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 £000	Movement £000	Final Pressure £000	Draft Saving £000	Movement £000	Final Saving £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**
	Totals	**11,724**	**1,850**	**13,574**	**(10,750)**	**(114)**	**(10,864)**

Ref	Children & Young People	Draft Pressure £000	Movement £000	Final Pressure £000	Draft Saving £000	Movement £000	Final Saving £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**			
PCYP5	ALN Transport - inflationary pressure in contractor costs	**745**	0	**745**			
PCYP8	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**			
PCYP9	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)**
	CYP Totals	**1,611**	**1,500**	**3,111**	**(2,507)**	**(665)**	**(3,172)**

Ref	Social Care, Health & Safeguarding	Draft Pressure £000	Movement £000	Final Pressure £000	Draft Saving £000	Movement £000	Final Saving £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)**
SCH18	Review and increase of directorate schedule of fees and charges across Social Care & Health				**(388)**	0	**(388)**
SCH19	Public protection - Hold vacant Environmental Health Officer post				**(23)**	0	**(23)**
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)**
	SCH Totals	**7,410**	**350**	**7,760**	**(5,175)**	**203**	**(4,972)**

Ref	Communities & Place	Draft Pressure £000	Movement £000	Final Pressure £000	Draft Saving £000	Movement £000	Final Saving £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)
	C&P Totals	**1,305**	**0**	**1,305**	**(1,075)**	**148**	**(927)**
Ref	**MonLife**	**Draft Pressure**	**Move ment**	**Final Pressure**	**Draft Saving**	**Move ment**	**Final Saving**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
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)
	MonLife Totals	**285**	**0**	**285**	**(1,079)**	**0**	**(1,079)**
Ref	**Chief Executive's Unit**	**Draft Pressure £000**	**Move ment £000**	**Final Pressure £000**	**Draft Saving £000**	**Move ment £000**	**Final Saving £000**
PCEO1	Increased costs of payroll licenses - We are anticipating an above inflation increase in the annual license costs from 2024-25.	**17**	0	**17**			
PCEO2	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)
	CEO Totals	**47**	**0**	**47**	**(86)**	**0**	**(86)**
Ref	**Law & Governance**	**Draft Pressure £000**	**Move ment £000**	**Final Pressure £000**	**Draft Saving £000**	**Move ment £000**	**Final Saving £000**
PLG1	Cost of members allowances and associated oncosts will exceed available budget	**135**	0	**135**			
LG2	Vacancy Freeze - Paralegal post				(33)	0	(33)
	L&G Totals	**135**	**0**	**135**	**(33)**	**0**	**(33)**
Ref	**Resources**	**Draft Pressure £000**	**Move ment £000**	**Final Pressure £000**	**Draft Saving £000**	**Move ment £000**	**Final Saving £000**
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)
	RES Totals	**290**	**0**	**290**	**(595)**	**0**	**(595)**

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**
	CORP Totals	**641**	**0**	**641**	**(200)**	**200**	**0**

Appendix C - 2024/25 Revenue Budget

	January 2024 Cabinet proposals									Final Settlement Changes		February 2024 Cabinet and Final budget recommendations to Council			
Net Expenditure Budgets	**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
Sub Total	**205,147**	**(8,357)**	**11,724**	**6,399**	**(2,914)**	**(1,576)**	**(817)**	**0**	**1,163**	**210,769**	**0**	**360**	**1,850**	**(114)**	**(186)**	**212,680**
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)
Total Expenditure	**209,699**	**(8,357)**	**11,724**	**6,399**	**(324)**	**(1,576)**	**(817)**	**0**	**1,788**	**218,536**	**0**	**360**	**1,850**	**(114)**	**(652)**	**219,981**
Funding Budgets																
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
Total Funding	**(209,699)**	**0**	**0**	**0**	**1,184**	**0**	**0**	**(2,680)**	**(7,341)**	**(218,536)**	**(741)**	**0**	**0**	**0**	**(703)**	**(219,981)**
Total Budget	**0**	**(8,357)**	**11,724**	**6,399**	**860**	**(1,576)**	**(817)**	**(2,680)**	**(5,553)**	**0**	**(741)**	**360**	**1,850**	**(114)**	**(1,355)**	**0**

	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[1].

