                         | Green                     |
| Contingency funding for high tariff ALP (PCYP 8)                   | Green  | Green      |                      |                               |                         |       |                    |     |                    |                | Green          | Green        | Green                   | Green                     |
| Funding ALP in local authority individual education plans (PCYP 9) | Green  | Green      |                      |                               |                         |       |                    |     |                    |                | Green          | Green        | Green                   | Green                     |



|  | Age    | Disability | Gender Re-assignment | Marriage or civil partnership | Pregnancy and Maternity | Race  | Religion or Belief | Sex | Sexual Orientation | Welsh Language | Socio-Economic | Safeguarding | Sustainable Development | National Well-being goals |
|--|--------|------------|----------------------|-------------------------------|-------------------------|-------|--------------------|-----|--------------------|----------------|----------------|--------------|-------------------------|---------------------------|
| Vulnerable learner lead (PCYP 10)                              | Green  | Green      |                      |                               |                         | Green |                    |     |                    |                | Green          | Green        | Green                   | Green                     |
| Garden waste collection charges (C&P 2)                        |        |            |                      |                               |                         |       |                    |     |                    |                | Red            |              |                         | Yellow                    |
| Concessionary fare uplift (C&P 11)                             | Red    | Green      |                      |                               | Green                   |       |                    |     |                    |                | Red            |              |                         |                           |
| Increase car parking charges (C&P 18)                          |        | Green      |                      |                               |                         |       |                    |     |                    |                | Red            |              |                         | Yellow                    |
| Recycling and waste management (PC&P 1)                        | Green  | Green      |                      |                               |                         |       |                    |     |                    |                |                |              | Green                   | Green                     |
| PTU contract (PC&P 6)  | Green  | Green      |                      |                               |                         |       |                    |     |                    |                | Green          |              |                         | Green                     |
| Welsh language translations (PCEO 2)                           |        |            |                      |                               |                         |       |                    |     |                    | Green          |                |              |                         | Green                     |
| Museums service change (ML 2)                                  |        |            |                      |                               |                         |       |                    |     | Yellow             |                |                |              |                         | Yellow                    |
| Old Station Tintern opening hours (ML 3)                       |        |            |                      |                               |                         |       |                    |     | Yellow             |                |                |              |                         | Yellow                    |
| Countryside access staff reduction (ML 6)                      |        |            | Yellow               |                               |                         |       |                    |     | Yellow             |                |                |              |                         | Yellow                    |
| Cost neutral outdoor adventure service (ML 9)                  | Yellow |            |                      |                               |                         |       |                    |     |                    |                | Yellow         |              |                         | Yellow                    |
| Leisure centre reduced opening hours (ML 10)                   |        |            |                      |                               |                         |       |                    |     |                    |                |                |              |                         | Yellow                    |
| Alternative delivery model open access youth provision (ML 11) | Yellow | Yellow     |                      |                               |                         |       |                    |     |                    |                | Yellow         |              |                         | Yellow                    |

|   | National Well-being goals | Sustainable Development | Safeguarding | Socio-Economic | Welsh Language | Sexual Orientation | Sex    | Religion or Belief | Race | Pregnancy and Maternity | Marriage or civil partnership | Gender Re-assignment | Disability | Age |
|---|---------------------------|-------------------------|--------------|----------------|----------------|--------------------|--------|--------------------|------|-------------------------|-------------------------------|----------------------|------------|-----|
| Markets and membership service redesign (ML 12) |                           |                         |              |                |                |                    | Yellow |                    |      |                         |                               |                      |            |     |
| Area management restructure (ML 13)             |                           |                         |              |                |                |                    | Yellow |                    |      |                         |                               |                      |            |     |
| Youth service core budget increase (PML 5)      | Green                     |                         |              | Green          |                |                    |        |                    |      |                         |                               |                      | Green      |     |
| Markets income pressure (PML 6)                 | Yellow                    |                         |              |                |                |                    |        |                    |      |                         |                               |                      |            |     |

## Disabled people

The changes proposed to the budget allocations in social care will have an impact on disabled people. Each proposal was therefore considered carefully alongside actions which could mitigate against or reduce negative impacts. The mitigations identified include making more use of community support networks and assistive technology to meet people's needs in new ways as well as strengthening our individual needs assessments. We will also increase expenditure in key services used by some disabled people which will ensure they continue to receive the support they need.

**Defining Disability:** Disability is when a person has a physical or mental impairment which has a long-term adverse effect on that person's ability to carry out day to day activities. The 2021 Census shows that 19.3% of people who live within the county are classed as disabled under the Equality Act. This is below the Welsh average of 21.1%.

The percentage of people who are disabled in Monmouthshire whose day-to-day activities are limited a lot accounted for 8.2% of Monmouthshire's population, with those whose day-to-day activities are limited a little accounted for 11.1%.

Alongside those who are classed as disabled under the Equality Act, the 2021 Census data shows that 8.2% of people in the county have a long term physical or mental health condition whose day-to-day activities are not limited and therefore not disabled under the Equality Act.

Specific changes that have been identified as having an impact on this characteristic are summarised below.

We will increase budgets and staffing in Additional Learning Needs provision and establish more in-county specialist resource bases for children and young people. This will ensure that all children in the county have fair access to education, no matter their specific needs or disabilities. This will also ensure more children and young people with complex needs can remain in their community school or within a school in Monmouthshire, where possible.

We are increasing spending in Adult Social Care to recognise growing demand and increased costs. This will allow those with physical and learning disabilities as well as ill-health, both mental and physical, to continue to receive support. It will enable disabled people to live independently, access vital services, improve their quality of life and maintain close relationships with family and friends. We will increase the fees we pay to independent social care providers to ensure that disabled people have access to a range of appropriate and high-quality care services.

The proposals will result in a reduction in the level of home care available. This may impact negatively on some adults with physical disabilities, and adults with mental health difficulties including dementia as well as their carers. Some people's needs may not be met at the maximum level. To mitigate this, there we will focus on the assessment and review of peoples' care and support needs. We will make more use of community-based support networks and assistive technology to meet needs.

We propose a re-organisation of day support for people with learning disabilities following a review. This will include stopping in-house residential respite care for adults with learning disabilities. This will create a single staffing structure and will result in some workforce reductions. However, this proposal will provide the opportunity to redesign the support available. This will result in workforce reductions and will impact particularly on families who wanted this option of

respite care to remain available. People with a learning disability will have access to a range of enhanced respite options including supported holidays, Shared Lives, Direct Payments and residential respite. These will be commissioned on an individual basis for those that need it.

Children with more complex needs and disabilities are disproportionately impacted by the lack of suitable placements for children requiring social care support. Practice Change in Social Care seeks to address this through the development of bespoke services and provision.

There are planned increases in fees for social care services, both residential and non-residential. There is currently a cap on the weekly fees that can be charged for non-residential i.e. domiciliary care. The fees are means tested and there are caps on charges that limit the impact on those on the lowest incomes. There are also increases in charges for community meals which will impact on disabled people receiving them.

#### Age: Elders, Children and Young People.

The effects and mitigations of proposals which will have an impact on the age characteristic are summarised below.

**Monmouthshire's Aging Population:** Data from Census 2021 shows Monmouthshire has a relatively older population, with those 65 years and older accounting for just over 25% of the total population of the county. This is slightly higher than the Wales average of 21.3%. These age groups also saw the biggest increase in the 2021 census, with the number of people 65 years and older increasing by 26% from 19,043 to 24,000, the highest percentage increase in Wales. Those aged 70-74 saw the largest increase of 44%, followed by the 90+ group which increased by 34%. Alongside these large increases in older age groups were decreases in the percentage of young people in the county, with the number of children aged 0-14 decreasing by 9.3% to 13,800, significantly more than the Wales average which saw a 1% decrease. There was also a small decrease in the working age population by 3.6% to 55,200. These figures clearly display the shift in Monmouthshire's age demographic to an older, ageing population.

#### Older People

Summarised here are the main proposals that may impact on some older people, particularly those on low incomes and/or who are disabled along with the mitigating actions that have been introduced to lessen the effects on vulnerable people.

Charges for domiciliary care are proposed to increase from £16.60 to £20 per hour. These are currently capped at £100 per week in Wales which provides a significant mitigation. This cap may increase subject to Welsh Government legislative change. A further mitigation is provided in the form of means testing as only those who are assessed as being able to afford this will pay. There will also be increases in fees for residential care. This will impact on proportionately more older people. These are also means tested and so the impact on those on the lowest incomes will be mitigated.

There is an increase in charges for community meals from £5.10 to £5.60 per meal which will impact on older people who receive these meals. The financial effect of these changes on different household compositions and income levels is set out in table 2.

Alongside these changes we will increase budgets in Adult Social Care to recognise increasing financial pressures. This will ensure that older people in receipt of care continue to receive support.

This will help them to live independently, access vital services, improve their quality of life and maintain close relationships with family and friends. Uplifting fee rates for social care providers will ensure the continuation of support and will expand the current offer available to older people who do not have family or friends who are able to pay top-up fees.

We will review packages of care for adults to see if these can be provided at a lower cost. We will also focus on reablement services. This can increase people's independence and support them to live lives that matter to them, potentially reducing the need for longer-term care. Older people, particularly those with care and support needs such as frail, elderly people, people with physical and mental disabilities and people with chronic health needs and their carers could be negatively affected by any changes. The risks will be mitigated through individual reviews and assessments.

A reduced workforce within direct care will have a negative impact on some older / frail adults with care and support needs and their carers. Often older adults are being supported to remain at home with the support of family members who can themselves be in older age.

### Children and Young People

Children access a range of council services through attending schools, using home to school transport, attending clubs at leisure centres etc. This means that children and their families are often more exposed to changes and could be adversely affected. Continued economic and social pressures are also likely to put increased pressure on some families. Below is a summary of the main proposals that may impact on some children and young people.

We are proposing to increase the cost of before school clubs for learners not eligible for free school meals. This could mean that some families are no longer able to afford the service. Some learners may no longer attend as a result. Similarly, increasing the cost of concessionary home to school transport may prevent some learners from accessing this service. Decreasing our contribution to Gwent Music may mean that fewer children from low-income families are able to attend music lessons. We propose to maintain a hardship fund which would help sustain opportunities for this group.

Children's social services support circa 1,000 children at any one time. The majority of these children will have experienced a range of adversity including poverty, housing insecurity, parental substance misuse, parental mental ill-health or domestic abuse. Increased spending in this area will enable us to provide children and families with vital services. This will help families achieve positive outcomes and support children to remain living safely with family and in their community wherever possible.

The lack of placement choice and availability is having an adverse impact on children requiring social care support. We will support children and young people who are looked after, or care experienced to live closer to their home and communities. We expect to be able to lower our spending as a result.

We will increase foster carer fees and allowances which will aid the council's aim of increasing the number of local authority foster carers in the county. This will mean that less children are placed in more expensive private placements or residential children's homes which can often be outside their community.

### Sex

Within the council a number of our proposals include a reduction on the number of jobs. Present indications are that the number of posts affected will be below 20. This doesn't include any



decisions that will be taken by school governing bodies. Reductions will be achieved through the release of vacant posts, reducing the number of employed hours or in some cases, redundancies.

While each department's staffing mix differs, the council's workforce is 70% female and therefore any reductions in staff numbers are likely to have a disproportionate effect on women.

We will apply our established Protection of Employment Policy. This will ensure that we are able to redeploy staff wherever possible. A tighter control procedure has been applied to job vacancies since the beginning of October 2023 with a high number of jobs being held vacant to aid the budget recovery position. This will help minimise any redundancies.

Specific changes that have been identified as having an impact on this characteristic include:

The potential for disproportionate impacts on women who make up the majority of both paid and unpaid caring roles. Any reduction in services available for adults with care and support needs will negatively impact on the number of carers; and therefore, the impact will result in less jobs in this area.

Women are more likely to be in low paid jobs than men and so a higher proportion are likely to experience the effects of price increases on services set out in the cumulative financial impact. Females tend to live longer than males so are proportionately more likely to be affected by changes in services that have a disproportionate impact on older people.

#### Other protected characteristics

At this stage of budget setting, we identified limited effects on other protected characteristics, (marriage and civil partnership, pregnancy and maternity, race, gender reassignment, sexual orientation, religion and belief). Some protected characteristics are linked to an increased risk of poverty. As a result, people with protected characteristics are likely to be disproportionately represented in the lower income bands. The financial effects of the budget are identified in the cumulative financial impact table later in this document.

#### **Race, religion, marriage and civil partnership and sexual orientation and gender identity:**

Data from the Census 2021 shows 96.9% of Monmouthshire residents identified their ethnic group within the White category. Within the White ethnic group, 94.2% identified as "English, Welsh, Scottish, Northern Irish or British". The next ethnic group was Asian, Asian British or Asian Welsh accounting for 1.3% (1,185) of Monmouthshire's population, while people identifying as mixed or multiple ethnic groups make up 1.2% (1,115) of Monmouthshire's population.

A decreasing number of Monmouthshire residents described themselves as Christian, down from 62.5% (57,101) in 2011 to 48.7% (45,250) in 2021, although Christian remains the most common response. 43.4% (40,311) of residents reported no religion, an increase from 28.5% (26,018) in 2011. 0.6% (519) of people in Monmouthshire reported 'any other religion'; 0.5% (435) Muslim; 0.4% (339) Buddhist; 0.2% (204) Hindu; 0.1% (102) Sikh and 0.1% (79) Jewish.

The census 2021 also shows 43.2% (40,155) of people in Monmouthshire are married or in a civil partnership, of which 0.3% (322) were in same-sex couples. 24.3% (22,635) of people had never married or never registered a civil partnership. 8.6% (7,952) of people were divorced or their civil partnership had been dissolved; 1.7% (1,540) were separated; and 6.4% (5,958) were widowed or the surviving partner of a civil partnership. (The question did not apply to the remaining 15.8% of people)

1.1% (872) of Monmouthshire's population identify as lesbian or gay. 1.0% (763) identify as bisexual and 0.05% (42) identify as Asexual.

Some of the impacts identified include; The children's practice change proposal will ensure that suitable placements are available for children in line with their race, culture and identity needs. Care and support plans for adults and their carers / families take account of individual beliefs and provide care and support in a way that promotes and respects individual preferences. This element of the service would not be impacted directly by proposed changes in adult social care; Increasing capacity within the Vulnerable Learners team would allow us to better support schools in implementing various Welsh Government equality plans. These aim to create a fairer and more equal Wales. They include 'Rights, Respect and Equality', challenging bullying agenda, and creating an anti-racist Wales by 2030.

The reasons for identifying limited impacts on these protected characteristics so far include: the possibility these groups are not affected by the proposals; our services already provide inclusive services to all residents and, that we do not have sufficient information on the protected characteristics of all service users beyond that available in the national census, to make a judgement. We made this impact assessment available as part of the consultation process on the budget to seek any further views on the impacts of our proposals on these protected groups. We will continue to learn and increase our understanding through our work.

## Socio-economic Impact

As well as evaluating the effects of changes on groups with protected characteristic, we also need to understand the potential socio-economic effects of the budget.

Any increase in fees and charges for services will have a higher impact on households on the lowest incomes.

**Socio-economic deprivation:** Data from the 2021 census shows households were considered to be deprived if they met one or more of the following four dimensions of deprivation: employment; education; health and disability; and housing. Overall, Monmouthshire compares favourably against other Welsh local authorities with the highest percentage of households not deprived in any dimensions (51.7%). However, when looking at smaller areas, there are marked variations in deprivation between communities within Monmouthshire, for example, the percentage of households not deprived in any dimensions varies from 65.4% in The Elms to 35.4% in parts of Overmonnow.

In many ways, living in an area of relative affluence and wealth whilst struggling to make ends meet can make that experience even harder and more isolating. This is a challenge we are determined to understand and address.

For families on lower incomes the rising cost of living can place additional pressure on households. This can come from rising energy prices, rising food prices, increasing inflation and higher interest rates. All residents will be impacted by inflation which will result in higher prices. Though the rate of inflation has been steadily decreasing in recent months, it remains relatively high at 4.0% (January 2024).<sup>2</sup>

Households on variable rate mortgages or taking out new mortgages will have been impacted by the increases in the Bank of England base rate which will have pushed up borrowing costs. Household with unsecured loans and credit card debt will also be adversely affected by this change. The base rate has been steadily increasing throughout this year. These high rates will bring benefits to savers, however, which will include those of pensionable age who tend to make up a higher proportion of savers.

**Household capacity to offset price rises:** The extent to which higher prices are offset by wage rises will vary by household and is not included within this assessment. For context, the rate of annual pay growth in average total pay (including bonuses) was 7.2% and growth in regular pay (excluding bonuses) was 7.3% among employees in August to October 2023.<sup>3</sup> In real terms (adjusted for inflation), in August to October 2023, total pay rose by 1.3% and regular pay rose by 1.4%. State pensions and benefits increased by 10.1% for 2023/24, in line with the Consumer Price Index (CPI) for the year to September 2022. For 2024/25, state pension rates will increase by 8.5%, in line with the average earnings growth figure for the year to September 2023, and benefit rates will increase by 6.7%, in line with the CPI for the year to September 2023. Rising prices will still have a significant effect on claimants.

These issues may compound financial challenges experienced by some families through the pandemic. Council services are receiving increasing demands and/or complexity of support requirements from residents in the county, such as on homelessness, Children's Services and Adult Social Care. This means some people, particularly those on lower incomes, need additional support, including from services already experiencing increases in demand.

We have undertaken extensive data analysis and qualitative research to further our understanding of inequality at a local level and how it affects people's lives. Close working with partners is being undertaken to track data to help understand the emerging situation and act accordingly.

Actions we are taking to mitigate against negative socio-economic impacts.

Some of the mitigation the council has in place to address financial pressures include:

Charges for social services are linked to peoples' ability to pay. Service users will undergo a means tested assessment of their ability to meet a reasonable charge.

The Council Tax reduction scheme offers some mitigation. It is calculated on individual circumstances. Those in receipt of universal credit, pension credits, job-seekers allowance and other benefits can apply for a reduction. Single person households are eligible for a 25% reduction on Council Tax.

Continued support to those affected by the cost-of-living through a range of methods including:

- The Money Matters campaign. This signposts residents to sources of support. It includes support on money & debt, housing, employment, mental health and wellbeing and utilities. It also provides new localised information on local community projects around the county that provide support.
- Working with Mind Monmouthshire and Citizens Advice Monmouthshire to set up cost of living support drop-in sessions across the county. These offer advice on ensuring people are getting all the money and benefits they are entitled to, making money go further and guidance on managing energy bills. There is also help and advice on getting back into work or more secure employment as well as emotional and wellbeing support.
- Working with partners to provide support for those experiencing food insecurity. This includes community fridges, food clubs and Food and Fun provision.
- Welsh Government provides a grant for households on low incomes to help with the essential cost of attending school, such as buying uniform or kit to take part in particular activities. Many schools have their own stock of uniforms and other essential kit which they can offer to families at low or no cost.

Monmouthshire Council's Housing Support Team support anybody who might be at risk of losing their home for any reason and can provide advice, liaise with landlords or mortgage lenders, or sometimes provide financial help. The team can help support residents to deal with the reasons behind struggling to pay rent or mortgages – such as mental health worries or difficulties accessing the financial support they are entitled to. They also have a service to help residents claim Universal Credit and other benefits.

Monmouthshire Council's Benefits Service provide local advice and support. The team help with Housing Benefit, Universal Credit, Discretionary Housing Payments and Council Tax Reduction. They can also help with individual tailored plans.

We provide and help fund a wide range of services in communities. These include community well-being networks to help people to maintain their independence and prevent people becoming dependent on statutory health and social care; community hubs that provide advice and host community learning opportunities and the skills at work programme which aims to upskill those in lower paid jobs to increase their career prospects.

There will also be a range of additional mitigations that are not fully modelled here.

## The Cumulative Financial Impact

This section looks at the combined effect of increased fees and charges on different household compositions and income levels. We do this because many individual changes can sometimes seem small when looked at in isolation but can add up to a significant sum. This is one of the ways we meet our socio-economic duty. It also means we can identify where we need to apply a degree of mitigation to reduce the potential negative impacts of our proposals.

The impact below has been modelled on some of the planned increases in fees and charges. We have used six different household types and identified varying annual household incomes in modelling the cumulative financial impact. The increases in fees and charges modelled to develop this assessment along with further information on the methodology used are shown in Appendix 2. The financial modelling does not include an analysis of people by protected characteristics, although as already indicated people with protected characteristics are likely to be disproportionately represented in the lower income bands.

This column shows the actual anticipated cost of the budget proposals on households in Monmouthshire.

Table 2: Cumulative Financial Impact – Before and after mitigating actions.

| Household   | Income  | Total increase before mitigation (percentage of income shown in brackets) | The amount of money our measures reduce this by | Total increase after mitigation (percentage of income shown in brackets) |
|---|---------|---|---|--|
| <b>Household 1</b> –<br>2 Adults, 2<br>Dependent<br>Children, 1<br>Older Person | £33,500 | £1,665.84 (5.0%)  | £1,304.70                                       | £361.14 (1.1%)   |
|   | £51,500 | £1,665.84 (3.2%)  | £1,292.50                                       | £373.34 (0.7%)   |
|   | £64,000 | £1,665.84 (2.6%)  | £1,292.50                                       | £373.34 (0.6%)   |
|   | £75,500 | £1,665.84 (2.2%)  | £1,292.50                                       | £373.34 (0.5%)   |
| <b>Household 2</b> –<br>2 Adults, 2<br>Dependent<br>Children                    | £22,000 | £270.14 (1.2%)  | £87.82  | £182.32 (0.8%)   |
|   | £32,000 | £654.44 (2.1%)  | £423.30   | £231.14 (0.7%)   |
|   | £40,000 | £654.44 (1.6%)  | £411.10   | £243.34 (0.6%)   |
|   | £64,000 | £654.44 (1.0%)  | £411.10   | £243.34 (0.4%)   |
| <b>Household 3</b> –<br>1 Adult, 2<br>Dependent<br>Children                     | £15,000 | £270.14 (1.8%)  | £87.82  | £182.32 (1.2%)   |
|   | £19,000 | £270.14 (1.4%)  | £87.82  | £182.32 (1.0%)   |
|   | £22,000 | £270.14 (1.2%)  | £87.82  | £182.32 (0.8%)   |
|   | £32,000 | £654.44 (2.1%)  | £441.61   | £212.83 (0.7%)   |
| <b>Household 4</b> –<br>2 Adults (all<br>aged below 66)                         | £22,000 | £153.84 (0.7%)  | £87.82  | £66.02 (0.3%)  |
|   | £40,000 | £153.84 (0.4%)  | £26.80  | £127.04 (0.3%)   |
|   | £52,000 | £153.84 (0.3%)  | £26.80  | £127.04 (0.2%)   |
|   | £64,000 | £153.84 (0.2%)  | £26.80  | £127.04 (0.2%)   |
| <b>Household 5</b> –<br>1 Older Person  | £11,500 | £1,165.24 (10.1%)   | £969.22   | £196.02 (1.7%)   |
|   | £15,000 | £1,625.24 (7.8%)  | £969.22   | £196.02 (1.3%)   |
|   | £20,000 | £1,625.24 (5.8%)  | £969.22   | £196.02 (1.0%)   |
|   | £32,000 | £1,625.24 (3.6%)  | £938.71   | £226.53 (0.7%)   |



| Household  | Income  | Total increase before mitigation (percentage of income shown in brackets) | The amount of money our measures reduce this by | Total increase after mitigation (percentage of income shown in brackets) |
|--|---------|---|---|--|
| <b>Household 6</b> –<br>2 Adults (both aged 66 and over) | £22,000 | £1,295.24 (5.9%)  | £969.22   | £326.02 (1.5%)   |
|  | £40,000 | £1,295.24 (3.2%)  | £908.20   | £387.04 (1.0%)   |
|  | £52,000 | £1,295.24 (2.5%)  | £908.20   | £387.04 (0.7%)   |
|  | £64,000 | £1,295.24 (2.0%)  | £908.20   | £387.04 (0.6%)   |

The proposed Council Tax increase of 7.8% will result in an additional monthly cost of £10.17 on a Band D property. If a household is on a low income, they may be eligible for the Council Tax Reduction Scheme which would reduce their Council Tax bill.<sup>4</sup> This is calculated on individual circumstances and the entitlement varies; the model includes reductions of 10% and 50% for certain households. It is unlikely that someone on a low income would be paying for social care. As incomes rise it would be expected that many households will be living in more expensive properties and would be paying higher rates of council tax. A breakdown of the charges and methodology used to produce the table above can be found in appendix 2.

#### **Household 1** - 2 Adults, 2 Dependent Children, 1 Older Person

For this household mitigating actions are in place which reduce the potential effects of increased fees and charges from £1,665.84 to £361.14 for those earning £33,500.

Without mitigation, for this household composition fees and charges could increase by £1,665.84 this would equate to 5% of the total income. For households with an income of £51,500, £64,000 and £75,000 this would be 3.2%, 2.6% and 2.2% of the total income, respectively. The largest increases would be the increased cost of before school clubs (those eligible for free school meals, eFSM, in households with lower incomes will not pay for these clubs which has been factored into the model), and the increase in Council Tax. Social care charges have also been considered for the older person within the household, modelling a £881.40 annual increase based on 5 hours of care a week as well as the provision of daily community meals.

#### **Household 2** - 2 Adults, 2 Dependent Children

For this household mitigating actions are in place which reduce the potential effects of increased fees and charges from £270.14 to £182.32 for those earning £22,000.

Without mitigation, for this household composition, fees and charges have been modelled to increase by £270.14 for those earning £22,000 and above or £654.44 for those earning £32,000 and above. The difference is due to the assumed council tax reduction eligibility of the lowest income household alongside the assumed eligibility for eFSM status for the children. The increase would constitute 1.2% of income for a household income of £22,000. For a household income of £32,000 it would be 2%. The percentage of income would be 1.6% and 1% for households with incomes of £40,000 and £64,000, respectively. Alongside the increases noted above for a household with children, charges have been modelled for swimming lessons (+£24 per annum), and concessionary seats on home to school transport (+£88 per annum).

### **Household 3 - 1 Adult, 2 Dependent Children**

For this household mitigating actions are in place which reduce the potential effects of increased fees and charges from £270.14 to £182.32 for households in the three lowest income bands.

Although the income for this household is likely to be less than that of the 2 Adult, 2 Children household, the increase in fees and charges on the household are very similar for the equivalent income bands, with a modelled £270.14 increase in annual costs before mitigations for those on £22,000 and £654.44 for a £32,000 income household. Lower income bands have been included within the model to reflect the possibility of low-income single earner households.

For those earning under £20,000, there is a modelled £270.14 increase also (as per £22,000 band). This would be a 1.8% increase for a £15,000 household and 1.4% increase for a £19,000 household. The low-income households have been assumed to receive mitigated costs for education services based on eFSM status of the children. Mitigations could also be received for council tax as part of the council tax reduction scheme and/or the single persons discount, this likely to be the case – especially for the lower income brackets.

### **Household 4 - 2 Adults**

For this household mitigating actions are in place which reduce the potential effects of increased fees and charges from £153.84 to £66.02 for households on the three lowest income bands modelled.

For this household composition, fees and charges would have increased by £153.84 without mitigation. Therefore, this would be 0.7% of the total if this household composition had an income of £22,000. For a household earning £40,000 this would be 0.4% of their income. For those earning higher incomes such as £52,000 and £64,000, the fees and charges would account for 0.3% and 0.2% of their annual income, respectively. This household composition is likely to be less affected than other households as they do not have any dependent children and may not require certain services such as adult social care.

### **Household 5 - 1 Older Person**

For this household mitigating actions are in place which reduce the potential effects of increased fees and charges from £1,625.24 to £196.02 for households on the three lowest income bands used.

This household could potentially have experienced an increase of £1,625.24 before mitigations were applied. This would be the equivalent of 10.1% of a household income of £11,500, which is broadly in line with the annual state pension allowance. The impact would be 7.8% if the household income is £15,000 and 5.8% and 3.6% if the household income is £21,500 and £40,000. The model includes example potential council tax mitigations of 50% for the 3 lowest income bands (+£61.02) and lists a 25% reduction for the £32,000 income household (an increase of £91.53 rather than £122.04). This household could potentially incur the increased costs for adult social care at all income levels, as well as the increase cost for community meals, however social care charges are means tested. Other potential mitigations for the household include the social care cap being reached, which would limit or could remove any increase in non-residential care fees.

### **Household 6 - 2 Adults (both aged 66 and over)**

For this household mitigating actions are in place which reduce the potential effects of increased fees and charges from £1,295.24 to £326.02 for a household with an income of £22,000

For households earning £22,000, there could be a 5.9% increase in annual costs should there have been no mitigations. The majority of this increase would be from an assumed annual increase in social care costs of £881.40 as the model is based on 5 hours care received for 52 weeks a year. However, the mitigated cost of a £100 cap per week may mean that the household are already at this limit and would therefore see no additional increase in cost. This cap may increase in future subject to Welsh Government legislative change. An increase of £260 per year could be from community meal charges – based on an assumption that both members of the household would receive 5 meals a week from the service. As the lowest income bracket listed, there is a potential mitigated cost for council tax of £61.02 - which is an example 50% discount which could be provided via the council tax reduction scheme.

Were the household income £40,000 or higher, it has been modelled that without mitigation there could be a yearly increase of £1,295.24 for the household. Alongside the social care and community meals charges noted above, the model includes a full council tax increase of 7.8%, which is included as £122.04 based on a Band D property. The increase in costs would be 3.2% of total household income for a £40,000 income household, 2.5% for a £52,000 income household and 2% for a £64,000 income household.

Table 3: Integrated Impact Assessment



monmouthshire  
sir fynwy

**Integrated Impact Assessment document**  
(Incorporating Equalities, Future Generations, Welsh Language and  
Socio-Economic Duty)

|  |   |
|--|---|
| <p><b>Name of the Officer:</b> Richard Jones</p> <p><b>Phone no:</b> 01633 740733<br/><b>E-mail:</b> richardjones@monmouthshire.gov.uk</p> | <p><b>Please give a brief description of the aims of the proposal:</b> To deliver a balanced budget while continuing to make progress against the council's longer term aims.</p> |
| <p><b>Name of Service area:</b> Chief Executive's</p>  | <p><b>Date:</b> 22<sup>nd</sup> December 2023</p>   |

1. **Are your proposals going to affect any people or groups of people with protected characteristics?** Please explain the impact, the evidence you have used and any action you are taking below.

| Protected Characteristics | Describe any positive impacts your proposal has on the protected characteristic  | Describe any negative impacts your proposal has on the protected characteristic  | What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?   |
|---------------------------|--|--|---|
| Age                       | Local authorities provide many universal services such as highways and waste collections which bring multiple benefits to all age groups. However, many of our services are delivered to proportionately higher numbers of younger and older people. | Reducing our contribution to Gwent Music (CYP 7) may mean that fewer children from low-income families are able to access funding to allow them to attend music lessons which would otherwise be unaffordable to them. This will mean that peers in school will not have the same opportunities. | The council will provide £9k to support the hardship fund which supports low-income families to allow pupils to have access to music lessons which would otherwise be unaffordable to them (CYP 7). |

| Protected Characteristics | Describe any positive impacts your proposal has on the protected characteristic  | Describe any negative impacts your proposal has on the protected characteristic   | What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?  |
|---------------------------|--|---|--|
|                           | <p>The development of a specialist resource base in the new King Henry VIII 3-19 school (PCYP 2) will increase the number of placements available for children and young people with complex needs, reducing the need for those children and young people having to travel to out-of-county specialist placements.</p> <p>Uplifting the additional learning needs (ALN) transport budget (PCYP 5) will ensure that pupils with ALN are able to attend a school or specialist placement that meets their specific needs.</p> <p>Uplifting the budget for before school clubs (PCYP 6) will ensure that children continue to have access to a healthy breakfast before school whilst also providing affordable or free childcare for parents (those who are eligible for free school meals have free access to before school clubs).</p> | <p>.</p> <p>Increasing the cost of before school clubs (CYP 8) may result in some families no longer being able to afford the service, meaning some children will no longer have access to the club.</p> <p>.</p> <p>Increasing the cost of garden waste collection by 10% (C&amp;P 2) may mean that some users are no longer able to afford the service, and will adversely affect those on low income, including older residents.</p> <p>Increasing the cost of concessionary home to school transport (C&amp;P 11) may mean that children from low-income families will no longer be able to access the service.</p> <p>Increases to car park charges (C&amp;P 18) will have a disproportionate effect on low-income households, including older people, as they may have to reduce or cease their</p> | <p>Families will have the option to pay the cost of home to school transport across the year, rather than in one lump sum. In addition, families of children who are unable to walk to school due to reasons such as medical conditions are able to apply for discretionary transport (C&amp;P 11).</p> <p>All pupils that are entitled to free school meals will still be able to access before school clubs for free. All pupils regardless of household income will still have access to a healthy breakfast (CYP 8).</p> |



| Protected Characteristics | Describe any positive impacts your proposal has on the protected characteristic   | Describe any negative impacts your proposal has on the protected characteristic  | What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?   |
|---------------------------|---|--|---|
|                           | <p>Providing additional funding to support additional learning provision (ALP) in the authority (PCYP 8, 9) will ensure that children and young people with complex ALN are provided with ALP to meet their identified needs, and to keep children and young people in their community schools, where possible. This will in turn have a positive impact on attendance, reduce exclusions and provide a truly inclusive education system.</p> <p>Increasing capacity within the vulnerable learners' team (PCYP 10) will enable the authority to be more responsive in managing the needs of Children Looked After (CLA) learners and will ensure that supporting vulnerable learners is prioritised.</p> <p>Uplifting the core budget of the Youth Service (PML 5) will ensure that core services continue to be delivered and</p> | <p>use of car parks which could cause a degree of social isolation.</p> <p>The lack of placement choice and availability is having an adverse impact on children requiring social care support. Practice Change in Social Care (SCH 3 &amp; 4) seeks to support children and young people who are looked after, or care experienced to live closer to the home and communities and to be appropriately supported to develop their independence.</p> <p>Older people, particularly those with care and support needs and their carers are more likely to be negatively impacted by proposed practice change in Adult Social Care (SCH 6, 8, 9, 10, 14, 15). This includes a reduced workforce.</p> <p>A reduced workforce within direct care will have an impact on older / frail adults with care and support needs and their carers (SCH 2, 5, 7, 12 &amp; 16). Often older adults are being supported to remain at home with</p> | <p>Blue badge holders will continue to be able to park for free (C&amp;P 18).</p> <p>Individual care planning for children is in place which takes into account their individual needs and personal outcomes in line with the stage of development. (SCH 3 &amp; 4)</p> <p>There will be a renewed focus on assessment and review of care and support needs with more focus on community-based support networks and assistive technology (SCH 6, 8, 9, 10, 14, 15).</p> <p>Ensure the Social Services and Well-being Act charging legislation is adhered to, so service users are means tested to determine their ability to pay.</p> <p>Increased demand, the fragility of the social care sector and the availability of care staff remain a key risk for Adult</p> |

| Protected Characteristics | Describe any positive impacts your proposal has on the protected characteristic   | Describe any negative impacts your proposal has on the protected characteristic  | What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?   |
|---------------------------|---|--|---|
|                           | <p>young people continue to be supported.</p> <p>Uplifting social care provider fees (PSCH 1) will allow the council to secure care for older people, children and vulnerable adults, and will also mean that care home providers are more likely to accept our rates, resulting in more places being made available for older residents who do not have family to pay 'top-up fees'.</p> <p>Supporting pressures in Adult and Children's Social Care (PSCH 4 &amp; 5) will ensure that both children and young people and older people in receipt of care continue to be supported, helping them to live independently, access vital services, improve their quality of life and maintain close relationships with family and friends.</p> | <p>the support of family members who can themselves be in older age.</p> <p>Identifying alternative funding streams for the youth service provision (ML 11) could result in overall less evening provision across Monmouthshire, particularly for those who do not live in town centres, meaning some young people will either have to travel to access this service or may lose access if they are not able to do so.</p> <p>Increases to the cost of outdoor education (ML 9) may mean that some children from low-income families will no longer be able to attend the service.</p> <p>There are proposals to increase fees and charges in Adult Social Care, including for both non-residential fees and residential care. This will have a disproportionate impact on those adults who are reliant on</p> | <p>Social Care which needs to be considered as part of budget proposals.</p> <p>Where any decisions are required relating to compulsory redundancies the process will make a determination in an unbiased and un-predetermined way and with due regard for the impact relating to protected characteristics.</p> <p>Pupils from Monmouthshire County Council schools will still receive a discount of 13% on the cost of the outdoor adventure service. Pupils eligible for free school meals will still receive a discount of 50%. Schools will likely subsidise the cost of this service; this may mean that the rise in cost will not be passed on to families, however this remains at the discretion of individual schools (ML 9).</p> |

| Protected Characteristics | Describe any positive impacts your proposal has on the protected characteristic  | Describe any negative impacts your proposal has on the protected characteristic    | What has been/will be done to mitigate any negative impacts or better contribute to positive impacts? |
|---------------------------|--|--|---|
|                           | <p>There is a focus in Adult Social Care practice change (SCH 6, 8, 9, 10, 14, 15) on maximising reablement services that can increase people's independence and support them to live lives that matter to them reducing the potential need for longer-term care.</p> <p>Meeting increased home to school transport costs (PC&amp;P 6) will ensure that children continue to be provided with transport to school.</p> <p>Uplifting foster carer fees and allowances (PSCH 2) will aid the council's aim of increasing the number of local authority foster carers in the county. This will mean that less children are placed in private placements or residential children's homes which can often be far from their familiar community.</p> | <p>care, especially those on lower incomes, although charges are means tested.</p> |   |
| Disability                | The development of a specialist resource base in the new King Henry  | Reducing our contribution to Gwent Music (CYP 7) could mean that the service is no |   |

| Protected Characteristics | Describe any positive impacts your proposal has on the protected characteristic  | Describe any negative impacts your proposal has on the protected characteristic   | What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?   |
|---------------------------|--|---|---|
|                           | <p>VIII 3-19 school (PCYP 2) will increase the number of placements available for children and young people with complex needs, including those with disabilities, and will reduce the need for children and young people to travel to out-of-county specialist placements.</p> <p>Uplifting the additional learning needs (ALN) transport budget (PCYP 5) will ensure that pupils with ALN are able to attend a school or specialist placement that meets their specific needs.</p> <p>Providing additional funding to support additional learning provision (ALP) in the authority (PCYP 8, 9) will ensure that children and young people with complex ALN are provided with ALP to meet their identified needs, and to keep children and young people in their community schools, where possible. This will in turn have a positive impact on attendance, reduce exclusions and</p> | <p>longer able to provide music therapy to pupils in special needs resource bases across the county. The disruption or loss of this service could cause distress and have a severe impact on the mental health of a number of pupils.</p> <p>Children with more complex needs and disabilities are disproportionately impacted by the lack of suitable placements for children requiring social care support. Practice Change in Social Care (SCH 3 &amp; 4) seeks to address this through the development of bespoke services and provision.</p> <p>The adult practice change proposal (SCH 6, 8, 9, 10, 14, 15) will impact negatively on adults with physical disabilities, and adults with mental health difficulties including dementia and their carers because there will be a reduction in the level of home care</p> | <p>Blue badge holders will continue to be able to park for free (C&amp;P 18).</p> <p>Individual care planning for children is in place which takes into account their individual needs and personal outcomes in line with the stage of development. (SCH 3 &amp; 4)</p> <p>There will be a renewed focus on assessment and review of care and support needs with more focus on community-based support networks and assistive technology (SCH 6, 8, 9, 10, 14, 15).</p> <p>Residential respite provision is being commissioned on an individual basis for those that need it. Individual care and support plans are in place for families to ensure their respite needs are being met. (SCH 2, 5, 7, 12 &amp; 16).</p> <p>For social care charging increases, we will ensure that service users are means tested to determine their ability to pay.</p> |

| Protected Characteristics | Describe any positive impacts your proposal has on the protected characteristic   | Describe any negative impacts your proposal has on the protected characteristic  | What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?   |
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|                           | <p>provide a truly inclusive education system.</p> <p>The vulnerable learners lead supports pupils at risk of exclusion/disengagement and those who are Children Looked After (CLA)/ care experienced who often can have ALN. Increasing the capacity of this team (PCYP 10) will have a positive impact on the offer for pupils with ALN/disabilities.</p> <p>Supporting pressures in Adult Social Care (PSCH 4 &amp; 5) will allow those experiencing physical and learning disabilities as well as ill-health, both mental and physical, to continue to receive support, to live independently and access vital services.</p> <p>Uplifting fee rates for social care providers (PSCH 1) will ensure that</p> | <p>available and people's needs may not be met at the maximum level.</p> <p>A reduced workforce within direct care will have a negative impact on adults with physical disabilities, learning disabilities, as well as adults with mental health difficulties and dementia. (SCH 2, 5, 7, 12 &amp; 16).</p> <p>The adult services staffing proposal (SCH 2, 5, 7, 12 &amp; 16) includes implementing the decision to stop providing in-house residential respite care for adults with learning disabilities. This has a negative impact on families who wanted this option of respite care to remain available.</p> <p>There are proposals to increase fees and charges in Adult' Social Care, including for both non-residential fees and residential care. This will have a disproportionate</p> | <p>Where any decisions are required relating to compulsory redundancies the process will make a determination in an unbiased and un predetermined way and with due regard for the impact relating to protected characteristics.</p> |



| Protected Characteristics     | Describe any positive impacts your proposal has on the protected characteristic  | Describe any negative impacts your proposal has on the protected characteristic  | What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?   |
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|                               | <p>disabled people with disabilities have access to appropriate and high-quality care services and will expand the offer available to them.</p> <p>People with a learning disability will have access to a range of enhanced respite options including supported holidays, Shared Lives, Direct Payments and Residential respite (SCH 2, 5, 7, 12 &amp; 16).</p> | <p>impact on those adults who are reliant on care, especially those on lower incomes.</p>  |   |
| Gender reassignment           | <p>At this stage proposals haven't identified a particular overall impact, either positive or negative, on people who have undergone or are considering gender reassignment.</p>   | <p>At this stage proposals haven't identified a particular overall impact, either positive or negative, on people who have undergone or are considering gender reassignment.</p> | <p>None identified at this stage.</p> <p>Where any decisions are required relating to compulsory redundancies the process will make a determination in an unbiased and un predetermined way and with due regard for the impact relating to protected characteristics.</p> |
| Marriage or civil partnership | <p>Same-sex couples who register as civil partners have the same rights as married couples in employment and must be provided with the same benefits available to married couples, such as survivor pensions, flexible</p>   | <p>At this stage proposals haven't identified a particular overall impact, either positive or negative.</p>  | <p>None identified at this stage.</p>   |

| Protected Characteristics | Describe any positive impacts your proposal has on the protected characteristic   | Describe any negative impacts your proposal has on the protected characteristic   | What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?   |
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|                           | <p>working, maternity/paternity pay and healthcare insurance.</p> <p>At this stage proposals haven't identified a particular overall impact, either positive or negative.</p>   |   | <p>Where any decisions are required relating to compulsory redundancies the process will make a determination in an unbiased and un predetermined way and with due regard for the impact relating to protected characteristics.</p>                                       |
| Pregnancy or maternity    | <p>In the provision of services, goods and facilities, recreational or training facilities, a woman is protected from discrimination during the period of her pregnancy and the period of 26 weeks beginning with the day on which she gives birth.</p> <p>At this stage proposals haven't identified a particular overall impact, either positive or negative.</p> | <p>Pregnant women and parents with young children are more likely than younger age cohorts to travel to our towns by car or bus than walk or cycle. Consequently, they are more likely to be affected by increased car parking charges (C&amp;P 18). If charges preclude such people from visiting town centres, it could result in social isolation.</p> | <p>None identified at this stage.</p> <p>Where any decisions are required relating to compulsory redundancies the process will make a determination in an unbiased and un predetermined way and with due regard for the impact relating to protected characteristics.</p> |
| Race                      | <p>At this stage proposals haven't identified a particular overall impact, either positive or negative, that will differ by race.</p>   | <p>At this stage proposals haven't identified a particular overall impact, either positive or negative, that will differ by race.</p>   | <p>None identified at this stage.</p> <p>Where any decisions are required relating to compulsory redundancies the process will make a determination in an unbiased and un predetermined</p>   |

| Protected Characteristics | Describe any positive impacts your proposal has on the protected characteristic                      | Describe any negative impacts your proposal has on the protected characteristic  | What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?  |
|---------------------------|--|--|--|
|                           |  |  | way and with due regard for the impact relating to protected characteristics.  |
| Religion or Belief        | At this stage proposals haven't identified a particular overall impact, either positive or negative. | At this stage proposals haven't identified a particular overall impact, either positive or negative.   | None identified at this stage  |
| Sex                       | The council has already carried out a full pay evaluation exercise.                                  | <p>Women make up the majority of both paid and unpaid caring roles. Any reduction in services available for adults with care and support needs will negatively impact on carers; and therefore, the impact will be felt disproportionately on women (SCH 2, 5, 7, 12 &amp; 16 and SCH 6, 8, 9, 10, 14, 15).</p> <p>A number of proposals include a reduction on the number of jobs through the release of vacant posts. In some cases, there may be redundancies as a result of the proposals. While each departments staffing mix differs, the council's workforce is 70% female and therefore any reductions in staff numbers are likely to have a disproportionate effect on women.</p> | We will ensure that the Protection of Employment Policy is adhered to at all times. This will ensure that we are able to redeploy staff wherever possible. A tighter control procedure has been applied to job vacancies since the beginning of October with a high number of jobs being held vacant to aid the recovery position. This will help minimise any redundancies. Trades Unions are being kept informed; this began with an initial briefing at the Joint Advisory Group in November. |
| Sexual Orientation        | At this stage proposals haven't identified a particular overall impact, either positive or negative. | At this stage proposals haven't identified a particular overall impact, either positive or negative.   | None identified at this stage.   |

| Protected Characteristics | Describe any positive impacts your proposal has on the protected characteristic | Describe any negative impacts your proposal has on the protected characteristic | What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?  |
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|                           |   |   | Where any decisions are required relating to compulsory redundancies the process will make a determination in an unbiased and un predetermined way and with due regard for the impact relating to protected characteristics. |

## 2. The Socio-economic Duty and Social Justice

The Socio-economic Duty requires public bodies to have due regard to the need to reduce inequalities of outcome which result from socio-economic disadvantage when taking key decisions This duty aligns with our commitment as an authority to Social Justice.

|   | Describe any positive impacts your proposal has in respect of people suffering socio economic disadvantage   | Describe any negative impacts your proposal has in respect of people suffering socio economic disadvantage.  | What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?   |
|---|--|--|---|
| <b>Socio-economic Duty and Social Justice</b> | Uplifting the budget for before school clubs (PCYP 6) will ensure that children continue to have access to a healthy breakfast before school whilst also providing affordable or free childcare for parents (those who are eligible for free | Reducing our contribution to Gwent Music (CYP 7) may mean that fewer children from low-income families are able to access funding to allow them to attend music lessons which would otherwise be unaffordable to them. This will mean that peers in school will not have the same opportunities. | The council will provide £9k to support the hardship fund which supports low-income families to allow pupils to have access to music lessons which would otherwise be unaffordable to them (CYP 7). |

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|  | <p>school meals have free access to before school clubs).</p> <p>Many children and young people who are at risk of exclusion or are disengaging with education, and many Children Looked After (CLA) and care experienced learners, experience socio-economic disadvantage. Increasing capacity within the vulnerable learner's team (PCYP 10) will enable the authority to be more responsive in managing the needs of these learners and will ensure that supporting vulnerable learners is prioritized.</p> <p>Uplifting social care provider fees (PSCH 1) will enable the council to pay the real living wage to care workers who are typically on lower income. This is in line with the commitment made by the Welsh Government. Uplifting fees will also mean that care home providers are more likely to accept our rates, resulting in more places being made available and therefore more choice for older residents who do not have family to pay 'top-up fees'.</p> | <p>Increases to car park charges (C&amp;P 18) will have a disproportionate effect on those experiencing socio-economic disadvantage as they may have to reduce or cease their use of car parks, which could cause social isolation.</p> <p>Increasing the cost of concessionary home to school transport (C&amp;P 11) may mean that children from low-income families will no longer be able to access the service.</p> <p>Uplifting the cost of garden waste collection by 10% (C&amp;P 2) may mean that some users are no longer able to afford the service, resulting in some residents losing access.</p> <p>Increasing the cost of before school clubs (CYP 8) may result in some families no longer being able to afford the service, meaning some children will no longer have access to the club. This could also mean that working low-income families may need to change working hours or find alternative childcare.</p> <p>.</p> | <p>Families will have the option to pay the cost of home to school transport across the year, rather than in one lump sum (C&amp;P 11).</p> <p>All pupils that are entitled to free school meals will still be able to access before school clubs for free. All pupils regardless of household income will still have access to a healthy breakfast (CYP 8).</p> <p>Work with the corporate parenting panel to consider ways in which the whole council can support children who are looked after and care experienced (SCH 3 &amp; 4).</p> <p>A renewed focus on assessment and review of care and support needs will help to ensure that home care is allocated to those who are most in need. (SCH 6, 8, 9, 10, 14, 15).</p> <p>Pupils from Monmouthshire County Council schools will still receive a</p> |
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|  | <p>Children who are looked after and care experienced young people often face social economic disadvantages and a paucity of support networks. Practice change in children's services (SCH 3 &amp; 4) seeks to provide the best support for young people as they approach adulthood through the provision of appropriate accommodation, support and services.</p> <p>Uplifting foster carer fees and allowances (PSCH 2) will aid the council's aim of increasing the number of local authority foster carers in the county. This will mean that less children are placed in private placements or residential children's homes which can often be far from their familiar community.</p> | <p>Adults with care and support needs, and their carers, can be economically disadvantaged. It is also recognised that people with learning disabilities and physical disabilities can face significant barriers in accessing work and are more likely to be low-income. Any reduction in the level of care available will impact negatively on adults and their carers and may increase the risk of socio-economic disadvantage (SCH 2, 5, 7, 12 &amp; 16 and SCH 6, 8, 9, 10, 14, 15). They may also not be able to afford to pay for any additional care and support.</p> <p>Increases to the cost of outdoor education (ML 9) may mean that some children from low-income families will no longer be able to attend the service.</p> <p>An increase in Council Tax will have a financial impact on all households on lower incomes, as any bills will form a higher proportion of their household expenditure, will feel the impact more acutely.</p> <p>There is a risk that any budget proposals that increase discretionary charges will have a disproportionate impact on people on low incomes and therefore will widen inequality.</p> | <p>discount of 13% on the cost of the outdoor adventure service. Pupils eligible for free school meals will still receive a discount of 50%. Schools will likely subsidise the cost of this service; this may mean that the rise in cost will not be passed on to families, however this remains at the discretion of individual schools (ML 9).</p> <p>Ensuring that practitioners in social care understand the impact of socio-economic disadvantage on individuals with care and support needs and have the right skills and knowledge to be able to support people in such circumstances (across social care).</p> <p>We will ensure that the Protection of Employment Policy is adhered to at all times. This will ensure that we are able to redeploy staff wherever possible. A tighter control procedure has been applied to job vacancies since the beginning of October with a high number of jobs being held vacant to aid the recovery position. This will help minimise any redundancies. Trades Unions are being kept informed. This</p> |
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|  |  | <p>A number of proposals include reducing staffing, through reducing employment hours, vacant posts or possible redundancies. This will have a socio-economic impact on those council employees affected.</p> | <p>began with an initial briefing at the Joint Advisory Group in November.</p> <p>The Council Tax reduction scheme offers some mitigation, council tax is means tested and those who qualify are able to apply for a reduction. Single person households are eligible for a 25% reduction on council tax.</p> <p>It is important to assess and understand the impact of our proposals on those in poverty, especially if there is a cumulative impact from a number of proposals. The evidence in this paper helps assess the overall potential impact of the budget on different people within our communities and looks to establish the cumulative financial impact of the budget.</p> |
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### 3. Policy making and the Welsh language.