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 posses 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 shows 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 proportionality 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 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)														
Children's practice change (SCH 3 & 4)														
Adult practice change (SCH 6, 8, 9, 10, 14 & 15)														
Fees uplift (PSCH 1)														
Foster carer support (PSCH 2)														
Children’s and adult overspend (PSCH 4 & 5)														
ALN net saving (CYP 4)														
Gwent Music (CYP 7)														
Before school club charge (CYP 8)														
King Henry VII School specialist resource base (PCYP 2)														
ALN transport (PCYP 5)														
Before school clubs budget uplift (PCYP 6)														
Contingency funding for high tariff ALP (PCYP 8)														
Funding ALP in local authority individual education plans (PCYP 9)														

	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)														
Garden waste collection charges (C&P 2)														
Concessionary fare uplift (C&P 11)														
Increase car parking charges (C&P 18)														
Recycling and waste management (PC&P 1)														
PTU contract (PC&P 6)														
Welsh language translations (PCEO 2)														
Museums service change (ML 2)														
Old Station Tintern opening hours (ML 3)														
Countryside access staff reduction (ML 6)														
Cost neutral outdoor adventure service (ML 9)														
Leisure centre reduced opening hours (ML 10)														
Alternative delivery model open access youth provision (ML 11)														

	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
Markets and membership service redesign (ML 12)														
Area management restructure (ML 13)														
Youth service core budget increase (PML 5)														
Markets income pressure (PML 6)														

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% (1540) 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).[2].

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.[3] 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.

<u>Actions we are taking to mitigate against negative socio-economic impacts.</u>

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)
Household 1- 2 Adults, 2 Dependent Children, 1 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%)
Household 2 – 2 Adults, 2 Dependent 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%)
Household 3 – 1 Adult, 2 Dependent 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%)
Household 4 – 2 Adults (all 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%)
Household 5 – 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)
Household 6 – 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.[4] 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 weekmay 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

Integrated Impact Assessment document

(Incorporating Equalities, Future Generations, Welsh Language and Socio-Economic Duty)

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

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?
	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. 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. 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).	. 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. . Increasing the cost of garden waste collection by 10% (C&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. Increasing the cost of concessionary home to school transport (C&P 11) may mean that children from low-income families will no longer be able to access the service. Increases to car park charges (C&P 18) will have a disproportionate effect on low-income households, including older people, as they may have to reduce or cease their	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&P 11). 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).

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?
	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. 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. Uplifting the core budget of the Youth Service (PML 5) will ensure that core services continue to be delivered and	use of car parks which could cause a degree of social isolation. 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 & 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. 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. 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 & 16). Often older adults are being supported to remain at home with	Blue badge holders will continue to be able to park for free (C&P 18). 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 & 4) 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). 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. Increased demand, the fragility of the social care sector and the availability of care staff remain a key risk for Adult

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?
	young people continue to be supported. 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'. Supporting pressures in Adult and Children's Social Care (PSCH 4 & 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.	the support of family members who can themselves be in older age. 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. 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. 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	Social Care which needs to be considered as part of budget proposals. 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. 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 subside 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).

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	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. Meeting increased home to school transport costs (PC&P 6) will ensure that children continue to be provided with transport to school. 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.	care, especially those on lower incomes, although charges are means tested.	
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	

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	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. 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. 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	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. 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 & 4) seeks to is seeking to address this through the development of bespoke services and provision. 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	Blue badge holders will continue to be able to park for free (C&P 18). 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 & 4) 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). 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 & 16). For social care charging increases, we will ensure that service users are means tested to determine their ability to pay.

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	provide a truly inclusive education system. 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. Supporting pressures in Adult Social Care (PSCH 4 & 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. Uplifting fee rates for social care providers (PSCH 1) will ensure that	available and people's needs may not be met at the maximum level. 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 & 16). The adult services staffing proposal (SCH 2, 5, 7, 12 & 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. 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	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.

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	disabled people with disabilities have access to appropriate and high-quality care services and will expand the offer available to them. 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 & 16).	impact on those adults who are reliant on care, especially those on lower incomes.	
Gender reassignment	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.	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.	None identified at this stage. 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.
Marriage or civil partnership	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	At this stage proposals haven't identified a particular overall impact, either positive or negative.	None identified at this stage.

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	working, maternity/paternity pay and healthcare insurance. At this stage proposals haven't identified a particular overall impact, either positive or negative.		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.
Pregnancy or maternity	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. At this stage proposals haven't identified a particular overall impact, either positive or negative.	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&P 18). If charges preclude such people from visiting town centres, it could result in social isolation.	None identified at this stage. 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.
Race	At this stage proposals haven't identified a particular overall impact, either positive or negative, that will differ by race.	At this stage proposals haven't identified a particular overall impact, either positive or negative, that will differ by race.	None identified at this stage. Where any decisions are required relating to compulsory redundancies the process will make a determination in an unbiased and un predetermined

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.	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 & 16 and SCH 6, 8, 9, 10, 14, 15). 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.	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?
			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?
Socio-economic Duty and Social Justice	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).

	school meals have free access to before school clubs). 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. 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'.	Increases to car park charges (C&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. Increasing the cost of concessionary home to school transport (C&P 11) may mean that children from low-income families will no longer be able to access the service. Uplifting the cost of garden waste collection by 10% (C&P 2) may mean that some users are no longer able to afford the service, resulting in some residents losing access. 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. .	Families will have the option to pay the cost of home to school transport across the year, rather than in one lump sum (C&P 11). 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). 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 & 4). 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). Pupils from Monmouthshire County Council schools will still receive a

	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 & 4) seeks to provide the best support for young people as they approach adulthood through the provision of appropriate accommodation, support and services. 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.	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 & 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. 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. 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. 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.	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 subside 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). 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). 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

		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.	began with an initial briefing at the Joint Advisory Group in November. 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. 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.