| How does your proposal impact on the following aspects of the Council's Welsh Language Standards:   | Describe the positive impacts of this proposal  | Describe the negative impacts of this proposal  | What has been/will be done to mitigate any negative impacts or better contribute to positive impacts   |
|---|---|---|--|
| <p><b>Policy Making</b><br/>Effects on the use of the Welsh language,<br/>Promoting Welsh language<br/>Treating the Welsh language no less favourably</p> | <p>Increasing the budget for the translation of public documents to the medium of Welsh (PCEO 2) will ensure that the authority can continue to comply with the Welsh Language Standards and will also enable us to increase the number of opportunities for the public to interact with public services delivered through the medium of Welsh, in line with our Welsh Language Strategy.</p> <p>All proposals will comply with the Welsh Language standards applicable to the authority.</p> | <p>None identified at this stage.</p>   | <p>All signage and material arising from budget proposals will be compliant with the Welsh Language (Wales) Measure 2011 and Welsh Language Standards.</p>   |
| <p><b>Operational</b><br/>Recruitment &amp; Training of workforce</p>   | <p>We will ensure that new vacancies are assessed and where possible advertised as 'Welsh essential' to increase opportunities for people to engage with the council through the medium of Welsh.</p>   | <p>Budget proposals identify a number of potential redundancies. In some instances, these could result in a reduction in the number of Welsh speakers employed.</p> | <p>Ensure that new roles are assessed to determine Welsh language requirements. Active promotion of vacancies in Welsh language publications and websites as well as targeted promotion via LinkedIn.</p> <p>Continue to promote and fund language courses to increase the number of learners in line with the</p> |

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|  | An increase in capacity and expertise in the council's Welsh language function will help ensure that all areas of work are carried out in accordance with Welsh language requirements.   |  | aspirations in our Welsh Language Strategy  |
| <p><b>Service delivery</b><br/>         Use of Welsh language in service delivery<br/>         Promoting use of the language</p> | <p>Growing Welsh medium education through the funding of a seedling provision, as an extension of an existing Welsh-medium school in Monmouth in September 2024.</p> <p>Increases in our ability to recruit Welsh speakers will ensure increased ability for service users to use the language in their dealings with the council.</p> | Budget proposals identify a number of potential redundancies. In some instances, these could result in a reduction in the number of Welsh speakers employed. | <p>The expansion of Welsh-medium primary education in Monmouthshire is a key action that will enable us to achieve Welsh Ministers target of 115 pupils per cohort by 2032.</p> <p>As part of the council's Welsh Language Strategy, we will continue to increase the number of Welsh speakers in the workforce, resulting in a net increase, through recruitment and training.</p> <p>Ensure that appropriate mitigations are put in place at a service level to mitigate the loss of any individuals on our overall ability to provide services in Welsh.</p> |

**4. Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

| <b>Well-being Goal</b>   | <b>Does the proposal contribute to this goal? Describe the positive and negative impacts.</b>   | <b>What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?</b>   |
|--|---|--|
| <p><b>A prosperous Wales</b><br/>Efficient use of resources, skilled, educated people, generates wealth, provides jobs</p>                                 | <p>A number of proposals involve redundancies, which will reduce the total number of jobs in the county.</p> <p>PML 6 aims to increase footfall in our county's markets through increasing the number of events held and providing more opportunities and support for new traders. However, hire prices will be reviewed and may increase, which could lead to fewer events taking place.</p> | <p>Wherever possible, posts that are removed will be vacant posts, thus reducing the number of redundancies necessary.</p>   |
| <p><b>A resilient Wales</b><br/>Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)</p> | <p>None identified at this stage.</p>   | <p>None identified at this stage.</p>  |
| <p><b>A healthier Wales</b><br/>People's physical and mental wellbeing is maximised, and health impacts are understood</p>                                 | <p>Increasing car parking charges (C&amp;P 18) could encourage healthier and more active travel e.g. walking and cycling.</p> <p>A reduction in leisure centre opening hours (ML 10) may mean that some people, particularly working age people, are less able to access leisure centre facilities which could result in a decrease in the health of those users affected.</p>                | <p>As with many of the budget proposals managers are aiming to reduce negative impacts on health, whilst ensuring that core services are able to continue, albeit with a reduced level of service, reduced hours or the seeking of grant funding to ensure services can still be delivered.</p> <p>Increased demand, the fragility of the social care sector and the availability of care staff remains a key risk for Adult Social Care.</p> <p>Where staff are put at risk of redundancy, measures will be put in place to help them, such as guaranteed</p> |




| Well-being Goal  | Does the proposal contribute to this goal?<br>Describe the positive and negative impacts.   | What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?  |
|--|---|--|
|  |   | interviews for internal posts for suitable candidates and employment and skills support.   |
| <p><b>A Wales of cohesive communities</b><br/>Communities are attractive, viable, safe and well connected</p>  | <p>Increasing car parking charges (C&amp;P 18) may deter people from visiting town centres, especially those who do not have access to a means of transport other than driving.</p> <p>Several proposals result in services being able to be offered more locally, allowing people to stay in their communities (PCYP 2, PCYP 9). However, others may have a negative impact such as ML11 where youth service provision in rural communities will decrease.</p>   | ML11 proposes an alternative delivery model for youth services, which would provide support and training for community sector partners to be able to deliver youth clubs |
| <p><b>A globally responsible Wales</b><br/>Taking account of impact on global well-being when considering local social, economic and environmental wellbeing</p> | <p>A number of proposals propose reducing the opening hours of facilities. This is likely to reduce energy bills and carbon emissions. (ML2, ML3, ML10).</p> <p>Uplifting the recycling and waste services budget (PC&amp;P 1) will ensure that the council is able to continue to achieve its target of recycling 70% of waste in the county.</p> <p>Increasing car parking charges (C&amp;P 18) could encourage more sustainable travel e.g. via active travel routes, resulting in less carbon emissions.</p> <p>Increasing the cost of concessionary home to school transport (C&amp;P 11) could mean that some families decide to opt out of the service and could</p> | None identified at this stage.   |





| Well-being Goal   | Does the proposal contribute to this goal? Describe the positive and negative impacts.  | What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?  |
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|   | instead choose to drive to school, increasing the number of journeys made.  |  |
| <p><b>A Wales of vibrant culture and thriving Welsh language</b><br/>Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation</p> | <p>Increasing the budget for the translation of public documents to the medium of Welsh (CEO 2) will enable us to increase the number of opportunities for the public to interact with public services delivered through the medium of Welsh, in line with our Welsh Language Strategy.</p> <p>The closure of Abergavenny and Chepstow museums (ML 2) and Old Station Tintern (ML 3) for one day per week could result in less people visiting the county and its towns.</p>  | <p>Any new vacancies that are part of proposals are assessed and where possible advertised as 'Welsh essential' to increase people's opportunities to engage with the council through the medium of Welsh.</p> <p>We will look to protect the level of library book spend allocated to Welsh language publications.</p>  |
| <p><b>A more equal Wales</b><br/>People can fulfil their potential no matter what their background or circumstances</p>   | <p>Many of the proposals include impacts on some protected characteristics, in particular age and disability. These impacts (positive and negative) are examined in more detail in the protected characteristics section above. There are also impacts on those on low incomes as a result of charge increases or introductions and these are examined in more detail in the socio-economic duty section above.</p> <p>Consideration will need to be given to whether redundancies will affect any particular groups of people.</p> | <p>All pupils that are entitled to free school meals will still be able to access before school clubs for free. All pupils regardless of household income will still have access to a healthy breakfast (CYP 8).</p> <p>The council will provide £9k to support the hardship fund which supports low-income families to allow pupils to have access to music lessons which would otherwise be unaffordable to them (CYP 7).</p> <p>Where staff are put at risk of redundancy, measures will be put in place to help them, such as guaranteed</p> |

| Well-being Goal | Does the proposal contribute to this goal? Describe the positive and negative impacts.  | What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts? |
|-----------------|---|---|
|                 | <p>Reducing our contribution to Gwent Music (CYP 7) may mean that fewer children from low-income families are able to access funding to allow them to attend music lessons which would otherwise be unaffordable to them. This will mean that peers in school will not have the same opportunities.</p> <p>Increasing the cost of before school clubs (CYP 8) may result in some families no longer being able to afford the service, meaning some children will no longer have access to the club.</p> <p>Increasing funding and capacity with ALN provision (CYP 2, 5, 8, 9, 10) will ensure that all learners, no matter their specific needs, have equal access to education and have a greater chance of remaining within their community schools.</p> | <p>interviews for internal posts for suitable candidates, employment and skills support etc.</p>                |

**5. How has your proposal embedded and prioritised the sustainable governance principles in its development?**

| <b>Sustainable Development Principle</b>  | <b>Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.</b>   | <b>Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?</b>   |
|---|--|--|
|  <p><b>Long Term</b></p> <p>Balancing short term need with long term and planning for the future</p> | <p>The requirement for short term financial savings may have an impact on the ability to deliver quality services in the long term. For a number of posts and workstreams across all directorate, but particularly in MonLife, there is an increasing reliance on grant funded posts and projects, which is inevitably only helpful in the short term.</p>                             | <p>Wherever possible, proposals are only reducing service levels (e.g. by reducing opening hours or staffing) rather than closing services, in order to ensure that core services can still be continued in the long term.</p> |
|  <p><b>Collaboration</b></p> <p>Working together with other partners to deliver objectives</p>       | <p>For many of the budget proposals, partnership working is key to being able to continue delivering services. However, there are also proposals to scale back some aspects of partnership working, which could reduce the viability of some of these partnerships and service levels received.</p>  | <p>Generally, proposals that scale back partnership work still continue with those collaborations, with reduced financial contributions that we are able to make.</p>  |
|  <p><b>Involvement</b></p> <p>Involving those with an interest and seeking their views</p>          | <p>Individually, many of the budget proposals have been subject to consultation to assess the impact on service users. All proposals were consulted on as part of the budget engagement exercise in January and February 2024. The feedback from the consultation is provided in the accompanying budget papers. Some changes in savings are proposed following this consultation.</p> | <p>Proposals and the accompanying Integrated Impact Assessments have been updated following the budget consultation.</p>   |

| Sustainable Development Principle  | Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.  | Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?   |
|--|--|---|
|  <p><b>Prevention</b></p> <p>Putting resources into preventing problems occurring or getting worse</p>    | <p>Wherever possible, proposals aim to prevent problems occurring or getting worse (e.g. PCYP 8 will increase contingency funding for schools where they may need to support a child with extremely complex or urgent needs, PSCH 2 aims to increase the number of foster carers to ensure the council can meet the long-term goals of eliminating profit from care).</p> <p>With the scale of savings that are needed, some proposals will be taking investment out of preventative work which may lead to further problems in the future. An example of this is SCH 2, 5, 7, 12, 16 reducing adult services workforce.</p> | <p>Wherever possible, posts that are already vacant are those that are being proposed to be removed, meaning that the impact of those is less. However, teams across the council are already under pressure, and not replacing vacant posts could mean the council is less able to be proactive and preventative. Increased demand, the fragility of the social care sector and the availability of care staff remains a key risk for Adult Social Care. although some of these issues are outside the Council's direct control to address.</p> |
|  <p><b>Integration</b></p> <p>Considering impact on all wellbeing goals together and on other bodies</p> | <p>The council works across multiple areas and many of these proposals can have positive and potentially negative impacts on one another. It is important that as individual proposals are developed, we seek to balance competing impacts, and fully consider the impacts that proposals will have on other organisations.</p>  | <p>Use of this Cumulative Impact Assessment will help to identify overall impacts of proposals in an integrated way, as well as assessing each proposal individually.</p>   |

**6. The council has agreed the need to consider the impact its decisions have on the following important responsibilities: Corporate Parenting and Safeguarding. Are your proposals going to affect any of these responsibilities?**

|                     | <b>Describe any positive impacts your proposal has</b>   | <b>Describe any negative impacts your proposal has</b>   | <b>What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?</b>   |
|---------------------|--|--|---|
| Safeguarding        | Safeguarding is about ensuring that everything is in place to promote the well-being of children and vulnerable adults, preventing them from being harmed and protecting those who are at risk of abuse and neglect. Specific proposals include an assessment of the impact on safeguarding.                   | Specific proposals include an assessment of the impact on safeguarding, including any potential negative impact on delivering the Council's safeguarding responsibilities.               | Specific proposals include an assessment on the impact on safeguarding, including mitigation related to the potential impact on delivering the Council's safeguarding responsibilities.<br><br>Safeguarding is at the heart of everything the council does. All staff are trained to a level that is appropriate to their role. |
| Corporate Parenting | The council has a responsibility to children who are looked after. The council has a corporate duty to consider children looked after especially and promote their welfare (in a way, as though those children were their own). Specific proposals include an assessment on the impact on corporate parenting. | Specific proposals include an assessment on the impact on corporate parenting, including any potential negative impact on delivering the Council's corporate parenting responsibilities. | Specific proposals include an assessment on the impact on corporate parenting, including mitigation related to the potential impact on delivering the Council's corporate parenting responsibilities.   |

## 7. What evidence and data has informed the development of your proposal?

The proposals are based upon a wide range of data and evidence, and this will be contained within the evaluations of each of the individual proposals.

Data sources include for example:

- Quantitative data such as user numbers, measuring whether changes have had a positive or negative impact on the number of people using the service, in some cases, such as preventative services less users will be a positive
- Qualitative data that gives people views of the service which includes analysis of complaints.
- Data derived from national sources such as ONS, Census and Stats Wales which allow us to measure the whole population.

## 8. **SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?**

Where an individual budget proposal could alter a service, or the way it is delivered an Integrated Impact Assessment has been completed.

This assessment summarises the headline message from these individual assessments where proposals have been identified as having a positive or negative impact on those with protected characteristics, the socio-economic duty, and the ways of working and national well-being goals. The assessment has been updated following the budget consultation in January and February 2024. This does not highlight every single issue but reveals some of the key impacts of budget proposals and provides scope for continual learning and improvement as proposals are developed.



**9. ACTIONS:** As a result of completing this form are there any further actions you will be undertaking? Please detail them below, if applicable.

| <b>What are you going to do</b>                                      | <b>When are you going to do it?</b> | <b>Who is responsible</b> |
|--|-------------------------------------|---------------------------|
| Existing actions have been identified within individual assessments. | As per budget proposals             | As per budget proposals   |

**10. VERSION CONTROL:** The Equality and Future Generations Evaluation should be used at the earliest stage, such as informally within your service, and then further developed throughout the decision-making process. It is important to keep a record of this process to demonstrate how you have considered and built into equality and future generations considerations wherever possible.

| <b>Version No.</b> | <b>Decision making stage</b>                   | <b>Date considered</b>         | <b>Brief description of any amendments made following consideration</b>            |
|--------------------|--|--------------------------------|--|
| 1.0                | Strategic Leadership Team and Informal Cabinet | 19 <sup>th</sup> December 23   |  |
| 2.0                | Cabinet  | 17 <sup>th</sup> January 24    |  |
| 3.0                | Cabinet  | 28 <sup>th</sup> February 2024 | Assessment updated following the budget consultation in January and February 2024. |

## Appendix 2 – Cumulative Financial Impact methodology

To model the cumulative financial impact, we have used six different household types and identified varying annual household incomes for each.

Household composition data from the Census 2021 in Monmouthshire shows for each of our households modelled:

Household 1 - 2 Adults, 2 Dependent Children, 1 Older Person - 2% (689) of all household composition households from Census 2021 were multiple family households with dependent children.

Household 2 - 2 Adults, 2 Dependent Children – 17% (7033) of all household composition households from Census 2021 were single family households (married, civil partnership or cohabiting couple) with dependent children.

Household 3 - 1 Adult, 2 Dependent Children – 6% (2281) of all household composition households from Census 2021 were single family households (lone parent) with dependent children.

Household 4 - 2 Adults – 13% (5309) of all household composition households from Census 2021 were single family households (married or civil partnership) with no children. 5% (2235) households were noted as being co-habiting couple families with no children.

Household 5 - 1 Older Person – 16% (6534) of all household composition households from Census 2021 were single person households, aged 66 years or older.

Household 6 – 2 Adults (both aged 66 and over) – Census 2021 data showed that there were over 11,000 residents in Monmouthshire that lived in a single-family household of this composition.

The full new state pension for 2024/25 is due to rise to £221.20 per week; this equates to £11,502.40 per year. The annual level of benefit cap for couples (with or without children) or single claimants with a child of qualifying age is £423.46 per week, equating to £22,020 per year<sup>5</sup>.

Data on income levels will continue to change as wage levels vary, the figures used provide an approximate indication. The National Living Wage is currently £10.42 per hour for those aged 23 and over. For someone working 35 hours per week, this equates to approximately £18,964.40 per year. For someone working 27 hours per week this is approximately £14,629.68 per year. This rate is due to rise to £11.44 per hour from April 2024 for those aged 21 and over<sup>6</sup>. For someone working 35 hours per week, this equates to around £20,820.20 per year. For someone working 27 hours per week, this equates to approximately £16,061.76 per year. Those who are aged 18-20 will be entitled to receive £8.60 per hour, equating to approximately £15,652 per year for those who work 35 hours per week.

As at the financial year 2021-22, 48.2% of lone parents in the UK are employed part-time, and over 3 in 10 are not employed (economically inactive). Women with children are more likely to work part-time, term-time or flexible working hours, compared to fathers or those without children. 47.1% of two parent families have one parent working full-time, and the other working part-time.<sup>7</sup> Average weekly hours of work for part-time workers in the UK is 16.4 hours.<sup>8</sup>

A person is commonly deemed to be in poverty if their household income falls below 60% of the UK median household income. The median household income in the UK is £32,300.<sup>9</sup> 60% of this equates to £19,380. Median household income in Monmouthshire is £32,786.<sup>10</sup>

### Fees and charges

Each of the planned increases in fees and charges identified to be used in the cumulative financial impact model are shown in the table below. This does not cover every fee and charge within the budget, these have been selected to provide an indication of potential increases for households. Full details on fees and charges are in the budget papers. This shows the Full (F) and Mitigated (M) increase in cost.

| Fees and charges                       | Increase              | Mitigation  |   | 2 Adults<br>2 Dependent<br>Children<br>1 Older<br>Person | 2 Adults<br>2<br>Dependent<br>Children | 1 Adult<br>2 Dependent<br>Children | 2 Adults<br>(both <66) | 1 Older<br>Person | 2 Adults<br>(both 66+) |
|--|-----------------------|---|---|--|--|------------------------------------|------------------------|-------------------|------------------------|
| Council Tax                            | £122.04 per household | 25% single person discount. Council tax reduction scheme. | F | £122.04  | £122.04                                | £122.04                            | £122.04                | £122.04           | £122.04                |
|  |                       |   | M | £109.84  | £61.02/£109.84                         | £61.02                             | £61.02                 | £61.02/£109.84    | £61.02                 |
| Garden Waste                           | £5 per annum          |   | F | £5.00  | £5.00                                  | £5.00                              | £5.00                  | £5.00             | £5.00                  |
|  |                       |   | M |  |  |                                    |                        |                   |                        |
| Concessionary home to school transport | £44 per child         |   | F | £88.00   | £88.00                                 | £88.00                             |                        |                   |                        |
|  |                       |   | M |  |  |                                    |                        |                   |                        |
| Residential car permit                 | £6 per annum          |   | F | £6.00  | £6.00                                  | £6.00                              | £6.00                  | £6.00             | £6.00                  |
|  |                       |   | M |  |  |                                    |                        |                   |                        |
|  |                       |   | F | £20.80   | £20.80                                 | £20.80                             | £20.80                 | £20.80            | £20.80                 |

|                         |                     |                              |   |         |        |        |    |         |         |
|-------------------------|---------------------|------------------------------|---|---------|--------|--------|----|---------|---------|
| Car parking charges     | £20.80 per annum    | Blue badge holders park free | M | £0      | £0     | £0     | £0 | £0      | £0      |
|                         |                     |                              |   |         |        |        |    |         |         |
| Before school charges   | £1 per child        | No charge for eFSM pupils    | F | £380    | £380   | £380   |    |         |         |
|                         |                     |                              | M | £0      | £0     | £0     |    |         |         |
| Outdoor education       | £8.60 per day visit | 50% discount for eFSM pupils | F | £8.60   | £8.60  | £8.60  |    |         |         |
|                         |                     |                              | M | £4.30   | £4.30  | £4.30  |    |         |         |
| Swimming lessons        | £12 per person      |                              | F | £24.00  | £24.00 | £24.00 |    |         |         |
|                         |                     |                              | M |         |        |        |    |         |         |
| Domiciliary social care | £3.39 per hour      | £100 maximum weekly cap      | F | £881.40 |        |        |    | £881.40 | £881.40 |
|                         |                     |                              | M | £0      |        |        |    | £0      | £0      |
| Community meals         | £0.50p per meals    |                              | F | £130.00 |        |        |    | £130.00 | £260.00 |
|                         |                     |                              | M |         |        |        |    |         |         |

The table below lists the rationale followed whilst assigning increased costs and mitigations to the households in the table above. A number of methods have been replicated based on what has been modelled during previous years. Although it's recognised that the rationale may not be applicable to all households within the county, the table is an attempt to model where certain residents may be impacted to a fuller extent than others.

| Fee and Charge      | Increase              | Rationale for increase  |
|---------------------|-----------------------|---|
| Council Tax         | £122.04 per household | Based on a 7.8% increase from the cost for a Band D property in 23/24. A modelled cost of £109.84 – where a household may receive 10% discount via the council tax reduction scheme. Also, a modelled increase of £61.02 – where a household may receive a 50% discount via the council tax reduction scheme (at a further discounted rate due to the income level of the household). This is an example only, the scheme is calculated on individual circumstances and the entitlement varies. Also £91.53 – where a household may receive 25% discount via the single persons council tax discount. |
| Car parking charges | £20.80 per annum      | Increase based on the scenario of two 1 hourly stays per week.  |

|                         |                     |   |
|-------------------------|---------------------|---|
| Outdoor education       | £8.60 per day visit | Based on the scenario of a single school trip during the year, where the cost isn't subsidised by the school.   |
| Swimming lessons        | £12 per person      | Based on swimming lessons received by each child every month for the whole year.  |
| Domiciliary social care | £3.39 per hour      | Based on the cost of 5 hours of care per week for 52 weeks. The weekly cap of a maximum of £100 would mean that those receiving more than 7.5 hours of care at the cost charged in 2023/24 would likely be hitting the cap, therefore there would be no increase despite the increased price. Although it is recognised the cost is means tested, this has not been modelled. The cap may also increase subject to Welsh Government legislative change, |

<sup>1</sup> <https://fairbydesign.com/wp-content/uploads/2021/02/The-Inequality-of-Poverty-Full-Report.pdf>

<sup>2</sup> [CPI ANNUAL RATE 00: ALL ITEMS 2015=100 - Office for National Statistics \(ons.gov.uk\)](#)

<sup>3</sup> Average weekly earnings in Great Britain: December 2023 [Average weekly earnings in Great Britain - Office for National Statistics \(ons.gov.uk\)](#)

<sup>4</sup> <https://www.monmouthshire.gov.uk/home/counciltaxandbenefits/>

<sup>5</sup> Proposed benefit and pension rates 2024/25 [Proposed benefit and pension rates 2024 to 2025 - GOV.UK \(www.gov.uk\)](#).

<sup>6</sup> National Minimum Wage Rates [National Minimum Wage and National Living Wage rates - GOV.UK \(www.gov.uk\)](#).

<sup>7</sup> Families and the labour market, 2021 [Families and the labour market, UK - Office for National Statistics \(ons.gov.uk\)](#).

<sup>8</sup> Hours worked by part-time workers [Average actual weekly hours of work for part-time workers \(seasonally adjusted\) - Office for National Statistics \(ons.gov.uk\)](#).

<sup>9</sup> Average household income UK [Average household income, UK - Office for National Statistics \(ons.gov.uk\)](#).

<sup>10</sup> Average (median) gross weekly earnings by Welsh local areas and year [Average \(median\) gross weekly earnings by Welsh local areas and year \(£\) \(gov.wales\)](#).

## Appendix E - Responsible Financial Officers Opinion

1.1 The 2003 Local Government Act imposes a number of statutory duties on a Council's Responsible Financial Officer (RFO). Guidance on these duties is contained within LAAP Bulletin 55 and CIPFA's updated Statement on the Role of the Finance Director, compliance with which has been supported by the Council's Governance & Audit Committee. The primary duties are for me, as RFO, to provide a view on the robustness of the budget process, budgetary risk and the adequacy of reserves and balances.

### **Robustness of the budget process**

1.2 In terms of robustness of the budget process, I have placed reliance on the work carried out by members of the Strategic Leadership Team in their Directorates involving budget managers and devolved accountants. The process has been undertaken properly and rigorously with notable elements of good practice. These include;

- The use of the Councils Medium Term Financial Planning tool as an integral part of budget planning.
- Cabinet ownership of budget principles and assumptions through the development of the Medium Term Financial Plan and budget proposals.
- Anticipating likely and known events through the application of appropriate indices for base costs.
- Applying rigour via Directorate Management Teams, Chief Officers, Strategic Leadership Team and Cabinet Member scrutiny.
- Comparing year on year budgets by using 2022/23 outturn and 2023/24 budget monitoring data.
- Looking at a unit cost analysis for services against other Welsh authorities where necessary.
- Providing Scrutiny Committees with opportunity to look at and scrutinize budget monitoring, the in-year budget recovery plan and draft budget proposals, gaining an understanding of the budgets and allowing the committee to scrutinize performance as well as proposed changes within the remit of their scrutiny committee.
- Providing Cabinet and Scrutiny Committees with the assumptions underlying the Medium Term Financial Plan.
- Consulting on budget proposals through face to face and virtual public meetings, the website and social media, and meetings with MyMates, care experienced children, Youth Council representatives, Town and Community Councils, Joint Advisory Group, School Budget Forum, School Governors and Head Teachers.
- Communicating emerging Settlement considerations to Cabinet members.
- Being clear on risks and assumptions within budget proposals and recognising the corporate priorities of the Council and as set out in the Community and Corporate Plan, with reducing the impact of inequality on citizens and climate change on communities being central to all considerations.



- Ensuring all members are involved in the budget setting process by establishing that budget and Council Tax settings is a function of full Council.

1.3 There are a number of explicit risks in the budget proposals now presented given the continued strain on services resulting from the impact on services of the cost of living and health crises and the uncertainties next year and into the medium term. Risks have been identified as the budget proposals have been put together and are captured as part of the MTFP model. Outlined below are the key risks and how they are being managed:

- Continued increase in demand and evidenced based pressures in relation to the financial impact of increasing demand and complexity in children's social services, demographic changes such as increasing elderly population, changes in pupil numbers, increase in special educational need provision and increase in homeless presentations. Where known pressures have been included in the current budget process.
- Directorates are being required to manage some pressures within their service areas as only significant pressures have been highlighted and included in the budget build. Whilst individually these pressures are relatively small in total there is a considerable pressure to be managed alongside the achievement of the budget saving proposals contained as part of this budget.
- A number of the savings proposals and pressures incorporated into the budget proposals involve the generation of income, changes to current structures, systems and processes, consideration of alternative delivery models or have implications for service design involving community, other partners and entities. These savings involve higher levels of deliverability risk than those which broadly maintain current arrangements.
- The need to ensure that the Authority manages within its in-year revenue and capital budgets. The consequence of any resultant overspend removes the ability to replenish reduced levels of earmarked reserve and places an additional risk that Council Fund levels will be compromised below 4%-6% financial planning assumption traditionally volunteered to Members as prudent.
- Significant recurrent pressures evident during in-year monitoring have been addressed as specific pressures in the 2024-25 budget proposals, and furthermore adjustments needed to be made in respect of savings previously volunteered to members and supported by them but that are now not deemed deliverable. The pressures incorporated into the budget proposals for 2024-25 are based on the latest month 9 forecast. A risk remains going into the end of the financial year and in light of the extent of the in-year over spend and increasing pressures in particular in social care. The need for continued and robust monitoring is essential to ensure that there is cost control and continued efforts are made to refrain from non-essential spend.
- Late notification of grant funding streams being removed or reduced. There are still significant specific grant streams that the Council relies upon, that have either not yet been communicated by Welsh Government, have been received late in the budget process or where the impact of notifications is awaiting further clarification. Any funding shortfalls will need to be managed on a case by case basis.
- No allowance for non-pay inflation is afforded in the proposed budget, despite CPI predictions over the medium term. Unless recognised as specific pressures in the budget proposals services will not receive budget to cover the full extent of inflation

factors next year if they turn out as expected. This puts further pressure on service budgets to find efficiencies savings to manage this shortfall. There is an expectation that this would need to be managed within overall directorate budgets.

- Formal confirmation is still awaited from UK Government to confirm its full funding of the planned increase in the employer pension contribution rates for the centrally administered Teachers pension scheme. Provision has been made in the final budget proposals for both the increased costs and the expectation that this will be fully funded. To the extent that it is not fully funded this presents a potential risk and further budget pressure for 2024/25.
- Irrespective of the significant one-off grant funding given to schools and the surplus balances held at the beginning of 2022/23, it is clear that the inherent structural budget deficits that led to a significant number of schools being in deficit over the past few years remain and these will require resolution regardless. The month 9 forecast indicates cumulative school balances now forecast to move into a deficit of £1.35m by the end of the financial year, with sixteen schools now forecast to be in a deficit balance.

Schools will now need to take corrective action with Recovery plans put in place for schools that move into deficit. These will be closely monitored by the LEA and relevant Cabinet members.

- Treasury estimates established in the budget are based on cashflows, timing of capital spend, forecast interest rate levels and capital receipts occurring as planned. Mitigation has already taken place through long term borrowing being undertaken at preferential rates in order to manage interest rate risk and fluctuations, along with a continued use of cash balances ahead of any external borrowing being taken.
- Whilst the Council is not playing a reliance on commercial income generation its commercial activities do naturally present commercial risks. The governance arrangements as recently updated at Full Council confirmed that the monitoring of Investment performance will now transition to the Performance and Overview Scrutiny Committee, separately and through budget monitoring reports.
- The risks on the capital side are largely caused by limited additional capital receipts being foreseen during the next MTFP window, placing an additional emphasis on borrowing going forward, at a time when revenue headroom to afford borrowing is compromised by the extent of annual savings necessary to achieve a balanced budget. The continued need to make use of flexible use of capital receipts to fund revenue costs associated with service reform results in a further depletion of available capital receipts. As such the Council will need to move towards a more sustainable budget strategy over the medium term.
- There are a significant amount of unbudgeted capital pressures and investment plans which can bear on the Council's limited capital resources if policy commitments are made to add further to the capital programme or risks materialize and that require the Council to act to respond to failures in the operational nature of assets.

- 1.4 The already strengthened budget monitoring arrangements will see corrective action being taken as needed by the Strategic Leadership Team in consultation with Cabinet Members. Robust and timely monitoring of the delivery of the savings and budgetary control over expenditure will be critically important in order to mitigate the potential for these risks to materialise. These arrangements will continue to be strengthened via the Financial

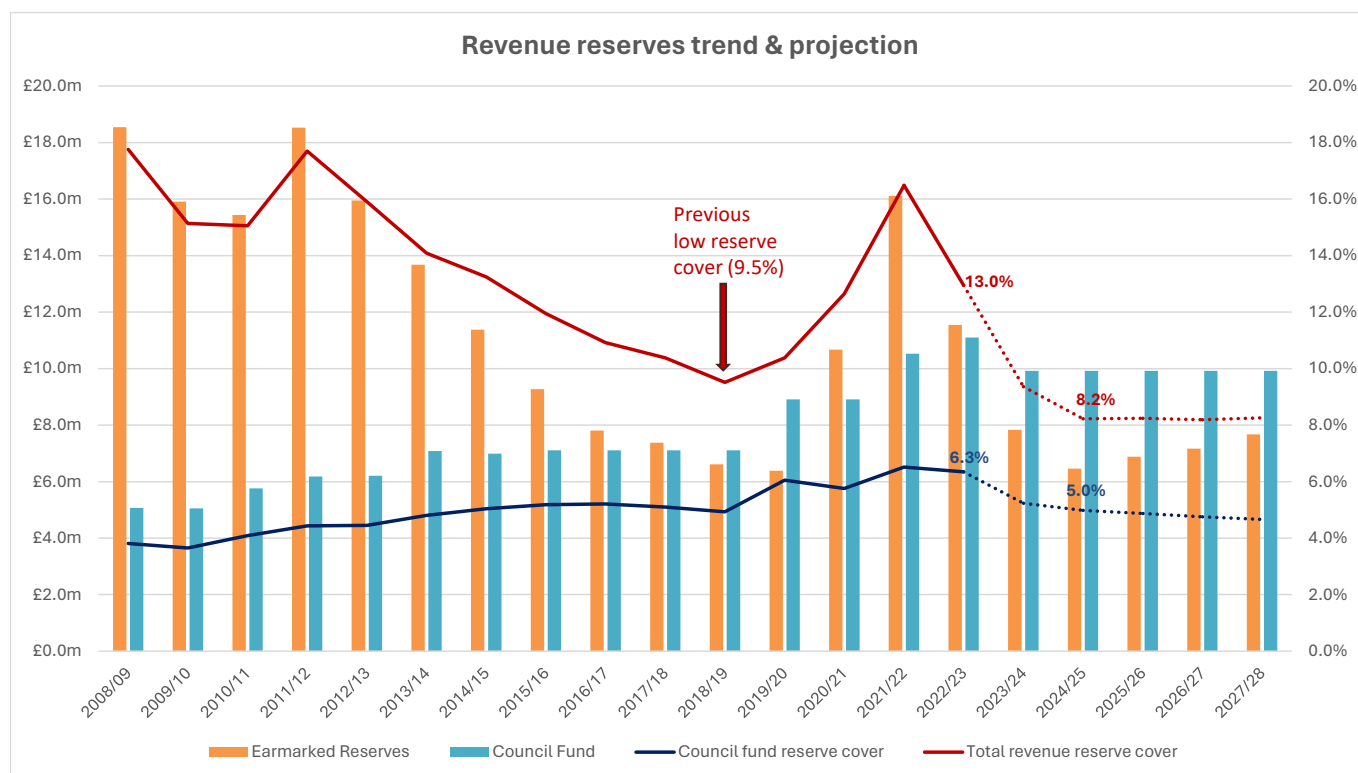
Management Board for next year and that includes increased formal budget monitoring through the year together with targeted focus in social care where the greatest risk and volatility exists.

1.5 Whilst the above risks in the 2024/25 budget have been identified, the main budgetary risks going forward in for the MTFP will also need to be managed and outlined are as follows:

- The increasing challenges with sustaining and maintaining existing service delivery within available capacity and resources in line with the priorities outlined in the Council's community and corporate plan.
- The implications and impact on public services and that result from the longer-term impact of the cost of living and health crises on Monmouthshire's communities and wider economy.
- The consequences of war and natural disasters globally and the impact that this has in supporting refugees and asylum seekers rightly having to be supported.
- The risk and uncertainty around funding settlements projected for the medium term. There are concerns beyond 2024/25 about level of public spending over the medium term and future decisions taken by both UK Government and Welsh Government.
- The impact of higher interest rates and inflation brought about by a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, has the potential to impact on service and treasury budgets respectively, as well as communities more widely.
- The risk of pay awards being greater than modelled budget assumptions and not being fully funded by UK and Welsh Government.
- The consequence of ongoing commitments and expectation to pay in line with National Living Wage and Real Living Wage.
- The financial, service and strategic implications of service redesign needed to deliver savings over the medium term and to allow the Council to transition itself onto a more sustainable financial footing.
- The national and local emphasis on carbon reduction and climate adaptation.
- The deteriorating condition of local roads, associated infrastructure and property.
- Uncertainty and potential budget considerations resulting from the proposed Bus Reform Bill as the proposed franchise model will see significant changes to the current funding model and which could have potential implications on local bus services.
- An ageing population, and that is particularly prevalent in Monmouthshire due to the age demographic in the county.
- Low economic activity leading to increased demand for some services and reduced income in others, with a consequential potential risk and impact on our debt recovery levels in respect of Council tax and chargeable services.

## Adequacy of reserves

1.6 As can be seen from the table below the Council's reserves have been and will be significantly depleted as a consequence of the reserve usage needed to support the budget proposals and subsequent budget recovery action for 2022/23 and 2023/24. This follows a period through the pandemic where reserves were restored as a result of significant Welsh Government funding. The decisions taken to draw on reserves have been carefully considered as the consequence of not doing so would have led to very significant consequences for service delivery. Ultimately a balance had to be struck and given the extent of the inflationary and demand pressures faced as a result of the Cost of Living and Health crises.



1.7 Cabinet were clear in their budget planning framework for 2024/25 that there is a need to progress the Council on a path towards financial sustainability including conserving an appropriate and prudent level of financial resilience. The framework established the principles for general and earmarked reserve use.

1.8 The level of the Council Fund reserve stood at £11.1m at the start of 2023/24, excluding delegated school balances. The budget for 2023/24, as updated for the in-year budget recovery action needed, includes a £1.18m call on the Council Fund reserve. Subject to outturn this reduces the Council Fund reserve to £9.92m.

1.9 The final revenue budget proposals do not include a requirement to use any of the general reserve to balance the budget for 2024/25 in line with the budget planning framework agreed by Cabinet. The level of the reserve remains in the range of 4-6% at 5.86% of net revenue budget and is considered to be at a prudent level.

1.10 The focus therefore turns to the uncertain outlook and future financial challenges and where the headroom in the Council Fund balance is reserved and if required to cover the following, and where mitigating budgetary recovery action is unable to manage such pressures on the Council's budget:

- Any budget pressure in 2024/25 resulting from pay award announcements in excess of the modelling assumptions used in the final budget proposals;
  - Any continuing pressures caused by the cost of living and health care crisis, particularly in the areas of Homelessness, Adult social care and Children's Services;
  - To allow for any future reserve cover to meet any one-off costs across the MTFP and beyond as the Council looks to put its finances back on a sustainable footing, and to the extent that they cannot be funded from capital receipts under Welsh Government guidance allowing for one-off costs of service reform to be met.
- 1.11 Pre pandemic, net school balances had remained at low levels and had reduced to a net deficit balance of £435k at the end of 2019/20. Receipt of unprecedented levels of grant support from Welsh Government during 2020/21 and 2021/22 had looked to ensure support for schools and their pupils during a period of significant disruption to learning. This had resulted in school balances being in surplus at the beginning of 2022/23 of £6.95m.
- 1.12 The investment plans enacted by schools looked to deliver the best learning outcomes for pupils in line with the purpose of the grant funding provided. At the beginning of 2023/24 school balances had reduced to £4.26m as a result.
- 1.13 Irrespective of the significant one-off grant funding given to schools and the surplus balances held at the beginning of 2022/23, it is clear that the inherent structural budget deficits that led to a significant number of schools being in deficit over the past few years remain and these will require resolution regardless. The month 9 forecast highlights a forecast draw of £5.6m on schools delegated balances, an increased draw of £1.85m since the previous forecast and with cumulative school balances now forecast to move into a deficit of £1.35m by the end of the financial year, with sixteen schools now forecast to be in a deficit balance.
- 1.14 School balances are designed to provide a level of financial resilience to mitigate and smooth such risks and are not expected to fund ongoing day-to-day expenditure. Officers will continue to work closely with those schools of concern and look to aid the return to a more sustainable budget plan over the medium term without impacting on educational standards.
- 1.15 Recovery plans are put in place for schools that move into deficit and these are being closely monitored by the LEA and relevant Cabinet members.
- 1.16 The total planned use of earmarked reserves in support of the 2024/25 revenue and capital budget is £1.38m. Earmarked reserve use is only planned to meet one-off costs and in line with a specific reserve's intended purpose and use.
- 1.17 Total planned reserve use in support of current year revenue and capital budgets means that by the end of 2023/24 the balance of earmarked reserves is likely to be £7.84m. The further call in 2024/25 means that the earmarked reserves will then fall to £6.46m, with the useable balance down to £3.93m. The low level of revenue reserves now requires the reserves policy to adapt such that revenue reserves are very much protected to provide cover for foreseen or unforeseen risks that might result. Improved budget management and discipline going forward will need to ensure that in-year over spends are quickly identified and to the extent they cannot be mitigated for in-year savings to be found.

- 1.18 Useable capital receipts also provide a limited one-off resource to support financing of the capital programme. In recent years the Council has also made use of Welsh Government's guidance allowing flexible use of capital receipts to meet one-off costs associated with service reform. The Council has needed to make use of this flexibility since 2019/20. The planned use in 2023/24 has been extended to support the budget recovery plan and will continue for 2024/25.
- 1.19 Useable capital receipts are forecast to reduce to £4.97m by the end of 2027/28 based on the capital MTFP. The continued use of capital receipts for this purpose is recognized as a necessary approach to support the Council to transition itself on to a more sustainable financial footing. However this is not a sustainable approach in itself and has the added consequence of requiring the Council to fund any further and future capital investment through prudential borrowing where it cannot be met from other sources.
- 1.20 My judgement, taking into account the current month 9 budget forecast, the 2024/25 budget proposals, the medium-term outlook and its associated risks and notably around funding certainty, is to certify that reserves are adequate but at a minimum acceptable level. Both in terms of the quantum of earmarked reserves as well as the General Reserve. However, given that the financial outlook is not set to improve significantly into the medium term, and fundamentally remains uncertain it is vital that the reserve position continues to be closely monitored and balances protected or where possible replenished. This will require continued sound budget management in future years and close Cabinet scrutiny such as to ensure that reserve use is seen as exceptional and to deal with foreseen or unforeseen risks crystallizing.
- 1.21 Extra savings may need to be drawn up and communicated to members after the budget process, if the 2023-24 outturn position or in-year forecasts in 2024-25 indicate at any stage a Council Fund balance falling below 4%. Alongside this a full review of the reserves policy will be undertaken and in readiness for the financial strategy and plan over the MTFP period. Which will be developed and be informed by an updated Community and Corporate plan and will ensure that the Council's finances remain on secure and sustainable path.
- 1.22 The schedule of reserves estimated at the end of the financial year is included as an appendix to the budget report.

Peter Davies  
Deputy Chief Executive (S151 Officer)  
Responsible Financial Officer



**Appendix F - Reserves usage 2024/25 and Forecast reserve balances**

| <b>Budgeted revenue reserve usage 2024/25</b>  |   |  |  |   |   |
|--|---|--|--|---|---|
| <b>Reserve</b>                                 | <b>01/04/2024<br/>Forecast<br/>£000's</b> | <b>Contributions<br/>To (Revenue)<br/>£000's</b> | <b>Contributions<br/>From (Revenue)<br/>£000's</b> | <b>Contribution<br/>From (Capital)<br/>£000's</b> | <b>31/03/2025<br/>Forecast<br/>£000's</b> |
| Council Fund                                   | 9,920                                     |  |  |   | 9,920                                     |
| School Balances                                | -1,351                                    |  |  |   | -1,351                                    |
| Sub Total Council Fund                         | 8,569                                     | 0  | 0  | 0   | 8,569                                     |
| <i>Specific Earmarked Reserves:</i>            |   |  |  |   |   |
| Invest to Redesign                             | -73                                       | 0  | 0  | 0   | -73                                       |
| IT Transformation                              | 564                                       | 0  | 0  | -103  | 461                                       |
| Insurance and Risk Management                  | 925                                       | 0  | 0  | 0   | 925                                       |
| Capital Receipt Generation                     | 314                                       | 0  | 0  | 0   | 314                                       |
| Treasury Equalisation                          | 1,597                                     | 0  | -1,007   | 0   | 590                                       |
| Redundancy and Pensions                        | 681                                       | 0  | -88  | 0   | 593                                       |
| Capital Investment                             | 625                                       | 0  | 0  | 0   | 625                                       |
| Priority Investment                            | 207                                       | 0  | -207   | 0   | -0  |
| Council tax premium                            | 0   | 755  | -253   | 0   | 502                                       |
| Sub Total Specific Earmarked Reserves          | 4,840                                     | 755  | -1,555   | -103  | 3,937                                     |
| Partnership Reserves                           | 2,093                                     | 50   | -400   | 0   | 1,743                                     |
| Service Reserves                               | 902                                       | 28   | 0  | -150  | 780                                       |
| Total Service & Partnership Earmarked Reserves | 2,995                                     | 78   | -400   | -150  | 2,523                                     |
|  |   |  |  |   |   |
| Total useable revenue reserves                 | 16,404                                    | 833  | -1,955   | -253  | 15,029                                    |

| Useable revenue reserves forecast     |               |               |               |               |               |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Financial Year ending                 | 2024          | 2025          | 2026          | 2027          | 2028          |
|                                       | £000          | £000          | £000          | £000          | £000          |
| <b><i>Council Fund</i></b>            |               |               |               |               |               |
| Council Fund                          | 9,920         | 9,920         | 9,920         | 9,920         | 9,920         |
| School Balances                       | (1,351)       | (1,351)       | (1,351)       | (1,351)       | (1,351)       |
| <b>Total General Fund balance</b>     | <b>8,569</b>  | <b>8,569</b>  | <b>8,569</b>  | <b>8,569</b>  | <b>8,569</b>  |
| <i>Specific Earmarked reserves:</i>   |               |               |               |               |               |
| Invest to Redesign Reserve            | (73)          | (73)          | (73)          | (73)          | (73)          |
| IT Transformation Reserve             | 564           | 461           | 358           | 255           | 152           |
| Insurances & Risk Management Reserve  | 925           | 925           | 925           | 925           | 925           |
| Capital Receipt Generation Reserve    | 314           | 314           | 314           | 314           | 314           |
| Treasury Equalisation Reserve         | 1,597         | 590           | 590           | 590           | 590           |
| Redundancy and Pensions Reserve       | 681           | 593           | 505           | 417           | 329           |
| Capital Investment Reserve            | 625           | 625           | 625           | 625           | 625           |
| Priority Investment Reserve           | 207           | (0)           | (0)           | (0)           | (0)           |
| Council Tax Premium Reserve           | 0             | 502           | 1,037         | 1,612         | 2,227         |
| Pay Inflation Reserve                 | (0)           | (0)           | (0)           | (0)           | (0)           |
| <b>Sub Total Earmarked Reserves</b>   | <b>4,840</b>  | <b>3,937</b>  | <b>4,281</b>  | <b>4,664</b>  | <b>5,089</b>  |
| Service & Partnership Reserves        | 2,995         | 2,523         | 2,601         | 2,504         | 2,582         |
| <b>Total Useable Revenue Reserves</b> | <b>16,404</b> | <b>15,029</b> | <b>15,451</b> | <b>15,737</b> | <b>16,240</b> |

Appendix G – Provisional Welsh Government Settlement Data

Table 1a: Change in Aggregate External Finance (AEF), adjusted for transfers, by Unitary Authority (£000)

| Unitary Authority                | 2023-24 Final Aggregate External Finance [Note 1] | 2024-25 Provisional Aggregate External Finance | Percentage difference | Rank |
|----------------------------------|---|--|-----------------------|------|
| Isle of Anglesey                 | 123,866   | 126,973  | 2.5%                  | 17   |
| Gwynedd                          | 227,541   | 232,092  | 2.0%                  | 21   |
| Conwy                            | 198,736   | 202,710  | 2.0%                  | 21   |
| Denbighshire                     | 187,785   | 194,744  | 3.7%                  | 4    |
| Flintshire                       | 251,959   | 257,555  | 2.2%                  | 20   |
| Wrexham                          | 224,722   | 231,963  | 3.2%                  | 8    |
| Powys                            | 228,558   | 234,940  | 2.8%                  | 11   |
| Ceredigion                       | 129,341   | 132,715  | 2.6%                  | 14   |
| Pembrokeshire                    | 212,626   | 217,999  | 2.5%                  | 16   |
| Carmarthenshire                  | 338,439   | 349,441  | 3.3%                  | 7    |
| Swansea                          | 417,588   | 433,590  | 3.8%                  | 3    |
| Neath Port Talbot                | 276,915   | 284,624  | 2.8%                  | 12   |
| Bridgend                         | 250,557   | 257,978  | 3.0%                  | 10   |
| The Vale of Glamorgan            | 202,631   | 208,896  | 3.1%                  | 9    |
| Rhondda Cynon Taf                | 471,049   | 484,112  | 2.8%                  | 13   |
| Merthyr Tydfil                   | 118,886   | 122,923  | 3.4%                  | 5    |
| Caerphilly                       | 340,037   | 347,726  | 2.3%                  | 19   |
| Blaenau Gwent                    | 139,809   | 143,433  | 2.6%                  | 15   |
| Torfaen                          | 172,265   | 177,989  | 3.3%                  | 6    |
| Monmouthshire                    | 122,561   | 125,355  | 2.3%                  | 18   |
| Newport                          | 289,306   | 302,973  | 4.7%                  | 1    |
| Cardiff                          | 594,712   | 618,959  | 4.1%                  | 2    |
| <b>Total unitary authorities</b> | <b>5,519,889</b>                                  | <b>5,689,689</b>                               | <b>3.1%</b>           |      |

Table 1c: Aggregate External Finance (AEF) per capita, by Unitary Authority, 2024-25

| Unitary Authority                | 2024-25 Provisional Aggregate External Finance | Aggregate External Finance per capita (£) [Note 2] | Rank |
|----------------------------------|--|--|------|
| Isle of Anglesey                 | 126,973  | 1,839  | 12   |
| Gwynedd                          | 232,092  | 1,974  | 7    |
| Conwy                            | 202,710  | 1,774  | 14   |
| Denbighshire                     | 194,744  | 2,017  | 4    |
| Flintshire                       | 257,555  | 1,658  | 20   |
| Wrexham                          | 231,963  | 1,713  | 18   |
| Powys                            | 234,940  | 1,755  | 16   |
| Ceredigion                       | 132,715  | 1,853  | 10   |
| Pembrokeshire                    | 217,999  | 1,753  | 17   |
| Carmarthenshire                  | 349,441  | 1,848  | 11   |
| Swansea                          | 433,590  | 1,797  | 13   |
| Neath Port Talbot                | 284,624  | 2,002  | 5    |
| Bridgend                         | 257,978  | 1,765  | 15   |
| The Vale of Glamorgan            | 208,896  | 1,565  | 21   |
| Rhondda Cynon Taf                | 484,112  | 2,025  | 3    |
| Merthyr Tydfil                   | 122,923  | 2,088  | 2    |
| Caerphilly                       | 347,726  | 1,974  | 6    |
| Blaenau Gwent                    | 143,433  | 2,140  | 1    |
| Torfaen                          | 177,989  | 1,917  | 8    |
| Monmouthshire                    | 125,355  | 1,335  | 22   |
| Newport                          | 302,973  | 1,876  | 9    |
| Cardiff                          | 618,959  | 1,663  | 19   |
| <b>Total unitary authorities</b> | <b>5,689,689</b>                               | <b>1,817</b>                                       |      |

**Table 7: List and estimated amounts of Grants for total Wales (£000)**

| <b>Portfolio and Grant Name</b>  | <b>2023-24</b> | <b>2024-25</b> |
|--|----------------|----------------|
| <b><u>Total Education and Welsh Language (of which below)</u></b>                                | <b>619,582</b> | <b>620,735</b> |
| Pupil Development Grant [Note 44]  | 120,803        | 0              |
| Education Improvement Grant (EIG) [Note 44]  | 115,196        | 0              |
| Local Authority Post-16 Education School Sixth Forms Provision (Mainstream Funding) [Note 45]    | 113,892        | 113,892        |
| Universal Primary Free School Meals [Note 46]  | 62,988         | 93,500         |
| Regional Consortia Grant [Note 44]   | 40,792         | 0              |
| Recruit Recover Raise Standards – the Accelerating Learning Programme [Note 44]                  | 37,500         | 0              |
| Teachers Pay [Note 47]   | 21,267         | 0              |
| School Essentials [Note 46]  | 13,596         | 13,096         |
| Additional Learning Needs Implementation [Note 44]   | 11,997         | 0              |
| Transition support for Minority Ethnic and Gypsy, Roma, Traveller learners [Note 44]             | 11,000         | 0              |
| Youth Support Grant  | 10,806         | 11,483         |
| Additional Learning Needs Provision [Note 44]  | 9,155          | 0              |
| Free School Meals - Holiday provision [Note 47]  | 8,958          | 0              |
| Community Focussed Schools [Note 44]   | 7,225          | 0              |
| Pupil Development Grant - Consortia [Note 44]  | 6,928          | 0              |
| Adult Community Learning Provision [Note 45]   | 6,479          | 6,479          |
| Foundation Phase Nursery (FPN) Funding [Note 44]   | 5,268          | 0              |
| Grant to support and promote a whole school approach to Emotional and Mental Wellbeing [Note 44] | 3,550          | 0              |
| Welsh in Education [Note 44]   | 2,671          | 0              |
| Education Welfare Officers [Note 44]   | 2,500          | 0              |
| Late Welsh Immersion Grant [Note 44]   | 2,200          | 0              |
| Welsh Education Grant – Consortia [Note 44]  | 1,829          | 0              |
| Elective Home Education [Note 44]  | 1,709          | 0              |
| Online Individual Development Plan Grant [Note 44]   | 924            | 0              |
| Promote and Facilitate the use of the Welsh Language [Note 44]                                   | 348            | 0              |
| Virtual Schools [Note 47]  | TBC            | 0              |
| SEREN  | TBC            | TBC            |
| Post-16 Specialist Placements [Note 46]  | TBC            | TBC            |
| National Professional Qualification for Headship (NPQH) [Note 46]                                | TBC            | TBC            |
| Local Authority Education Grant - Schools Standards [Note 44]                                    | 0              | 159,864        |
| Local Authority Education Grant - Equity [Note 44]   | 0              | 154,865        |
| Local Authority Education Grant - Reform [Note 44]   | 0              | 54,405         |
| Local Authority Education Grant - Cymraeg 2050 [Note 44]   | 0              | 9,700          |
| Mutual Investment Model - Revenue  | 0              | 3,451          |
| <b><u>Total Climate Change (of which below)</u></b>  | <b>380,077</b> | <b>346,954</b> |
| Housing Support Grant  | 169,202        | 169,348        |
| Mandatory Concessionary Fares  | 60,483         | 60,483         |
| Bus Emergency Scheme   | 42,000         | 39,000         |
| Bus Services Support   | 24,800         | 24,800         |
| Sustainable Waste Management Grant   | 16,400         | TBC            |

|   |                |                |
|---|----------------|----------------|
| Homelessness - No One Left Approach   | 15,000         | 10000          |
| Homelessness - Discretionary Homelessness Prevention                                    | 12,500         | 6,000          |
| Coastal Risk Management Programme   | 11,359         | 11,326         |
| Cardiff Harbour Authority   | 6,078          | 6,126          |
| Flood and Coastal Erosion Risk Management   | 5,250          | 4,950          |
| Cleddau Bridge removal of tolls (A477)  | 3,000          | 3,000          |
| Affordable Housing Grant  | 2,515          | 2,515          |
| Youth Discounted Travel (My Travel Pass)  | 2,000          | 2,000          |
| Road Safety Grant   | 1,749          | 1,900          |
| Leasing Scheme Wales (Revenue)  | 1,555          | 2,599          |
| Local Area Energy Planning - Technical Support [Note 39]                                | 1,427          | 0              |
| Homelessness - Strategic Posts  | 1,320          | 1320           |
| Transforming Towns Revenue Programme  | 1,000          | TBC            |
| Local Air Quality Support   | 750            | TBC            |
| PRS Leasing Scheme Pathfinder (Revenue)   | 577            | 530            |
| Local Area Energy Planning - Resource Support [Note 39]                                 | 457            | 407            |
| Resilient AONB programme  | 350            | 350            |
| AONB Sustainable Development Fund – Revenue   | 100            | 100            |
| Rural Housing Enabler   | 58             | 58             |
| South Wales Regional Aggregate Working Party (RAWP)                                     | 50             | 50             |
| Waste Planning Monitoring Report – North Wales and South East Wales                     | 48             | 48             |
| North Wales Regional Aggregate Working Party (RAWP)                                     | 25             | 25             |
| Waste Planning Monitoring Report – South West Wales                                     | 19             | 19             |
| Implementation of measures to tackle nitrogen dioxide exceedance                        | 5              | 0              |
| <b>Total Health and Social Services (of which below)</b>                                | <b>280,110</b> | <b>250,501</b> |
| Children and Communities Grant (CCG)  | 171,744        | 174,583        |
| Social Care Workforce Grant   | 45,000         | 35,000         |
| Childcare Offer [Note 48]   | 20,000         | 0              |
| Support proposals relating to eliminating profit from the care of looked after children | 15,509         | 0              |
| Support proposals relating to radical reform of the care of looked after children       | 9,395          | 0              |
| Early Years Intergration Transformation Grant   | 6,000          | TBC            |
| Childcare Offer- Administration Grant   | 3,250          | 3,250          |
| Adoption Services   | 2,300          | 0              |
| Additional Support Grant – Childcare Offer  | 2,000          | 2,000          |
| Funding for local authorities to support age friendly communities                       | 1,100          | 1,100          |
| Increasing Play Opportunities Grant   | 1,000          | TBC            |
| Implementation of the Performance and Improvement Framework                             | 880            | 880            |
| Foster Wales  | 559            | 0              |
| National Approach to Statutory Advocacy for Children and Young People                   | 550            | 550            |
| Connected Communities, Loneliness and Social Isolation Fund                             | 477            | 477            |
| Adoption Register for Wales   | 219            | 220            |
| Safeguarding Boards – training  | 72             | 72             |
| Data Officer to support Eliminate Profit PfG  | 30             | 30             |
| Maintenance of Wales Safeguarding Procedures  | 25             | 25             |

|  |                  |                  |
|--|------------------|------------------|
| Support proposals relating to eliminating profit from the care of looked after children & relating to radical reform of childrens services | 0                | 28,605           |
| Adoption Services, Foster Wales and Adopt Cymru  | 0                | 3,709            |
| <b><u>Total Finance and Local Government (of which below)</u></b>  | <b>130,382</b>   | <b>79,530</b>    |
| Retail, Leisure and Hospitality Rates Relief [Note 21]   | 129,510          | 78,730           |
| Child Burials and Cremation Fees and Additional Financial Support Grant  | 800              | 800              |
| Assets Collaboration Programme Wales Phase 3   | 72               | TBC              |
| <b><u>Total Mental Health and Wellbeing (of which below)</u></b>   | <b>42,063</b>    | <b>44,063</b>    |
| Substance Misuse Action Fund [Note 22]   | 39,063           | 41,063           |
| Deprivation of Liberty Safeguards (DoLS)   | 3,000            | 3,000            |
| <b><u>Total Economy (of which below)</u></b>   | <b>31,593</b>    | <b>24,489</b>    |
| Communities for Work+  | 27,268           | 16,834           |
| Arfor 2  | 4,000            | 7,000            |
| Tech Valleys programme   | 175              | 180              |
| Event Wales  | 125              | 475              |
| Mid Wales Sites & Premises Programme Development   | 25               | 0                |
| <b><u>Total Social Justice &amp; Chief Whip and Social Partnership (of which below)</u></b>  | <b>6,947</b>     | <b>6,537</b>     |
| Period Dignity in Schools and Communities  | 2,923            | 2,523            |
| Violence Against Women, Domestic Abuse and Sexual Violence - Revenue Grant   | 2,794            | 2,794            |
| Community Cohesion   | 1,120            | 1,120            |
| Violence Against Women Domestic Abuse and Sexual Violence - Revenue Grant - Ask and Act  | 90               | 90               |
| Armed Forces Day   | 20               | 10               |
| <b><u>Total Rural Affairs &amp; N.Wales, &amp; Trefnydd (of which below)</u></b>   | <b>1,090</b>     | <b>1,014</b>     |
| Animal Licensing Wales   | 890              | 914              |
| LA Animal Health & Welfare Partnership Delivery Plan   | 200              | 100              |
| <b><u>Total Arts, Sport &amp; Tourism (of which below)</u></b>   | <b>199</b>       | <b>379</b>       |
| Culture Revenue Grant  | 179              | 179              |
| Specialist Service Grants  | 20               | 200              |
| <b>All Grants</b>  | <b>1,492,042</b> | <b>1,374,201</b> |
| <b>All Grants excluding TBC and RSG transfers (for like-for like comparison)</b>   | <b>1,466,021</b> |                  |



## Appendix H – Revenue budget service groupings

| Directorate                        | Services  |
|------------------------------------|---|
| Children and Young People          | Individual school budgets<br>School improvement<br>Supporting children with Additional Learning Needs<br>Emergency Planning   |
| Social Care, Health & Safeguarding | Adults social care<br>Services to vulnerable children and families<br>Public protection<br>Trading standards<br>Licencing<br>Registrars   |
| Communities & Place                | Economic development<br>Waste and recycling<br>Grounds maintenance<br>Highways maintenance<br>Streetlighting<br>Passenger transport<br>Fleet maintenance<br>Schools catering<br>Planning & building control<br>Car parks<br>Civil parking enforcement<br>Traffic & road safety<br>Highways design & development<br>Flooding<br>Decarbonisation<br>Housing & homelessness<br>Procurement |
| Resources                          | Finance<br>ICT<br>Estates<br>Property services<br>Commercial activities   |
| Law & Governance                   | Member support<br>Democratic services<br>Legal services<br>Land charges   |
| Chief Executive's Unit             | Welsh language<br>Equalities<br>Training  |

|                     |   |
|---------------------|---|
|                     | Human Resources & Payroll<br>Complaints<br>Scrutiny<br>Performance & Data<br>Partnerships   |
| MonLife             | Tourism<br>Countryside Access and Rights of way<br>Leisure Services<br>Active Travel<br>Youth Service<br>Cultural & Heritage services<br>Attractions<br>Markets<br>Borough Theatre<br>Communications & Engagement<br>Contact centre<br>Community hubs<br>Library Services<br>Community learning |
| Corporate Costs     | Precepts & levies<br>Insurances<br>Non-allocated costs  |
| Financing           | Core Welsh Government funding (AEF)<br>Council tax income   |
| Treasury & Reserves | Costs of borrowing<br>Contributions to/from earmarked reserves  |

Appendix I - Final Capital budget 2024/25 and indicative budget 2025/26 to 2027/28

| Scheme  | Final Budget<br>2024/25 | Indicative<br>Budget<br>2025/26 | Indicative<br>Budget<br>2026/27 | Indicative<br>Budget<br>2027/28 |
|---|-------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>Expenditure</b>  | <b>£</b>                | <b>£</b>                        | <b>£</b>                        | <b>£</b>                        |
| Property Maintenance  | 1,653,357               | 1,653,357                       | 1,653,357                       | 1,653,357                       |
| Property Maintenance Fees                                   | 236,194                 | 236,194                         | 236,194                         | 236,194                         |
| County Farms Maintenance                                    | 250,773                 | 300,773                         | 300,773                         | 300,773                         |
| Upgrade School Kitchens                                     | 39,725                  | 39,725                          | 39,725                          | 39,725                          |
| Decarbonisation Surveys                                     | 100,000                 | 0                               | 0                               | 0                               |
| Depot H&S Improvements                                      | 350,000                 | 0                               | 0                               | 0                               |
| <b>Asset Management Schemes</b>                             | <b>2,630,049</b>        | <b>2,230,049</b>                | <b>2,230,049</b>                | <b>2,230,049</b>                |
| Abergavenny 3-19 school                                     | 19,456,606              | 4,151,797                       | 0                               | 0                               |
| <b>School Development Schemes</b>                           | <b>19,456,606</b>       | <b>4,151,797</b>                | <b>0</b>                        | <b>0</b>                        |
| Carriageway major works                                     | 1,448,540               | 1,136,540                       | 1,136,540                       | 1,136,540                       |
| Carriageway minor works                                     | 1,500,000               | 500,000                         | 500,000                         | 500,000                         |
| Safety fence upgrades                                       | 76,181                  | 76,181                          | 76,181                          | 76,181                          |
| Highways additional improvements                            | 812,000                 | 812,000                         | 812,000                         | 812,000                         |
| Footway Reconstruction                                      | 338,453                 | 197,453                         | 197,453                         | 197,453                         |
| Reconstruction of bridges & retaining walls                 | 590,041                 | 449,041                         | 449,041                         | 449,041                         |
| Road safety & trafficman programme                          | 161,508                 | 129,508                         | 129,508                         | 129,508                         |
| Signing upgrades & disabled facilities                      | 38,091                  | 38,091                          | 38,091                          | 38,091                          |
| Street Lighting Defect Column Programme                     | 171,408                 | 171,408                         | 171,408                         | 171,408                         |
| Flood Alleviation Schemes                                   | 30,427                  | 11,427                          | 11,427                          | 11,427                          |
| Drainage & Gully works                                      | 375,000                 | 375,000                         | 375,000                         | 375,000                         |
| Structural Repairs - Public rights of way                   | 118,091                 | 118,091                         | 118,091                         | 118,091                         |
| Survey's and Closures - Public rights of way                | 90,000                  | 90,000                          | 90,000                          | 90,000                          |
| Ash Dieback/Dangerous Trees works                           | 200,000                 | 100,000                         | 100,000                         | 100,000                         |
| Grounds and Cleansing PSPO implementation                   | 45,000                  | 0                               | 0                               | 0                               |
| Depots – Feasibility works: Transport Depot South of County | 150,000                 | 0                               | 0                               | 0                               |
| <b>Infrastructure &amp; Transport Schemes</b>               | <b>6,144,740</b>        | <b>4,204,740</b>                | <b>4,204,740</b>                | <b>4,204,740</b>                |
| Capital Region City Deal                                    | 0                       | 730,200                         | 730,200                         | 730,200                         |
| Solar Farm development costs                                | 150,000                 | 0                               | 0                               | 0                               |
| <b>Regeneration Schemes</b>                                 | <b>150,000</b>          | <b>730,200</b>                  | <b>730,200</b>                  | <b>730,200</b>                  |
| Disabled Facilities Grant                                   | 900,000                 | 900,000                         | 900,000                         | 900,000                         |
| Access for all - Schools                                    | 50,000                  | 50,000                          | 50,000                          | 50,000                          |
| Access For All  | 200,000                 | 250,000                         | 250,000                         | 250,000                         |
| <b>Inclusion Schemes</b>                                    | <b>1,150,000</b>        | <b>1,200,000</b>                | <b>1,200,000</b>                | <b>1,200,000</b>                |
| ICT Desktop replacement                                     | 150,000                 | 260,000                         | 260,000                         | 260,000                         |
| Network Estate replacement                                  | 50,000                  | 50,000                          | 50,000                          | 50,000                          |
| SRS capital reserve contribution                            | 61,000                  | 61,000                          | 61,000                          | 61,000                          |
| Ransomware & security software                              | 42,000                  | 42,000                          | 42,000                          | 42,000                          |
| <b>ICT Schemes</b>  | <b>303,000</b>          | <b>413,000</b>                  | <b>413,000</b>                  | <b>413,000</b>                  |
| Vehicle Leasing   | 1,500,000               | 1,500,000                       | 1,500,000                       | 1,500,000                       |
| <b>Vehicles Leasing</b>                                     | <b>1,500,000</b>        | <b>1,500,000</b>                | <b>1,500,000</b>                | <b>1,500,000</b>                |
| Capitalisation Directive                                    | 3,357,500               | 507,500                         | 507,500                         | 507,500                         |
| <b>Capitalisation Directive</b>                             | <b>3,357,500</b>        | <b>507,500</b>                  | <b>507,500</b>                  | <b>507,500</b>                  |
| Fixed Asset Disposal Costs                                  | 50,000                  | 50,000                          | 50,000                          | 50,000                          |
| Match Funding of Grant applications                         | 500,000                 | 500,000                         | 500,000                         | 500,000                         |
| Unallocated funding   | 0                       | 20,000                          | 20,000                          | 20,000                          |
| <b>Other Schemes</b>  | <b>550,000</b>          | <b>570,000</b>                  | <b>570,000</b>                  | <b>570,000</b>                  |
| <b>Total Expenditure</b>                                    | <b>35,241,896</b>       | <b>15,507,287</b>               | <b>11,355,490</b>               | <b>11,355,490</b>               |

| Funding                           | £                   | £                   | £                   | £                   |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Supported Borrowing</b>        | <b>(2,436,000)</b>  | <b>(2,436,000)</b>  | <b>(2,436,000)</b>  | <b>(2,436,000)</b>  |
| <b>Unsupported Borrowing</b>      | <b>(10,553,533)</b> | <b>(4,285,113)</b>  | <b>(3,846,990)</b>  | <b>(3,846,990)</b>  |
| <b>Grants &amp; Contributions</b> | <b>(16,351,863)</b> | <b>(6,215,674)</b>  | <b>(2,502,000)</b>  | <b>(2,502,000)</b>  |
| <b>Reserve Funded</b>             | <b>(253,000)</b>    | <b>(103,000)</b>    | <b>(103,000)</b>    | <b>(103,000)</b>    |
| <b>Capital Receipts</b>           | <b>(4,147,500)</b>  | <b>(967,500)</b>    | <b>(967,500)</b>    | <b>(967,500)</b>    |
| <b>Vehicle Lease Financing</b>    | <b>(1,500,000)</b>  | <b>(1,500,000)</b>  | <b>(1,500,000)</b>  | <b>(1,500,000)</b>  |
| <b>Total Funding</b>              | <b>(35,241,896)</b> | <b>(15,507,287)</b> | <b>(11,355,490)</b> | <b>(11,355,490)</b> |

## Appendix J - 2024/25 Prudential indicators

| Capital Expenditure | 2024/25<br>Budget<br>£m | 2025/26<br>Budget<br>£m | 2026/27<br>Budget<br>£m | 2026/27<br>Budget<br>£m |
|---------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Total               | 35.2                    | 15.5                    | 11.4                    | 11.4                    |

| Capital Financing                              | 2024/25<br>Budget<br>£m | 2025/26<br>Budget<br>£m | 2026/27<br>Budget<br>£m | 2026/27<br>Budget<br>£m |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| External Sources (Grants & S106 Contributions) | 16.4                    | 6.2                     | 2.5                     | 2.5                     |
| Own Resources (Capital receipt and reserves)   | 4.4                     | 1.1                     | 1.1                     | 1.1                     |
| Borrowing & other Debt (including leasing)     | 14.5                    | 8.2                     | 7.8                     | 7.8                     |
| Total  | 35.2                    | 15.5                    | 11.4                    | 11.4                    |

| Gross Debt Forecast compared to CFR          | 2024/25<br>Estimate<br>£m | 2025/26<br>Estimate<br>£m | 2026/27<br>Estimate<br>£m | 2026/27<br>Estimate<br>£m |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Debt (Inc. PFI, leases, right of use assets) | 197.8                     | 199.0                     | 199.5                     | 201.1                     |
| Capital Financing Requirement (Total)        | 227.0                     | 226.4                     | 225.1                     | 224.1                     |

| Operational & Authorised Borrowing Limits                | 2024/25<br>Estimate<br>£m | 2025/26<br>Estimate<br>£m | 2026/27<br>Estimate<br>£m | 2026/27<br>Estimate<br>£m |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Operational Boundary - borrowing                         | 252.6                     | 253.5                     | 253.8                     | 254.2                     |
| Operational Boundary - PFI, leases & right of use assets | 2.8                       | 2.8                       | 2.8                       | 2.8                       |
| <b>Operational Boundary - total external debt</b>        | <b>255.4</b>              | <b>256.3</b>              | <b>256.6</b>              | <b>257.0</b>              |
| Authorised limit - borrowing                             | 268.0                     | 268.9                     | 269.2                     | 269.6                     |
| Authorised Limit - PFI, leases & right of use assets     | 3.8                       | 3.8                       | 3.8                       | 3.8                       |
| <b>Authorised Limit - total external debt</b>            | <b>271.8</b>              | <b>272.7</b>              | <b>272.9</b>              | <b>273.4</b>              |

| Proportion of Financing Costs to net revenue stream | 2024/25<br>Estimate<br>£m | 2025/26<br>Estimate<br>£m | 2026/27<br>Estimate<br>£m | 2026/27<br>Estimate<br>£m |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Net Interest payable                                | 5.9                       | 6.9                       | 7.1                       | 7.1                       |
| MRP   | 6.2                       | 6.7                       | 7.0                       | 6.7                       |
| <b>Total Financing costs</b>                        | <b>12.1</b>               | <b>13.7</b>               | <b>14.0</b>               | <b>13.8</b>               |
| Net Revenue Stream                                  | 198.5                     | 203.2                     | 208.1                     | 213.2                     |
| <b>Proportion of net revenue stream %</b>           | <b>6.09%</b>              | <b>6.72%</b>              | <b>6.74%</b>              | <b>6.48%</b>              |

# Appendix K

## Capital Strategy & Treasury Management Strategy 2024/25

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### **Capital Strategy**

- 1.1. The requirement for Local Councils to produce an annual Capital Strategy is outlined in the most recent update of the CIPFA Prudential Code, published in 2021.
- 1.2. In order to demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, Councils should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.
- 1.3. As local Councils become increasingly complex and diverse it is vital that those charged with governance understand the long-term context in which investment decisions are made and the financial risks to which the Council is exposed.
- 1.4. With local Councils having increasingly wide powers around commercialisation, more being subject to group arrangements and the increase in combined Council arrangements it is no longer sufficient to consider only the individual local Council; the residual risks and liabilities to which it is subject should also be considered.
- 1.5. The Capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The development of a capital strategy allows flexibility to engage with full council to ensure that the overall strategy, governance procedures and risk appetite are fully understood by all elected members.
- 1.6. Decisions made now on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

### **Treasury Strategy**

- 1.7. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council borrows and invests 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 risks are therefore central to the Council's prudent financial management.
- 1.8. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the



Public Services: Code of Practice (the TM Code) which requires the Council to approve a treasury management strategy before the start of each financial year. In addition, the Welsh Government (WG) issued revised Guidance on Local Council Investments that requires the Council to approve an investment strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the WG Guidance.

1.9. The TM Code identifies three key Treasury management principles:

1.10. **KEY PRINCIPLE 1**

Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

**KEY PRINCIPLE 2**

Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.

**KEY PRINCIPLE 3**

They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

The TM Code is clear that throughout public services, the priority for treasury management is to protect capital rather than to maximise return. The avoidance of all risk is neither appropriate nor possible. However, a balance must be struck with a keen responsibility for public money.

1.11. 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.

## 1. Introduction

- 1.1. This Capital Strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and a summary of the implications for future financial sustainability.
- 1.2. Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this also includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.
- 1.3. Current Welsh Government legislation on the flexible use of capital receipts permits them to be used to fund revenue expenditure that will generate ongoing savings or reduce revenue costs or pressures over the longer term to an Council, or several Councils, and/or to another public body.
- 1.4. In the current economic climate of financial constraints and a continued Medium Term Financial Projection (MTFP) revenue budget gap, expenditure on capital needs to remain within affordable limits. Demand for capital resources remains high and therefore inevitably, prioritisation of projects, leveraging in other sources of funding and working with partners remain key to meeting this demand.
- 1.5. The strategy highlights the key risks and considerations:
  - The Council's medium term capital programme contains a substantial amount of borrowing, in particular until the end of 2024/25 as part of the financing package of the new King Henry school in Abergavenny. Whilst this is affordable and included in the medium term revenue budget considerations, it would be unsustainable to continue at a such a heightened borrowing level thereafter, especially given the current economic climate and ongoing pressures upon the Council's revenue budget.
  - Within the context of significant demands for capital resources and limited availability, there is the need to develop and link our use of the various strategic plans across the organisation which drive the need for capital investment and develop alternative strategies to meet demand so the Councils own capital programme is prioritised within an affordable framework. This will include clearer visibility and assessment of demand for maintenance of assets such as property, highways and other operational assets, as well as focussing on asset rationalisation.
  - Useable capital receipts have been used successfully to provide a limited one-off resource to support financing of the capital programme. In recent years the Council has made use of Welsh Government's guidance allowing flexible use of capital receipts to

meet one-off revenue costs associated with service reform. The Council has called upon this flexibility since 2019/20 and plans to do similarly over the medium term.

- With useable capital receipts forecast to reduce to £2.8m by the end of 2027/28, the continued use of capital receipts for this purpose is recognised as necessary but will constrain the amount of receipts available for future capital investment.
- Approval of capital expenditure funded through borrowing locks the Council into committing revenue funding over a very long period (as long as 60 years). With Minimum Revenue Provision (MRP) budgets increasing over the medium-term, the Council needs to ensure its capital plans remain affordable and sustainable.
- The prudential indicators, including borrowing limits, are in line with the final budget proposals presented to Cabinet and Council in February 2024.

1.6. The strategy will be reviewed and updated on an annual basis alongside the Treasury Management Strategy given that both strategies are intrinsically linked.

1.7. The strategy sets out:

- The key objectives outlined in the Prudential Code and the governance arrangements for the Capital Strategy and programme (Section 2)
- The medium term capital programme, its financing, and the revenue implications arising from capital investment (Sections 3 to 5)
- Long term projections for the capital financing costs of the Council and where future demands arise from the various strategic plans across the Council for further capital investment. (Section 6)
- Capital disposals & receipts (Section 7)
- Links between the Capital Strategy and Treasury Management strategy, and treasury decision making. (Sections 8 to 10)
- Consideration of investment for service purposes and commercial activity of the Council and the strategy going forward. (Section 11 and 12)
- Summary of the skills and knowledge the Council holds in order for it to carry out its capital investment and treasury functions. (Section 13)

## 2. The Prudential Code

2.1. The objective of the Prudential Code is to ensure, within a clear framework, that the capital expenditure plans of local Councils are:

- **AFFORDABLE** - It is important that the Council's capital investment remains within sustainable limits. The Code requires Councils to consider the resources currently available to them and those estimated to be available in the future, together with the totality of the capital plans and income and expenditure forecasts. As well as capital expenditure plans, Councils should consider the cost of past borrowing, ongoing and future

maintenance requirements, planned asset disposals and the MRP policy, which all impact upon affordability.

- **PRUDENT** – All external borrowing and other long-term liabilities are within prudent levels. The full Council set an authorised limit and operational boundary for external debt, these need to be consistent with the Council's plans for affordable capital expenditure and financing, and with its treasury management policy statement and practices.
- **SUSTAINABLE** – taking into account the arrangements for repayment of debt (including through MRP) and consideration of risk and the potential impact on the Council's overall financial sustainability in the medium to longer term.

- 2.2. The risks associated with investments for commercial purposes should be proportionate to the Council's financial capacity and standing.
- 2.3. Treasury management decisions should be taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.
- 2.4. The Prudential Code requires Councils to look at capital expenditure plans, investments and debt in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long-term financing implications and potential risks to the Council.
- 2.5. In order to demonstrate that local Councils have fulfilled these objectives, the Prudential Code sets out the prudential indicators that must be used, and the factors that must be taken into account. These indicators are presented alongside the final budget presented to Council.
- 2.6. **Governance & reporting**
- 2.7. The responsibility for decision making in respect of capital investment, investment and borrowing, and prudential indicators lies with full Council.
- 2.8. Council will approve the Capital strategy and the annual Treasury management strategy (including the investment strategy and MRP policy statement).
- 2.9. Council delegates responsibility for the detailed implementation, monitoring and scrutiny of capital investment consequences, including treasury management policy, strategy and practices to the Governance & Audit Committee.
- 2.10. The execution and administration of treasury management decisions is delegated the Section 151 officer or deputy, who will act in accordance with the policy and strategy and follow CIPFA's Standard of Professional Practice on Treasury Management.

- 2.11. The Council recognises the value in the use of treasury advisors to support the management of risk and to access specialist skills and resources. Support provided by its current advisors Arlingclose Limited includes advice on timing of decision making, training, credit updates, economic forecasts, research, articles and advice on capital finance.
- 2.12. **Revised strategy:** Full Council would be asked to approve a revised Treasury Management Strategy should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, a significant change in the Council's capital programme or in the level of its investment balance, or a material loss in the fair value of a non-financial investment identified as part of the year end accounts preparation and audit process.

### 3. Setting capital budgets

- 3.1. Over the next four years the Council is planning capital expenditure of £73.4m as summarised below:

**Table 1: (Prudential indicator) - Capital Medium Term Financial Plan**

| Scheme Type                        | Indicative Budget 2024/25 | Indicative Budget 2025/26 | Indicative Budget 2026/27 | Indicative Budget 2027/28 |
|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Asset Management Schemes           | 2,630,049                 | 2,230,049                 | 2,230,049                 | 2,230,049                 |
| School Development Schemes         | 19,456,606                | 4,151,797                 | 0                         | 0                         |
| Infrastructure & Transport Schemes | 6,144,740                 | 4,204,740                 | 4,204,740                 | 4,204,740                 |
| Regeneration Schemes               | 150,000                   | 730,200                   | 730,200                   | 730,200                   |
| Inclusion Schemes                  | 1,150,000                 | 1,200,000                 | 1,200,000                 | 1,200,000                 |
| ICT Schemes                        | 303,000                   | 413,000                   | 413,000                   | 413,000                   |
| Vehicles Leasing                   | 1,500,000                 | 1,500,000                 | 1,500,000                 | 1,500,000                 |
| Capitalisation Directive           | 3,357,500                 | 507,500                   | 507,500                   | 507,500                   |
| Other Schemes                      | 550,000                   | 570,000                   | 570,000                   | 570,000                   |
| <b>Total Expenditure</b>           | <b>35,241,896</b>         | <b>15,507,287</b>         | <b>11,355,490</b>         | <b>11,355,490</b>         |

- 3.2. Member responsibility for assets rests with the Cabinet member for Resources. The main governance and approval process for capital investment is summarised as follows:

- Council approve the overall revenue and capital budgets following recommendations from Cabinet. They also approve the borrowing limits of which the capital programme will need to remain within (**the Authorised limit**). This limit is a key performance indicator for treasury management and ensures that capital expenditure is limited and borrowing remains within an affordable limit.
- Any variation of the Authorised borrowing limit can only be approved by Council.

- Council approve the Treasury Management, Investment & Borrowing strategies, which are intrinsically linked to capital expenditure and the capital strategy.
- Service managers put forward proposals for any change or additional capital investment annually which are collated and scrutinised by senior finance teams, who consider the financing cost of the proposals. These are initially screened against the approved priority investment matrix, and a recommendation made to the strategic leadership team (SLT).
- SLT further consider the recommendations against the approved priority matrix and wider Council plans and strategies in place. Following review, SLT will make recommendation to Cabinet for inclusion in the capital budget and to be considered further by Cabinet and Council at final budget setting stage.
- Monitoring of capital expenditure is reported to Cabinet and includes updates on capital receipts and any consequential impact on the revenue budget of the scheme progress made.
- The 2024/25 and forward capital budgets include investment in schemes which attract significant match funding from external bodies which services will be responsible for bidding for. The agreed priority investment matrix listed below plays a key role in ensuring investment is properly aligned with the overall Community and Corporate Plan and wider strategic principles of the Council.

| <b>Ref</b>     | <b>Aspect</b>  | <b>Indicative Rank</b> |
|----------------|--|------------------------|
| <b>H&amp;S</b> | Health & safety works (life & limb works)  | 1                      |
| <b>Legal</b>   | Legal & regulatory obligations   | 1                      |
| <b>Rev</b>     | Allow a balanced revenue budget to be set, or a net deficit in revenue spending to be positively addressed | 2                      |
| <b>Corp</b>    | Deliver Community & corporate plan priorities  | 2                      |
| <b>Third</b>   | Attract significant 3 <sup>rd</sup> party or private match funding to the County                           | 3                      |
| <b>S2S</b>     | Spend to save transformational works (including flexible use of capital receipts)                          | 3                      |
| <b>INC</b>     | Spend to earn net income – rents, interest and dividends   | 3                      |
| <b>Sust</b>    | Create sustainable income streams – business rates and council tax   | 3                      |
| <b>AMP</b>     | Asset management plan outcomes   | 4                      |



|            |   |   |
|------------|---|---|
| <b>INF</b> | Addresses major infrastructure investment | 4 |
|------------|---|---|

- 3.3. The current capital MTFP does not cover all the capital budget pressures that have been identified. This shows that there is more demand for capital spending than the Council considers it can reasonably afford. This means that capital schemes will have to be ranked or the capital available has to be divided more widely than is ideal.
- 3.4. All stakeholders must understand that paying for capital spending by borrowing only pushes the cost to revenue budgets over future years, but at the same time if capital maintenance works are put off then the total lifetime costs of keeping an asset are likely to go up. This effect is often hidden in medium term financial planning as asset lives are much longer than four years.
- 3.5. The capital programme includes yearly investment for property maintenance, highways maintenance, relevant specific capital grants and the future schools programme. This will help to deal with the most urgent backlog issues, focussing on worst condition first and related risk. However, estate rationalisation programs, closure/disposal of assets, asset transfers and other capital projects to refurbish or replace operational properties will also be used to reduce the backlog funding needed. This will not solve the specific total backlog but is a way of targeting the main issues in a reasonable way.
- 3.6. There might be other calls for capital funding for schemes that are not yet included in the overall programme. Any new schemes that come forward during the year will either need to be paid for by specific funding sources or represent a call upon any available programme under spends. It is important that capital spending stays at a reasonable level within the framework agreed and, therefore, ranking of capital spending is essential and needs to be affordable and sustainable in the long-term.
- 3.7. Frequent reviews of previously approved schemes that have been delayed will be carried out to ensure that they are still affordable within set budgets. This is especially important in the current economic situation of high inflation and supply chain disruption.

## 4. Capital financing requirement

- 4.1. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

**Table 2: (Prudential indicator) - Capital financing**

| <b>Financing source</b> | <b>Final Budget 2024/25</b> | <b>Indicative Budget 2025/26</b> | <b>Indicative Budget 2026/27</b> | <b>Indicative Budget 2027/28</b> |
|-------------------------|-----------------------------|----------------------------------|----------------------------------|----------------------------------|
|                         |                             |                                  |                                  |                                  |

|                      |                   |                   |                   |                   |
|----------------------|-------------------|-------------------|-------------------|-------------------|
| Debt                 | 14,489,533        | 8,221,113         | 7,782,990         | 7,782,990         |
| External sources     | 16,351,863        | 6,215,674         | 2,502,000         | 2,502,000         |
| Capital Receipts     | 4,147,500         | 967,500           | 967,500           | 967,500           |
| Reserves             | 253,000           | 103,000           | 103,000           | 103,000           |
| <b>Total Funding</b> | <b>35,241,896</b> | <b>15,507,287</b> | <b>11,355,490</b> | <b>11,355,490</b> |

- 4.2. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (capital receipts) may be used to replace debt finance.
- 4.3. The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace the debt.
- 4.4. The table below provides the medium-term outlook for the Council's CFR, inclusive of the impact of PFI arrangements. This is based on the indicative medium term capital programme and, therefore, does not reflect any potential additional borrowing beyond that already approved.

**Table 3: CFR and related MRP charges in £m**

|                               | <b>2023/24<br/>Forecast<br/>£m's</b> | <b>2024/25<br/>Estimate<br/>£m's</b> | <b>2025/26<br/>Estimate<br/>£m's</b> | <b>2026/27<br/>Estimate<br/>£m's</b> | <b>2027/28<br/>Estimate<br/>£m's</b> |
|-------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Capital Financing Requirement | 213.0                                | 227.0                                | 226.4                                | 225.1                                | 224.1                                |
| Minimum Revenue Provision     | 6.0                                  | 6.2                                  | 6.7                                  | 6.9                                  | 6.7                                  |

- 4.5. The increase in capital expenditure, including that funded via other sources, will be a considerable operational challenge to achieve, as evidenced by the significant levels of slippage incurred over recent financial years. Therefore, it is important to recognise the possibility that the actual CFR may be lower than estimated by the end of the 2024/25 financial year, and in turn reducing the actual need to undertake external borrowing.
- 4.6. It is important that capital expenditure plans are realistic, as otherwise this can result in unnecessarily committing revenue resources towards capital financing budgets, which in turn restricts alternative investment in achieving service delivery aspirations.

**Note:** With the introduction of the accounting requirements of IFRS 16 (Leases), the CFR and debt identified as relating to leases is likely to increase, due to the change in the way that finance leases for lessees are treated. CIPFA/LASAAC took the decision to initially defer the implementation of IFRS 16 Leases until the 2022/23 financial year in light of the COVID-19 pandemic and the resultant pressures on Council's. However, there has been a subsequent further deferral meaning that the introduction of the accounting standard is now

likely to impact the 2024/25 financial year. Work is continuing to be undertaken to gather the relevant information necessary to gauge the impact upon the Council.

## 5. Revenue budget implications

- 5.1. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. These net annual charges are known as financing costs. The table below compares these financing costs to the net revenue stream i.e. the amount of income from Council Tax (MCC element), business rates and general government grants.

**Table 4: (Prudential indicator) - Proportion of financing costs to net revenue stream**

| Proportion of financing Costs to net revenue stream | 2023/24 Estimate<br>£m's | 2024/25 Estimate<br>£m's | 2025/26 Estimate<br>£m's | 2026/27 Estimate<br>£m's | 2027/28 Estimate<br>£m's |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Net Interest payable                                | 6.6                      | 5.9                      | 6.9                      | 7.1                      | 7.1                      |
| MRP   | 6.0                      | 6.2                      | 6.7                      | 7.0                      | 6.7                      |
| <b>Total Financing costs</b>                        | <b>12.6</b>              | <b>12.1</b>              | <b>13.6</b>              | <b>14.1</b>              | <b>13.8</b>              |
| Net Revenue Stream                                  | 189.6                    | 198.5                    | 203.2                    | 208.1                    | 213.2                    |
| <b>Proportion of net revenue stream %</b>           | <b>6.65%</b>             | <b>6.09%</b>             | <b>6.72%</b>             | <b>6.74%</b>             | <b>6.48%</b>             |

- 5.2. The overall proportion of financing costs remains fairly stable over the MTFP window which is reflective of the total revenue stream increasing in line with expected inflationary impacts whilst the financing costs increase moderately in line further capital investment made.
- 5.3. **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years afterwards. The Section 151 officer is satisfied that the proposed capital programme is prudent, affordable and sustainable because the financing costs have been spread over no more than, the lower of 50 years and the expected life of the resultant asset, so the assets will be paid for by the Council tax payers benefitting from them over the life of the assets. The financing costs for assets funded by debt are included in each annual revenue budget which is balanced before approval by Council.

## 6. Long term capital financing projections

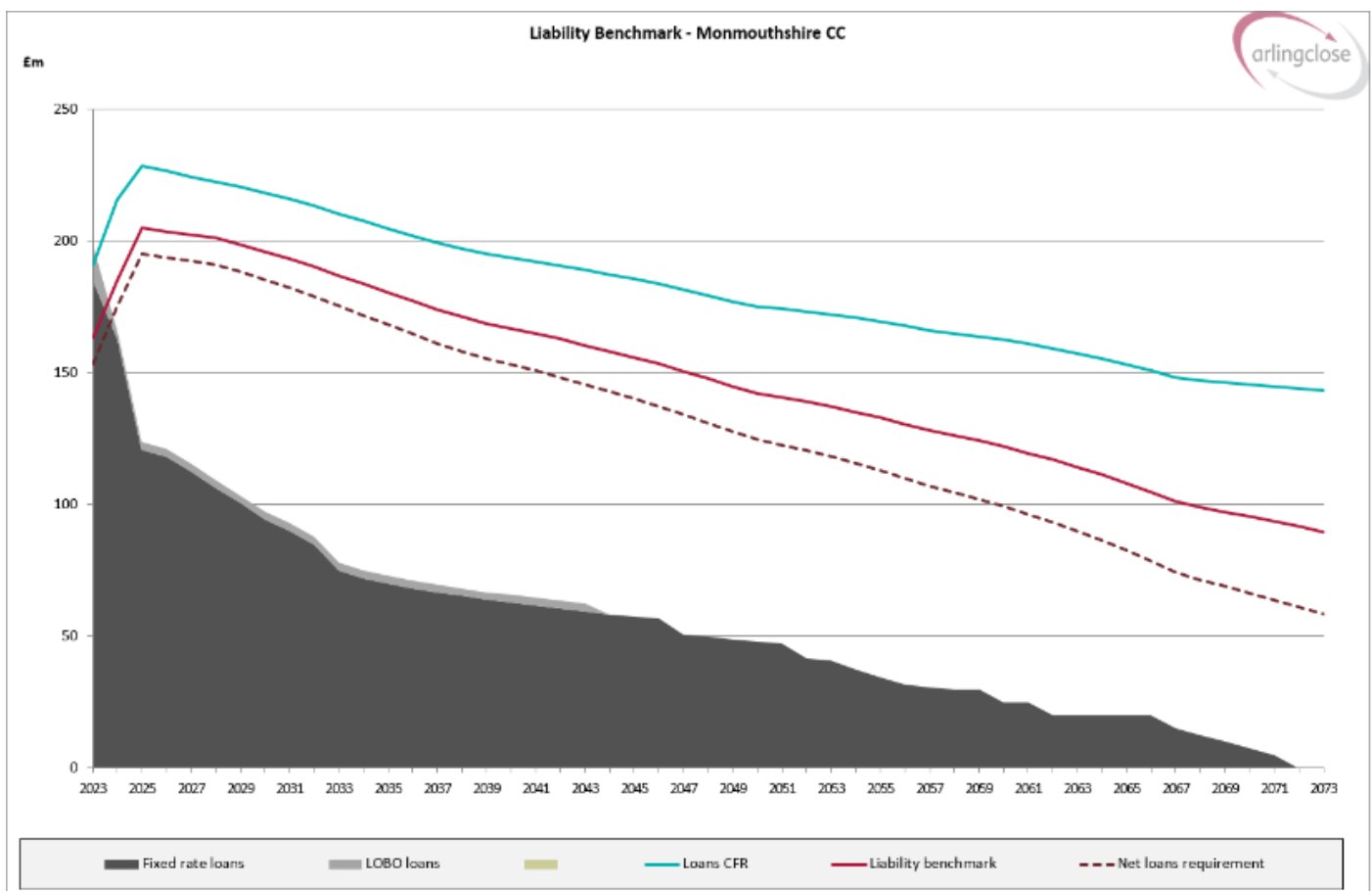
- 6.1. Capital investment is often for assets which have a long-term life i.e. buildings and road infrastructure may have an asset life in excess of 50 years. The financing of these assets could also be over a long-term period. Therefore, it is important to take a long-term view of capital expenditure plans and the impact that may have on the affordability and sustainability of capital expenditure. Once capital expenditure has been financed from

borrowing the Council is committed to the revenue implications arising from that decision (i.e. the annual cost of MRP) for a long-term period.

6.2. Due to the financial constraints that the Council continues to operate under, it is anticipated that the ability to finance capital expenditure from borrowing will remain incredibly restricted over the long-term. This means that the Council will face a significant challenge in being able to finance its medium to longer term capital aspirations in terms of maintenance backlogs, as well as the need to invest in new and existing assets.

6.3. The Liability benchmark shown below demonstrates the following, in terms of the impact of the current capital programme and projected capital investment financed from borrowing over the next 50 years:

- The impact the current capital programme has in terms of the increasing the CFR (blue line) in the short term and the consequent need for external borrowing, denoted by the steepness of the solid and dashed red curves over the initial years;
- A longer-term gradual reduction in the overall level of CFR, as shown by the trajectory of the solid blue line which is a result of indicative annual borrowing being below the level of annual MRP;
- A longer-term reduction in the need to undertake actual external borrowing, as shown by the trajectory of the dashed red line;
- A requirement for further external borrowing in the medium to long-term, despite lower capital expenditure levels, resulting from the need to refinance maturing loans.



- 6.4. It should be noted that the scenario above is for modelling purposes only and the actual position will be impacted by a number of factors that will ultimately determine the level of borrowing and associated capital financing costs. These factors include assumptions included on the level and deliverability of capital investment; the level of external financing for the programme; internal Council resources; and future MRP policy and treasury strategy.

### **Ongoing Capital Programme Development**

- 6.5. In light of continuing funding constraints, it is important that the Council understands the key risks and future aspirations for capital investment. These are captured through various plans and strategies across the Council. There will be a range of priorities originating from these plans which will look to deliver on aspirational long term objectives such as the decarbonisation agenda and affordable housing.
- 6.6. Alongside this, it is important to consider the requirement to maintain the Councils current asset base. As noted previously, this is something that has been severely impacted by constrained funding levels in previous years and has resulted in a maintenance backlog developing, which gives rise to the potential for major asset failures to occur where issues have developed over time. Although the risks associated are captured through ongoing condition surveys and monitoring, it is inevitable that as time progresses that more significant sums of investment will be required to maintain or substantially refurbish ageing assets.
- 6.7. The level of annual investment included in the capital programme for maintenance and refurbishment of assets assists in addressing the highest priority backlog issues, focussing on worst condition first and associated risk. However, estate rationalisation programmes, closure/disposal of assets, asset transfers and other capital projects to refurbish or replace operational properties will also be utilised to offset the backlog funding required. This will not address the specific total backlog but is a way of targeting the main issues in an affordable manner.
- 6.8. There will inevitably be other priorities to be considered for inclusion within the capital programme over the medium to longer term, with the next phase of WG's Sustainable Communities for Learning Programme and further regeneration schemes that will require substantial match funding commitments. The consideration to support such priorities will need to be carefully balanced against other competing demands.

## **7. Capital disposals & receipts**

- 7.1. The Council's [Asset Management Strategy](#) (AMS) sets out the strategic objectives for our land and property. The strategy sets out the way property will be managed and contribute to the policy objectives of the council. The Asset Management Strategy provides a clear vision of the future of property assets and management of their strategic performance.

7.2. Asset Management Strategy objectives:

- **A fit for purpose and collaborative estate** – providing assets necessary to deliver council services, in the right location, compliant and co-located where possible.
- **Be good role models for climate and nature practices** – manage our assets well, lowering our carbon footprint and promoting more sustainable practices.
- **Maximised and commercialised asset base** – generate more revenue and higher value outcomes (financial and non-financial) from sales of surplus assets.
- **Strengthen the enablement role of Landlord Services** – continue to support service objectives including job creation, tackling homelessness, constructing affordable homes, driving value for money.
- **Optimise social value from community assets** – support community assets equitably, transparently, and consistently.

7.3. MCC benefits from a diverse land and property portfolio that has delivered a commercial return over a number of years. There are over 1500 assets in MCC ownership which support different services and public needs.

7.4. In circumstances where property is deemed surplus to requirements and can be sold, the Disposal Strategy within the AMS provides the process by which this happens and considerations for doing so. To enable a consistent approach to the disposal of surplus land and property, the Disposal policy clarifies the circumstances within which the council will achieve its requirements for best consideration, whilst supporting the Council’s objectives as per the Community & Corporate Plan and AMS.

7.5. The AMS acknowledges a need for assets to align to its five core objectives. In circumstances where properties are considered to not meet this criteria, have alternative development potential or can be rationalised to unlock capital receipts, the Council’s Disposal Policy can be exercised to support the disposal of surplus assets.

7.6. When capital receipts are generated these can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts “flexibly” on service transformation projects under the Welsh Government flexible use of capital receipts policy. Repayments of capital grants, loans and investments also generate capital receipts.

7.7. The Council anticipates the following capital receipts in the forthcoming financial years:

**Table 5: Forecast Capital receipts**

|   | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---------|---------|---------|---------|---------|
|   | £000    | £000    | £000    | £000    | £000    |
| Balance as at 1st April   | 12,446  | 8,785   | 7,004   | 6,700   | 5,835   |
| Less: capital receipts used for financing                       | (2,778) | (1,815) | (460)   | (460)   | (460)   |
| Less: capital receipts used to support capitalisation directive | (3,008) | (3,358) | (508)   | (508)   | (508)   |



|  |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
| Capital receipts for Redundancies        | (1,000)      | 0            | 0            | 0            | 0            |
| Capital receipts Received                | 1,043        | 0            | 0            | 0            | 0            |
| Capital receipts Forecast                | 2,092        | 3,393        | 663          | 103          | 103          |
| <b>Forecast Balance as at 31st March</b> | <b>8,785</b> | <b>7,004</b> | <b>6,700</b> | <b>5,835</b> | <b>4,970</b> |

- 7.8. Further specific details of planned asset disposals are included in the annual Capital budget papers deliberated by Members, with specific sales proposals being an exempt appendix from public reporting requirements due to potential to compromise of receipt maximisation.
- 7.9. The value of Capital receipts forecast after 2024/25 drops off quite considerably which is reflective of the replacement local development plan (RDLP) not proceeding as quickly as envisaged in the original delivery agreement. Whilst candidate sites have now been submitted, this will have an impact on the balance of receipts available to fund future capital investment demands in the near term.
- 7.10. Traditionally receipts have been earmarked to finance the Councils future schools investment. Whilst the Council has further future schools aspirations, it is not proposed to advocate a similar approach to members in respect of futures tranches of investment. Schools based assets commonly have a useful life of 50 years+, and as such traditional long term loan funding can be sourced at competitive rates with limited annual revenue volatility. The Council derives greater revenue benefit by using capital receipts in affording replacement of short life assets, given the avoidance of proportionately more significant minimum revenue provision.

## 8. Treasury management

- 8.1. The Treasury management strategy (TMS) is considered alongside the Capital strategy at Council and the figures within it the link directly to the impact of the debt resulting from the Capital strategy and the subsequent capital investment.
- 8.2. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 8.3. Based on historic capital expenditure and due to decisions taken in the past, as at 31<sup>st</sup> December 2023, the Council has £173.5m borrowing at a weighted average interest rate of 3.47% and £13.6m treasury investments at a weighted average rate of 4.76%.

## 9. Borrowing strategy

- 9.1. Whilst the Council has significant long term borrowing requirements, the Council's current strategy of funding capital expenditure is through utilising internal resources such as reserves (called 'internal borrowing') rather than undertaking new borrowing i.e. we defer taking out new long term borrowing and fund capital expenditure from day to day positive cash-flows for as long as we can.
- 9.2. By using this strategy, the Council can also minimise cash holding at a time when counterparty risk remains high. The interest rates achievable on the Council's investments are also significantly lower than the current rates payable on long term borrowing and this remains a primary driver for our current 'internally borrowed' strategy.
- 9.3. Whilst this strategy minimises investment counterparty risk, the risk of interest rate exposure is increased as the current longer term borrowing rates may rise in the future. The market position is being constantly monitored in order to minimise this risk.
- 9.4. The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 9.5. Projected levels of the Council's total debt (which comprises borrowing, PFI liabilities and finance leases) are shown below, compared with the capital financing requirement.

**Table 6: (Prudential indicator) - Gross Debt and the Capital Financing Requirement**

| <b>Gross Debt Forecast compared to CFR</b>   | <b>2023/24 Estimate<br/>£m's</b> | <b>2024/25 Estimate<br/>£m's</b> | <b>2025/26 Estimate<br/>£m's</b> | <b>2026/27 Estimate<br/>£m's</b> | <b>2027/28 Estimate<br/>£m's</b> |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Debt (Inc. PFI, leases, right of use assets) | 198.7                            | 197.8                            | 199.0                            | 199.5                            | 201.1                            |
| Capital Financing Requirement (Total)        | 213.0                            | 227.0                            | 226.4                            | 225.1                            | 224.1                            |
| <b>(Under) / Over borrowed</b>               | <b>(14.2)</b>                    | <b>(29.2)</b>                    | <b>(27.5)</b>                    | <b>(25.6)</b>                    | <b>(23.0)</b>                    |

- 9.6. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen in the table above, the Council expects to comply with this in the medium term.
- 9.7. **Authorised limit:** The Council is legally obliged to approve an affordable borrowing limit (also termed the 'authorised limit' for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

**Table 7: (Prudential indicator) - Authorised limit and operational boundary for external debt in £m**

| <b>Operational boundary and Authorised limit</b>  | <b>2024/25<br/>Estimate<br/>£m's</b> | <b>2025/26<br/>Estimate<br/>£m's</b> | <b>2026/27<br/>Estimate<br/>£m's</b> | <b>2027/28<br/>Estimate<br/>£m's</b> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Operational Boundary - borrowing                  | 252.6                                | 253.5                                | 253.8                                | 254.2                                |
| PFI, leases & right of use assets/Headroom        | 2.8                                  | 2.8                                  | 2.8                                  | 2.8                                  |
| <b>Operational Boundary - total external debt</b> | <b>255.4</b>                         | <b>256.3</b>                         | <b>256.6</b>                         | <b>257.0</b>                         |
| Authorised Limit - borrowing                      | 268.0                                | 268.9                                | 269.2                                | 269.6                                |
| PFI, leases & right of use assets/Headroom        | 3.8                                  | 3.8                                  | 3.8                                  | 3.8                                  |
| <b>Authorised Limit - total external debt</b>     | <b>271.8</b>                         | <b>272.7</b>                         | <b>272.9</b>                         | <b>273.4</b>                         |

## 10. Investment strategy

- 10.1. Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 10.2. The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local Councils or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

**Table 8: Treasury management investments in £m**

|                         | <b>31/3/2024<br/>forecast<br/>£m's</b> | <b>31/3/2025<br/>forecast<br/>£m's</b> | <b>31/3/2026<br/>forecast<br/>£m's</b> | <b>31/3/2027<br/>forecast<br/>£m's</b> | <b>31/3/2028<br/>forecast<br/>£m's</b> |
|-------------------------|--|--|--|--|--|
| Near-term investments   | 6.0                                    | 6.0                                    | 6.0                                    | 6.0                                    | 6.0                                    |
| Longer-term investments | 4.0                                    | 4.0                                    | 4.0                                    | 4.0                                    | 4.0                                    |
| <b>Total</b>            | <b>14.6</b>                            | <b>36.0</b>                            | <b>10.0</b>                            | <b>10.0</b>                            | <b>10.0</b>                            |

### Governance

- 10.3. Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the S151 Officer or Deputy and their staff, who must act in line with the treasury management strategy approved by full Council. The draft 2024/25 strategy is considered alongside this paper with a final version to be put forward for approval by full Council in February 2024. In addition quarterly treasury reports on activity are presented to Governance and Audit Committee who are responsible for scrutinising treasury management decisions.

## 11. Investments for Service Purposes

- 11.1. The Council has historically incurred the majority of its capital expenditure on the assets required to provide its services such as schools, highways and corporate facilities.
- 11.2. However it may also invest in other entities for the wider economic and societal benefits of its communities or businesses. This may include making loans or taking an equity interest in local bodies or the Council's subsidiaries and joint ventures which in turn contribute to services to Monmouthshire residents. It may also include providing guarantees to other bodies.
- 11.3. In light of the public service objective, the Council traditionally is willing to take more risk on these investments than it would with more traditional treasury investments, which are more highly regulated, however any such arrangement should only be entered into if such investments are assessed to break even after all costs are taken into account or if the benefits of the scheme are considered to be worth the net cost.
- 11.4. Decisions on service related investments (e.g. vibrant homes loans afforded through WG repayable grant or economic development loans) can be made by the relevant service manager provided a 100% loss can be covered by the managers existing budgets. Should additional budget/funding be required in the event of a default, then before making the service expense/investment, the Section 151 officer is required to be consulted and where member approval is felt necessary that the details and risks involved presented to Cabinet for approval.
- 11.5. The criteria and limits laid down in the strategy for treasury Investments can be used as a comparator to measure risks against. Most loans and shares are capital expenditure and such decision requires approval of full Council to be added to the capital programme.
- 11.6. A list of investments for service purposes including loans and guarantees will be maintained by the Treasury team and they will be assessed at least annually and reported as part of the annual accounts and include Foster carer loans and Low cost home ownership equity interest.

## 12. Commercial Activities

- 12.1. Monmouthshire County Council adopted an Asset Investment Policy in May 2018, with a further amendment to the policy approved in February 2019, which afforded the authority the powers to acquire property to meet policy objectives. The commercial asset investment portfolio contains the strategic sites that are to generate a revenue return to MCC, and/or afford regenerative or social benefit via the ownership of strategic investments.
- 12.2. Total commercial investments held by the Council are currently valued at £32.4m:

### **Table 9: Value of Commercial investments**

| Asset                                     | Value @ 01/04/2022 | Movement         | Value @ 31/03/2023 |
|---|--------------------|------------------|--------------------|
| Castlegate Business Park                  | 5,735,413          | 423,582          | 6,158,995          |
| Castlegate Business Park - Service Charge | 342,368            | -81,585          | 260,510            |
| Newport Leisure Park                      | 18,909,000         | 847,000          | 19,756,000         |
| Oak Grove Solar Farm                      | 5,388,537          | 96,281           | 5,484,818          |
| Broadway Loan                             | 974,074            | -181,781         | 792,293            |
| <b>Total</b>                              | <b>31,349,392</b>  | <b>1,103,224</b> | <b>32,452,616</b>  |

12.3. The ratio of commercial income compared to the Council's net revenue budget is considered prudent and proportionate and is not considered to expose the Council to undue risk if any one income stream was compromised. To assist in managing this risk the Council holds reserves for its commercial investments that look to further mitigate the factors that may impact upon future income generation.

**Table 10: Net income from commercial and service investments to net revenue stream**

|  | 2023/24 budget £m's | 2024/25 budget £m's | 2025/26 budget £m's | 2026/27 budget £m's | 2027/28 budget £m's |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total gross income from commercial investments | 3.0                 | 3.2                 | 3.3                 | 3.5                 | 3.6                 |
| Net revenue stream                             | 189.6               | 198.5               | 203.2               | 208.1               | 213.2               |
| Proportion of net revenue stream               | 1.58%               | 1.59%               | 1.63%               | 1.69%               | 1.71%               |

## Governance

- 12.4. The Council paused any further active consideration of commercial investments activity as a consequence of the pandemic and the resultant uncertainty in property and investment markets. No investments have been made subsequent to the strengthening of the Prudential code and confirmation has been provided on an annual basis to the DMO that no PWLB borrowing is intended for the purpose of acquiring investment assets primarily for the purposes of yield.
- 12.5. The Investment Committee established in 2018 managed the investment portfolio and had delegated authority to acquire or invest over a three-year period against a £50,000,000 fund established through approved prudential borrowing.
- 12.6. All three investments made by the Investment Committee to date had been made within the three-year period, the last of these in March 2020. The three-year period approved by Council in May 2018 has now lapsed. The expiry of this period and changes to the Council's commercial investment risk appetite has warranted a review of the governance arrangements around commercial activity, including the choice of appropriate fora to consider performance updates of the investment portfolio.

- 12.7. Furthermore, there remains a pause on further commercial investment activity and that has continued due to the ongoing market volatility since the start of the pandemic.
- 12.8. As a result of the Council's risk appetite and the ongoing strain on its financial standing any further investment will only be considered in order to support the core policy objectives contained within the Council's latest Community and Corporate Plan, and where deemed prudent, sustainable and affordable.
- 12.9. If any future investment considerations are intended to deliver against direct policy objectives of the Council then it naturally prompts for the current governance arrangements and Asset Investment Policy to be reviewed.
- 12.10. In terms of any future investment proposals, these can be considered in line with the Council's current constitution and decision-making processes through Council, Cabinet or otherwise.
- 12.11. The Investment Committee, as an existing sub-committee of Council, has been retained but put in abeyance. This therefore allows Council in future, and if it so wishes, to request the Investment Committee to preside over an investment proposal before making recommendation back to Council for consideration. In such circumstances this will retain the cross-party scrutiny and consideration of any such investment proposals.
- 12.12. The Performance & Overview Scrutiny Committee now focuses on maintaining oversight and scrutiny of the performance of the Council's property investment portfolio on a six-monthly basis.
- 12.13. The Governance and Audit Committee looks to seek ongoing assurance on overall governance arrangements of the commercial and property investments as part of the Council's overall land and property portfolio.

## 13. Knowledge & skills

### **Internal expertise**

- 13.1. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Section 151 officer, deputy Section 151 officer, and Head of Commercial and Integrated Landlord Services are professionally qualified with extensive Local Government experience between them.
- 13.2. The central accountancy team who manage day-to-day cashflow activities and monitor capital investment activity consists of experienced qualified and part-qualified accountants who maintain Continuous Professional Development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and obtain relevant skills.



### **External expertise**

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

### **Members**

- 13.4. Training is offered to members to ensure they have up to date skills to make capital and treasury decisions. The most recent training was provided in November 2022, with a number of new members attending for the first time. A register is also kept on member attendance.

## 1. Economic background and forecasts for interest rates

- 1.1. **Economic background:** The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for 2024/25.
- 1.2. The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.
- 1.3. The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.
- 1.4. Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.
- 1.5. ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.
- 1.6. The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong, but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

- 1.7. Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.
- 1.8. Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.
- 1.9. **Credit outlook:** Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.
- 1.10. On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.
- 1.11. Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.
- 1.12. Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.
- 1.13. There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.
- 1.14. However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

- 1.15. **Interest rate forecast (December 2023):** Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- 1.16. Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

## 2. Local Context

- 2.1. On 31st December 2023, the Council held £173.5m of borrowing and £13.6m of treasury investments as demonstrated below:

**Table 11: Current debt and investment levels**

|  | 31st Dec 2022<br>Actual<br>Portfolio £m's | Average<br>Rate % | 31st Dec 2023<br>Actual<br>Portfolio £m's | Average<br>Rate % |
|--|---|-------------------|---|-------------------|
| <b>External borrowing:</b>             |   |                   |   |                   |
| Public Works Loan Board                | 116.7                                     | 3.2%              | 122.2                                     | 3.3%              |
| LOBO loans from banks                  | 13.6                                      | 4.8%              | 3.0                                       | 4.5%              |
| Welsh Government Loans                 | 5.7                                       | 0.0%              | 5.3                                       | 0.0%              |
| Council to Council & other ST loans    | 52.0                                      | 1.8%              | 43.0                                      | 4.4%              |
| <b>Total external borrowing</b>        | <b>188.1</b>                              | <b>2.9%</b>       | <b>173.5</b>                              | <b>3.5%</b>       |
| <b>Treasury investments:</b>           |   |                   |   |                   |
| Banks & building societies (unsecured) | 2.0                                       | 0.0%              | 1.5                                       | 1.5%              |
| Government (incl. local Councils)      | 18.0                                      | 3.0%              | 3.0                                       | 4.84%             |
| Money Market Funds                     | 14.3                                      | 3.3%              | 5.1                                       | 4.88%             |
| Strategic pooled funds                 | 4.0                                       | 4.2%              | 4.0                                       | 5.77%             |
| <b>Total treasury investments</b>      | <b>38.3</b>                               | <b>3.0%</b>       | <b>13.6</b>                               | <b>4.76%</b>      |
| <b>Net debt</b>                        | <b>149.8</b>                              |                   | <b>159.9</b>                              |                   |

- 2.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

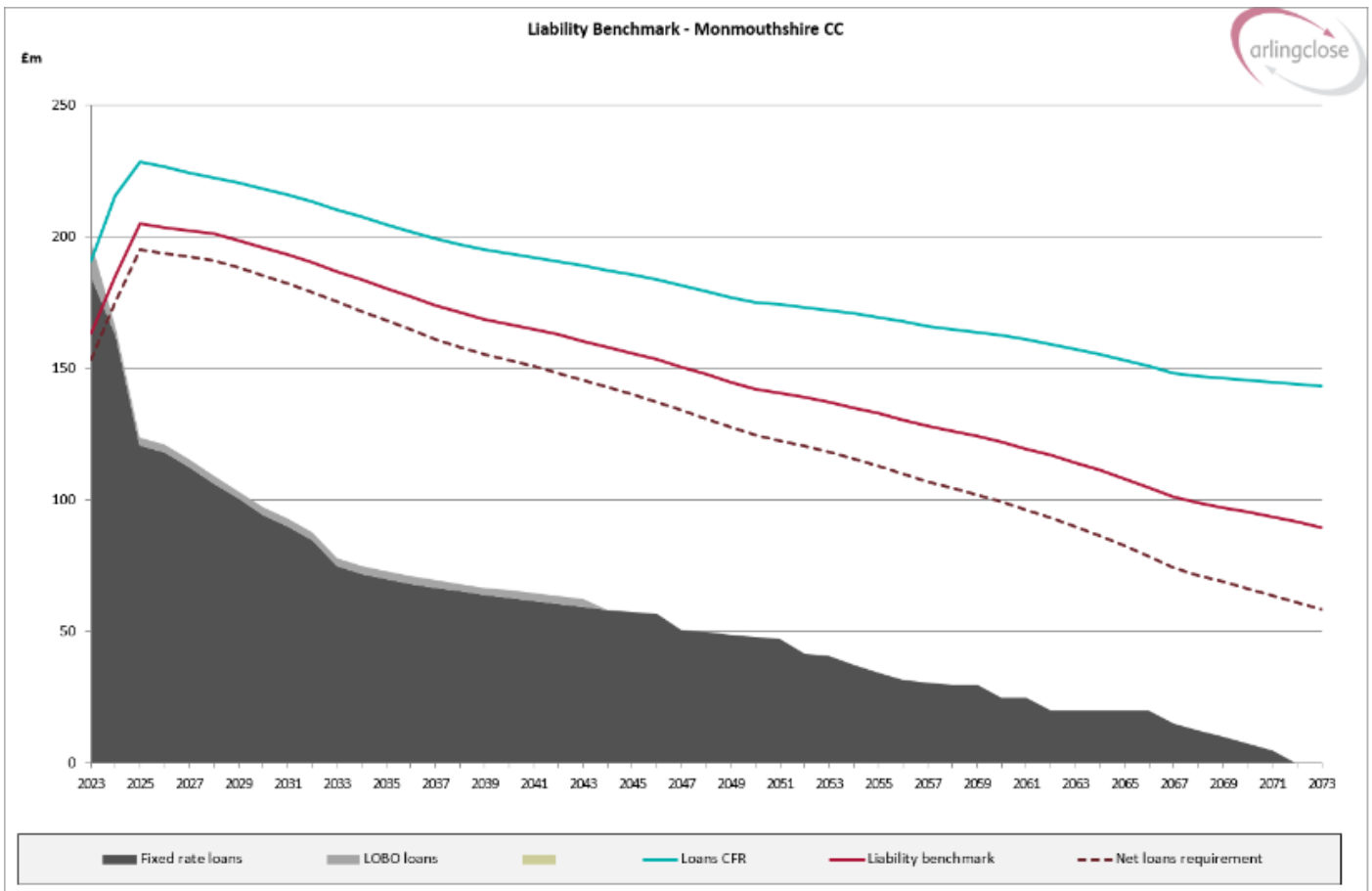
- 2.3. The Council has an increasing CFR due to the indicative capital programme, but minimal investments and will therefore be required to borrow additional sums over the longer term.
- 2.4. **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.
- 2.5. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

**Table 12: (Prudential indicator) - Liability benchmark**

|                               | <b>31.3.24<br/>Forecast</b> | <b>31.3.25<br/>Forecast</b> | <b>31.3.26<br/>Forecast</b> | <b>31.3.27<br/>Forecast</b> | <b>31.3.28<br/>Forecast</b> |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Loans CFR                     | 213.0                       | 227.0                       | 226.4                       | 225.1                       | 224.1                       |
| Less: Balance sheet resources | (24.2)                      | (22.1)                      | (21.6)                      | (20.5)                      | (19.7)                      |
| <b>Net loans requirement</b>  | <b>188.8</b>                | <b>204.9</b>                | <b>204.8</b>                | <b>204.6</b>                | <b>204.4</b>                |
| Plus: Liquidity allowance     | 10.0                        | 20.0                        | 20.0                        | 20.0                        | 20.0                        |
| <b>Liability benchmark</b>    | <b>198.7</b>                | <b>224.9</b>                | <b>224.8</b>                | <b>224.6</b>                | <b>224.4</b>                |
| Current loan profile**        | (198.7)                     | (125.3)                     | (121.5)                     | (117.0)                     | (111.1)                     |
| <b>Borrowing requirement</b>  | <b>0.0</b>                  | <b>99.6</b>                 | <b>103.4</b>                | <b>107.6</b>                | <b>113.3</b>                |

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

- 2.6. The long-term liability benchmark assumes capital expenditure funded by borrowing is in line with the medium-term financial plan, minimum revenue provision on new capital expenditure is based on the annuity method, and expenditure and reserves all increasing by inflation of 2.5% p.a. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing:



- 2.7. Our underlying need to borrow is shown by the top blue line and increases sharply over the short term due to the current approved capital programme. However, due to the use of reserves and working capital, the Council is expected to need total external borrowing between the full and dotted red lines. As our existing loans portfolio (shown in grey) reduce as loans mature, new loans will therefore be required to fill the gap between the grey area and the red lines over the longer term. The Council intends to maintain about a 50% level of short term loans which will partly fill this gap, but we will still need to take out longer term loans, mainly to fund the long-term capital investment built into the Capital MTFP.
- 2.8. The Council does not intend to borrow in advance of need and will not do so just to gain financially from short term investment of that borrowing. However, this option may be considered if it is felt that borrowing in advance allows opportunities to lock into favourable long-term rates as part of risk mitigation. This will be limited to no more than the expected increase in the Council’s Capital Financing Requirement over its medium term financial plan.

### 3. Borrowing Strategy

- 3.1. The Council currently holds £173.5m of loans, a decrease of £25.2m on the previous year, as part of its strategy for funding previous years’ capital programmes. The liability benchmark above shows that the Council expects to borrow up to £99.6m in 2024/25. The



Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.

- 3.2. **Objectives:** The Council'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 Council's long-term plans change is a secondary objective.
- 3.3. **Strategy:** Given the significant cuts to public expenditure over recent years and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently 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.
- 3.4. By doing so, the Council 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 borrowing into future years.
- 3.5. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 3.6. The Council has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local Councils, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local Councils planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.
- 3.7. Alternatively, the Council may arrange forward starting loans, 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.
- 3.8. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
  - UK Infrastructure Bank Ltd
  - 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
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
- CSC Foundry Ltd

**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
- similar asset based finance

- 3.9. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local Councils. This is a more complicated source of finance than the PWLB for two reasons: borrowing Councils will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.
- 3.10. **LOBOs:** The Council holds £3m 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 Council 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 2024/25, and with interest rates having risen recently, there is now a good chance that lenders will exercise their options. If they do, the Council will take the option to repay LOBO loans to reduce refinancing risk in later years. .
- 3.11. **Short-term and variable rate loans:** These loans leave the Council 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.
- 3.12. **Debt rescheduling:** The PWLB allows Councils 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 Council 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. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.
- 13.5. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen in the table above, the Council expects to comply with this over the medium term window based on current estimates of future debt levels.

- 13.6. **Authorised limit:** The Council is legally obliged to approve an affordable borrowing limit (also termed the ‘authorised limit’ for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.
- 13.7. Based on the capital programme proposed, it is recommended that the Council approve the following authorised limits and operational boundaries. The undertaking of other long-term liabilities, within the overall limit, is delegated to the Section 151 Officer based on the outcome of financial option appraisals and best value considerations.
- 13.8. The operational boundary remains an internal management tool to monitor borrowing levels and exceeding the boundary would not represent a compliance failure.

**Table 14: (Prudential indicator) - Authorised limit and operational boundary for external debt in £m**

| <b>Operational boundary and Authorised limit</b>  | <b>2024/25<br/>Estimate<br/>£m's</b> | <b>2025/26<br/>Estimate<br/>£m's</b> | <b>2026/27<br/>Estimate<br/>£m's</b> | <b>2027/28<br/>Estimate<br/>£m's</b> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Operational Boundary - borrowing                  | 252.6                                | 253.5                                | 253.8                                | 254.2                                |
| PFI, leases & right of use assets/Headroom        | 2.8                                  | 2.8                                  | 2.8                                  | 2.8                                  |
| <b>Operational Boundary - total external debt</b> | <b>255.4</b>                         | <b>256.3</b>                         | <b>256.6</b>                         | <b>257.0</b>                         |
| Authorised Limit - borrowing                      | 268.0                                | 268.9                                | 269.2                                | 269.6                                |
| PFI, leases & right of use assets/Headroom        | 3.8                                  | 3.8                                  | 3.8                                  | 3.8                                  |
| <b>Authorised Limit - total external debt</b>     | <b>271.8</b>                         | <b>272.7</b>                         | <b>272.9</b>                         | <b>273.4</b>                         |

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

**Table 15: (Treasury management indicator) - Maturity structure of borrowing**

| <b>Refinancing rate risk indicator</b> | <b>Upper limit</b> | <b>Lower limit</b> |
|--|--------------------|--------------------|
| Under 12 months                        | 50%                | 0%                 |
| 12 months and within 24 months         | 30%                | 0%                 |
| 24 months and within 5 years           | 30%                | 0%                 |
| 5 years and within 10 years            | 30%                | 0%                 |
| 10 years and within 20 years           | 30%                | 0%                 |
| 20 years and within 30 years           | 30%                | 0%                 |
| 30 years and within 40 years           | 30%                | 0%                 |
| 40 years and within 50 years           | 30%                | 0%                 |
| 50 years and above                     | 30%                | 0%                 |

## 4. Treasury investments

### Treasury Investment strategy

- 4.1. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £16.5m and £57.5m million. It is anticipated that the level of investments held in 2024/25 will be lower, as cash balances are used in lieu of external borrowing, in line with the authority's internal borrowing strategy.
- 4.2. **Objectives:** Both the CIPFA Code and the WG Guidance require the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council'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 Council 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. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 4.3. **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds currently provides a degree of risk diversification into different sectors, however the Council will closely monitor the returns on these investments in light of a heightened interest rate environment.
- 4.4. The CIPFA Code does not permit local Councils to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.
- 4.5. **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

- 4.6. An updated list of signatories to the three charters is provided by the Authority’s treasury advisors each quarter and will continue to be monitored. Any counterparties not signed up to all three charters will be removed from the Authorities investment portfolio.
- 4.7. The Council will continue through 2024/25 to engage with its advisors Arlingclose to evaluate its existing investments and assess whether a more sophisticated ESG policy can be applied. Governance and Audit Committee will be kept informed of progress through the regular reporting of treasury performance into committee.
- 4.8. **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council’s “business model” for managing them. The Council aims to achieve value from its 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.
- 4.9. **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown.

**Table 16: Treasury investment counterparties and limits**

| Sector  | Time limit | Counterparty limit                                | Sector limit |
|---|------------|---|--------------|
| The UK Government   | 50 years   | Unlimited   | Unlimited    |
| Local Councils & other government entities                    | 5 years    | £4m   | Unlimited    |
| Secured investments *   | 5 years    | £4m   | 75%          |
| Banks (unsecured) *   | 13 months  | £2m (£3m total for the Councils operational bank) | 50%          |
| Building societies (unsecured) *                              | 13 months  | £2m   | 50%          |
| Registered providers (e.g. Housing Associations (unsecured) * | 5 years    | £2m   | 50%          |
| Money market funds *  | n/a        | £4m   | Unlimited    |
| Strategic pooled funds  | n/a        | £5m   | £10m         |
| Real estate investment trusts                                 | n/a        | £5m   | £10m         |
| Other Investments   | 13 months  | £2m   | £5m          |

| Credit rating | Banks unsecured | Secured investments | Government           | Corporates |
|---------------|-----------------|---------------------|----------------------|------------|
| UK Govt       | n/a             | n/a                 | £ Unlimited 50 years | n/a        |

| Credit rating | Banks unsecured | Secured investments | Government | Corporates |
|---------------|-----------------|---------------------|------------|------------|
| AAA – AA+     | £3m             | £4m                 | n/a        | £4m        |
|               | 13 months       | 5 years             |            | 5 years    |
| AA – AA-      | £3m             | £4m                 | n/a        | £4m        |
|               | 13 months       | 5 years             |            | 5 years    |
| A+ - A        | £3m             | £4m                 | n/a        | £4m        |
|               | 13 months       | 2 years             |            | 2 years    |
| A-            | £3m             | £4m                 | n/a        | £4m        |
|               | 13 months       | 13 months           |            | 13 months  |

This table must be read in conjunction with the notes below

**\* Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. 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.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

**Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local Councils 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 Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

**Secured investments:** Investments secured on the borrower’s assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies 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. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

**Banks and building societies (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.

**Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are 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.

**Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

**Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council 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 Council's investment objectives will be monitored regularly.

**Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

**Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

**Operational bank accounts:** The Council 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 £3m 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 Council maintaining operational continuity.

**Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. 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.

4.10. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") 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.

- 4.11. Reputational aspects: The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.
- 4.12. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council 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 Council's cash balances, then the surplus will be deposited with the UK Government, or with other local Councils. This will cause investment returns to fall but will protect the principal sum invested.
- 4.13. **Investment limits:** The Council's revenue reserves available to cover investment losses are forecast to be £16.4m on 31<sup>st</sup> March 2024 and £15.0m on 31<sup>st</sup> March 2025. In order that no more than a third 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) will be £5m. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 4.14. Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. 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.

**Table 17: Additional investment limits**

|   | <b>Cash limit</b> |
|---|-------------------|
| Any group of pooled funds under the same management       | £5m per manager   |
| Negotiable instruments held in a broker's nominee account | £5m per broker    |
| Foreign countries   | £4m per country   |

- 4.15. **Liquidity management:** The Council uses its own cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.
- 4.16. The Council will spread its liquid cash over at least two providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

## Treasury Management Indicators

- 4.17. The Council measures and manages its exposures to treasury management risks using the following indicators.
- 4.18. **Security:** The Council 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 |

- 4.19. **Long-term treasury management investments:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

| Price risk indicator                        | 2024/25 | 2024/25 | 2025/26 | No fixed date |
|---|---------|---------|---------|---------------|
| Limit on principal invested beyond year end | £5m     | £4m     | £2m     | £5m           |

- 4.20. Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

## 5. Related matters

- 5.1. The CIPFA Code requires the Council to include the following in its treasury management strategy:
- 5.2. **Financial derivatives:** ) Local Councils have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 24 of the Local Government and Elections (Wales) Act 2021 removes much of the uncertainty over local Councils' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 5.3. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the

financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

- 5.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 5.5. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 5.6. **External Funds:** The Council will from time to time hold fund on behalf of external organisations, companies or individuals. Unless a specific agreement is in place for the investment of the funds held, the Council will normally allocate interest returns based on a calculation of the average returns achieved from an overnight deposit rate with the Debt Management Office over the period held.
- 5.7. **Markets in Financial Instruments Directive:** The Council 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 Council's treasury management activities, the Section 151 officer or deputy believes this to be the most appropriate status.
- 5.8. **Government Guidance:** Further matters required by the WG Guidance are included in Section 6 below.

### **Financial Implications**

- 5.9. The budget for investment income in 2024/25 is £925k, based on an average investment portfolio of £10m and existing pooled fund investments. Returns are expected to come from pooled fund investments, from shorter term investments with the Government, from secured/unsecured investments, or from Money Market Funds.
- 5.10. The budget for debt interest paid in 2024/25 is £6.95m, based on existing loans and assumed new borrowing at an average rate of 4.2%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.

### **Other Options Considered**

5.11. The WG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local Councils to adopt. The Section 151 officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

| <b>Alternative</b>  | <b>Impact on income and expenditure</b>  | <b>Impact on risk management</b>  |
|---|--|---|
| 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            |

## 6. Additional requirements of Welsh Government Investment Guidance

6.1. The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local Councils that are not integral to this Council's treasury management processes. The guidance also covers investments that are not part of treasury management, for example investment property and loans to local organisations.

- 6.2. **Contribution:** The Council’s investments contribute to its service delivery objectives and/or to promote wellbeing as follows:
- treasury management investments support effective treasury management activities,
  - loans to local organisations provide financial support to those organisations to enable them to deliver local public services that would otherwise be provided directly by the Council, and
  - investment property provides a net financial surplus that is reinvested into local public services and supports economic regeneration.
- 6.3. **Climate change:** The Authority’s investment decisions consider long term climate risks to support a low carbon economy to the extent that the Council has invested in, as part of the overall capital programme, a number of energy efficiency related schemes, including LED lighting and Solar PV, as well as ultra-low emission vehicles. In addition, the new Abergavenny 3-19 school is being constructed on a net carbon zero basis.
- 6.4. **Specified investments:** The WG Guidance defines specified investments as those:
- denominated in pound sterling,
  - due to be repaid within 12 months of arrangement unless the counterparty is a local Council,
  - not defined as capital expenditure by legislation, and
  - invested with one of:
    - the UK Government,
    - a UK local Council, parish council or community council, or
    - a body or investment scheme of “high credit quality”.
- 6.5. The Council 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.
- 6.6. **Loans:** The WG Guidance defines a loan as a written or oral agreement where the Council temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local Council.
- 6.7. The Council uses an allowed ‘expected credit loss’ model for loans and receivables as set out in *International Financial Reporting Standard 9 Financial Instruments* as adopted by proper practices to measure the credit risk of its loan portfolio. Appropriate consideration is given to state aid rules and competition law. The Council has appropriate credit control arrangements to recover overdue repayments in place.
- 6.8. **Non-specified investments:** Any financial investment not meeting the definition of a specified investment or a loan is classed as non-specified. Given the wide definition of a



loan, this category only applies to units in pooled funds and shares in companies. Limits on non-specified investments are shown in table 18; the Council confirms that its current non-specified investments remain within these limits.

**Table 18: Non-specified investment limits**

|  | Cash limit |
|--|------------|
| Units in pooled funds without credit ratings or rated below [A-] | £10m       |
| Shares in real estate investment trusts                          | £10m       |
| Shares in local organisations                                    | £5m        |
| Total non-specified investments                                  | £25m       |

- 6.9. **Non-financial investments:** This category covers non-financial assets held primarily or partially to generate a profit, primarily investment property. Security is determined by comparing each asset's purchase price to its fair value using the model in International Accounting Standard 40: Investment Property as adapted by proper practices. On an assessment as at 31st March 2023, the Council's investment property portfolio does not currently provide sufficient security for capital investment since its fair value is below its purchase price. The Council is therefore continue to closely review options to secure the capital invested, including:
- Retaining the asset and increasing net returns
  - Disposing of the asset
  - Retaining the asset for future capital gains
  - Maximising return on capital in another way
- 6.10. The Council consider that the scale of its commercial investments including property are proportionate to the resources of the Council since gross income from such investments represent around 1.6% of the overall net revenue budget stream.
- 6.11. **Liquidity:** The Council's liquidity management has been detailed in the main Treasury report with regard to treasury activities. Before supporting local entities or placing a commercial investment the impact on liquidity is fully addressed, most commonly by taking out loans of an appropriate maturity to ensure funds are available for the life of the activity.
- 6.12. Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council will follow its Investment strategy for Commercial assets which ensures that any borrowed capital will be repaid with annual income earned from the investment or that an exit strategy identified during the due diligence will be followed.

- 6.13. **Investment advisers:** The Council has appointed Arlingclose Limited as treasury management advisers with the current contract running until 31<sup>st</sup> March 2025, and has used Alder King as advisers for the last two Commercial investment Property Acquisitions. The quality of these services is controlled by the Finance and Estates teams and also the Investment Committee appointed to oversee the Commercial Investments.
- 6.14. **Borrowing in advance of need:** Welsh Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority, after having regard to the guidance, will only borrow in advance of need as part of a strategy for reducing risk of future interest rate rises and would not undertake such activity purely in order to profit from an investment.
- 6.15. **Capacity and skills:** The Section 151 officer is responsible for ensuring that those elected members and statutory officers involved in the investment decision making process have appropriate capacity, skills and information to enable them to:
- take informed decisions as to whether to enter into a specific investment;
  - assess individual investments in the context of the strategic objectives and risk profile of the local Council; and
  - understand how the quantum of these decisions have changed the overall risk exposure of the local Council.
- 6.16. Steps taken include relevant training for elected members and a minimum level of qualification for statutory officers, as well as ensuring continuing professional development, via attendance at relevant training courses. Officers will always take advice from its independent advisers regarding investment and borrowing activity.
- 6.17. **Commercial deals:** The investment committee is responsible for ensuring that those tasked with negotiating commercial deals have the appropriate skills and access to information to allow them to operate with regard to the principles of the prudential framework and regulatory regime within which the Council operates.
- 6.18. **Corporate Governance:** The Council has a clear corporate governance framework set out within its constitution, delegation framework and Annual Governance Statement. This ensures that decisions regarding investment are taken at the appropriate level. For example, the overarching treasury strategy and framework is approved by full Council. Operational decisions, such as day to day cashflow management, including borrowing, are delegated to the Section 151 officer or Deputy.

## 7. Advisors Economic & Interest Rate Forecast – December 2023

### Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
  - The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
  - Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
  - Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
  - Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
  - Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
  - Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.
  - There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.
- **Forecast:**
  - The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
  - The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
  - The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
  - Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

|                                  | Current | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 |
|----------------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Official Bank Rate</b>        |         |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00    | 0.00   | 0.25   | 0.25   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.75   | 0.75   | 1.00   | 1.00   |
| Central Case                     | 5.25    | 5.25   | 5.25   | 5.25   | 5.00   | 4.75   | 4.25   | 4.00   | 3.75   | 3.50   | 3.25   | 3.00   | 3.00   |
| Downside risk                    | 0.00    | 0.00   | -0.25  | -0.50  | -0.75  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  |
| <b>3-month money market rate</b> |         |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00    | 0.00   | 0.25   | 0.25   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.75   | 0.75   | 1.00   | 1.00   |
| Central Case                     | 5.40    | 5.40   | 5.40   | 5.30   | 5.15   | 4.80   | 4.30   | 4.10   | 3.80   | 3.50   | 3.25   | 3.05   | 3.05   |
| Downside risk                    | 0.00    | 0.00   | -0.25  | -0.50  | -0.75  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  |
| <b>5yr gilt yield</b>            |         |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00    | 0.25   | 0.75   | 0.85   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |
| Central Case                     | 3.77    | 3.75   | 3.75   | 3.75   | 3.70   | 3.60   | 3.50   | 3.50   | 3.40   | 3.30   | 3.30   | 3.30   | 3.35   |
| Downside risk                    | 0.00    | -0.25  | -0.75  | -0.85  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  |
| <b>10yr gilt yield</b>           |         |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00    | 0.25   | 0.75   | 0.85   | 0.85   | 0.90   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |
| Central Case                     | 3.72    | 3.75   | 3.80   | 3.80   | 3.80   | 3.80   | 3.80   | 3.80   | 3.75   | 3.65   | 3.60   | 3.65   | 3.70   |
| Downside risk                    | 0.00    | -0.25  | -0.75  | -0.85  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  |
| <b>20yr gilt yield</b>           |         |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00    | 0.25   | 0.75   | 0.85   | 0.85   | 0.90   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |
| Central Case                     | 4.16    | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.25   |
| Downside risk                    | 0.00    | -0.25  | -0.75  | -0.85  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  |
| <b>50yr gilt yield</b>           |         |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00    | 0.25   | 0.75   | 0.85   | 0.85   | 0.90   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |
| Central Case                     | 3.76    | 3.80   | 3.85   | 3.90   | 3.90   | 3.90   | 3.90   | 3.90   | 3.90   | 3.90   | 3.95   | 3.95   | 3.95   |
| Downside risk                    | 0.00    | -0.25  | -0.75  | -0.85  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  |

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

UK Infrastructure Bank Rate = Gilt yield + 0.40%

## 8. MRP Policy Statement 2024/25

- 8.1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to Welsh Government's Guidance on Minimum Revenue Provision (the WG Guidance) most recently issued in 2018.
- 8.2. The broad aim of the WG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 8.3. The WG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.
- 8.4. MRP options recommended in the Guidance include:

|          |  |
|----------|--|
| Option 1 | For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined in accordance with the former regulations that applied on 31st March 2008.  |
| Option 2 | For General Fund capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined as 4% of the capital financing requirement in respect of that expenditure.   |
| Option 3 | For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. |
| Option 4 | For capital expenditure incurred after 31st March 2008, MRP will be determined as being equal to the accounting charge for depreciation and impairment on those assets (or parts of) continuing until the expenditure has been fully funded.   |

*Note: This does not preclude other prudent methods.*

**MRP in 2024/25:**

8.5. The following MRP policy will be applied in 2024/25:

| Type of Expenditure                      | Option Applied | MRP Calculation  |
|--|----------------|--|
| Supported Borrowing funded Expenditure   | Option 3       | Calculated on an annuity basis over the expected useful life of an asset, whereby the MRP element increases over time to reflect a consistent charge over life of the assets taking into account the real value of money |
| Unsupported Borrowing funded Expenditure | Option 3       | Calculated on an annuity basis over the expected useful life of an asset, whereby the MRP element increases over time to reflect a consistent charge over life of the assets taking into                                 |

|                |  |  |
|----------------|--|--|
|                |  | account the real value of money  |
| Leases and PFI |  | MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability |

- 8.6. For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council may make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the WG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.
- 8.7. In all cases Capital expenditure incurred during 2024/25 will not be subject to an MRP charge until 2025/26. The 2024/25 budget proposals reflect these outlined positions.

## 9. Glossary of treasury terms

|                              |  |
|------------------------------|--|
| <b>Authorised Limit</b>      | The affordable borrowing limit determined in compliance with the Local Government Act 2003 (English and Welsh Councils) and the Local Government in Scotland Act 2003. This Prudential Indicator is a statutory limit for total external debt. It is set by the Council and needs to be consistent with the Council's plans for capital expenditure financing and funding. The Authorised Limit provides headroom over and above the <i>Operational Boundary</i> to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit.<br><br>(see <b>also</b> <i>Operational Boundary</i> , below) |
| <b>Balances and Reserves</b> | Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.  |



|  |   |
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| <b>Bail-in</b>                             | Refers to the process which the banking regulatory Councils 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 Council 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. |
| <b>Bank Rate</b>                           | 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'.  |
| <b>Bond</b>                                | 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.   |
| <b>Capital Expenditure</b>                 | Expenditure on the acquisition, creation or enhancement of capital assets   |
| <b>Capital Financing Requirement (CFR)</b> | The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local Council that has not been financed.   |
| <b>Capital growth</b>                      | 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)  |
| <b>Capital receipts</b>                    | Money obtained on the sale of a capital asset.  |
| <b>CIPFA</b>                               | Chartered Institute of Public Finance and Accountancy   |
| <b>Constant Net Asset Value (CNAV)</b>     | 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.  |

|   |   |
|---|---|
| <b>Collective Investment Schemes</b>          | 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. |
| <b>Corporate Bonds</b>                        | 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.  |
| <b>Corporate Bond Funds</b>                   | Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.   |
| <b>CPI</b><br><i>Also see RPI</i>             | Consumer Price Index. (This measure is used as the Bank of England's inflation target.)   |
| <b>Credit Default Swap (CDS)</b>              | 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.  |
| <b>Credit Rating</b>                          | 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.  |
| <b>Cost of carry</b>                          | 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.  |
| <b>Credit default swaps</b>                   | Financial instrument for swapping the risk of debt default; the buyer effectively pays a premium against the risk of default.   |
| <b>Diversification / diversified exposure</b> | The spreading of investments among different types of assets or between markets in order to reduce risk.  |
| <b>Derivatives</b>                            | 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'.             |
| <b>ECB</b>                                    | European Central Bank   |

|  |  |
|--|--|
| <b>Federal Reserve</b>   | The US central bank. (Often referred to as “the Fed”)  |
| <b>Floating Rate Notes</b>   | 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   |
| <b>GDP</b>   | Gross domestic product – also termed as “growth” in the economy. The value of the national aggregate production of goods and services in the economy.  |
| <b>General Fund</b>  | 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).  |
| <b>Gilts (UK Govt)</b>   | 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.   |
| <b>Housing Revenue Account (HRA)</b>   | A ring-fenced account of all housing income and expenditure, required by statute   |
| <b>IFRS</b>  | International Financial Reporting Standards  |
| <b>Income Distribution</b>   | The payment made to investors from the income generated by a fund; such a payment can also be referred to as a ‘dividend’  |
| <b>Investments</b><br><ul style="list-style-type: none"> <li>- <b>Secured</b></li> <li>- <b>unsecured</b></li> </ul> | <p>Secured investments which have underlying collateral in the form of assets which can be called upon in the event of default</p> <p>Unsecured investments do not have underlying collateral. Such investments made by local Councils with banks and building societies are at risk of bail-in should the regulator determine that the bank is failing or likely to fail.</p> |
| <b>Liability Benchmark</b>   | 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).   |
| <b>LOBOs</b>   | 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 predetermined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining                             |

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|---|---|
|   | term of the facility and the borrower has the ‘option’ to either accept the new imposed fixed rate or repay the loan facility.  |
| <b>LVNAV (Low Volatility Net Asset Value)</b> | From 2019 Money Market Funds will have to operate under a variable Net Value Structure with minimal volatility (fluctuations around £1 limited to between 99.8p to 100.2p)  |
| <b>Maturity</b>                               | The date when an investment or borrowing is repaid.   |
| <b>Maturity profile</b>                       | 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.  |
| <b>MiFID II</b>                               | 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.   |
| <b>Money Market Funds (MMF)</b>               | Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.   |
| <b>Minimum Revenue Provision</b>              | An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets  |
| <b>Non-Specified Investments</b>              | Term used in the Communities and Local Government Guidance and Welsh Assembly Guidance for Local Council 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.  |
| <b>Net Asset Value (NAV)</b>                  | A fund’s net asset value is calculated by taking the current value of the fund’s assets and subtracting its liabilities.  |
| <b>Operational Boundary</b>                   | This is the limit set by the Council as its most likely, i.e. prudent, estimate level of external debt, but not the worst case scenario. This limit links directly to the Council’s plans for capital expenditure, the estimates of the Capital Financing Requirement (CFR) and the estimate of cashflow requirements for the year. |

|   |  |
|---|--|
| <b>Permitted Investments</b>            | Term used by Scottish Councils as those the Council has formally approved for use.   |
| <b>Pooled funds</b>                     | See Collective Investment Schemes (above)  |
| <b>Premiums and Discounts</b>           | <p>In the context of local Council 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.</p> <p>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.</p> <p>*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.</p> |
| <b>Private Finance Initiative (PFI)</b> | 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 Council.   |
| <b>Prudential Code</b>                  | Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local Council capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.  |
| <b>Prudential Indicators</b>            | Indicators determined by the local Council to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is   |

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|  | publicly accountable; they are not intended to be comparative performance indicators between Councils.   |
| <b>PWLB</b>                                  | 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 Councils and other prescribed bodies, and to collect the repayments.   |
| <b>Quantitative Easing</b>                   | 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 |
| <b>Registered Provider of Social Housing</b> | Formerly known as Housing Association  |
| <b>Revenue Expenditure</b>                   | Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges  |
| <b>RPI</b>                                   | 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.   |
| <b>SORP</b>                                  | Statement of Recommended Practice for Accounting (Code of Practice on Local Council Accounting in the United Kingdom).   |
| <b>Specified Investments</b>                 | Term used in the CLG Guidance and Welsh Assembly Guidance for Local Council Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local Councils and bodies that have a high credit rating.  |
| <b>Supported Borrowing</b>                   | Borrowing for which the costs are supported by the government or third party.  |



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| <b>Supranational Bonds</b>             | Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an 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. |
| <b>Treasury Management Code</b>        | CIPFA's Code of Practice for Treasury Management in the Public Services. The current Code is the edition released in autumn 2011.   |
| <b>Temporary Borrowing</b>             | Borrowing to cover peaks and troughs of cash flow, not to fund spending.  |
| <b>Term Deposits</b>                   | Deposits of cash with terms attached relating to maturity and rate of return (interest)   |
| <b>Unsupported Borrowing</b>           | Borrowing which is self-financed by the local Council. This is also sometimes referred to as Prudential Borrowing.  |
| <b>Usable Reserves</b>                 | Resources available to finance future revenue and capital expenditure   |
| <b>Variable Net Asset Value (VNAV)</b> | 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.   |
| <b>Working Capital</b>                 | Timing differences between income/expenditure and receipts/payments   |
| <b>Yield</b>                           | The measure of the return on an investment instrument   |

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