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
Policy Making Effects on the use of the Welsh language, Promoting Welsh language Treating the Welsh language no less favourably	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. All proposals will comply with the Welsh Language standards applicable to the authority.	None identified at this stage.	All signage and material arising from budget proposals will be compliant with the Welsh Language (Wales) Measure 2011 and Welsh Language Standards.
Operational Recruitment & Training of workforce	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.	Budget proposals identify a number of potential redundancies. In some instances, these could result in a reduction in the number of Welsh speakers employed.	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. Continue to promote and fund language courses to increase the number of learners in line with the

	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
Service delivery Use of Welsh language in service delivery Promoting use of the language	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. 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.	Budget proposals identify a number of potential redundancies. In some instances, these could result in a reduction in the number of Welsh speakers employed.	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. 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. 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.

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.

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?
A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs	A number of proposals involve redundancies, which will reduce the total number of jobs in the county. 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.	Wherever possible, posts that are removed will be vacant posts, thus reducing the number of redundancies necessary.
A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)	None identified at this stage.	None identified at this stage.
A healthier Wales People's physical and mental wellbeing is maximised, and health impacts are understood	Increasing car parking charges (C&P 18) could encourage healthier and more active travel e.g. walking and cycling. 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.	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. Increased demand, the fragility of the social care sector and the availability of care staff remains a key risk for Adult Social Care. Where staff are put at risk of redundancy, measures will be put in place to help them, such as guaranteed

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?
		interviews for internal posts for suitable candidates and employment and skills support.
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	Increasing car parking charges (C&P 18) may deter people from visiting town centres, especially those who do not have access to a means of transport other than driving. 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.	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
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	A number of proposals propose reducing the opening hours of facilities. This is likely to reduce energy bills and carbon emissions. (ML2, ML3, ML10). Uplifting the recycling and waste services budget (PC&P 1) will ensure that the council is able to continue to achieve its target of recycling 70% of waste in the county. Increasing car parking charges (C&P 18) could encourage more sustainable travel e.g. via active travel routes, resulting in less carbon emissions. Increasing the cost of concessionary home to school transport (C&P 11) could mean that some families decide to opt out of the service and could	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?
	instead choose to drive to school, increasing the number of journeys made.	
A Wales of vibrant culture and thriving Welsh language Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	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. 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.	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. We will look to protect the level of library book spend allocated to Welsh language publications.
A more equal Wales People can fulfil their potential no matter what their background or circumstances	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. Consideration will need to be given to whether redundancies will affect any particular groups of people.	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). 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). Where staff are put at risk of redundancy, measures will be put in place to help them, such as guaranteed

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?
	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. 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. 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.	interviews for internal posts for suitable candidates, employment and skills support etc.

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

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?
Long Term Balancing short term need with long term and planning for the future	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.	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.
Collaboration Working together with other partners to deliver objectives	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.	Generally, proposals that scale back partnership work still continue with those collaborations, with reduced financial contributions that we are able to make.
Involvement Involving those with an interest and seeking their views	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.	Proposals and the accompanying Integrated Impact Assessments have been updated following the budget consultation.

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?
Prevention Putting resources into preventing problems occurring or getting worse	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). 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.	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.
Integration Considering impact on all wellbeing goals together and on other bodies	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.	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.

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?**

	Describe any positive impacts your proposal has	**Describe any negative impacts your proposal has**	**What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?**
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. 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.**

What are you going to do	When are you going to do it?	Who is responsible
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.**

Version No.	Decision making stage	Date considered	Brief description of any amendments made following consideration
1.0	Strategic Leadership Team and Informal Cabinet	19th December 23	
2.0	Cabinet	17th January 24	
3.0	Cabinet	28th 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[5].

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[6]. 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.[7] Average weekly hours of work for part-time workers in the UK is 16.4 hours.[8]

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.[9] 60% of this equates to £19,380. Median household income in Monmouthshire is £32,786.[10]

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 2 Dependent Children 1 Older Person	2 Adults 2 Dependent Children	1 Adult 2 Dependent Children	2 Adults (both <66)	1 Older Person	2 Adults (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,

[1] https://fairbydesign.com/wp-content/uploads/2021/02/The-Inequality-of-Poverty-Full-Report.pdf
[2] CPI ANNUAL RATE 00: ALL ITEMS 2015=100 - Office for National Statistics (ons.gov.uk)
[3] Average weekly earnings in Great Britain: December 2023 Average weekly earnings in Great Britain - Office for National Statistics (ons.gov.uk)
[4] https://www.monmouthshire.gov.uk/home/counciltaxandbenefits/
[5] Proposed benefit and pension rates 2024/25 Proposed benefit and pension rates 2024 to 2025 - GOV.UK (www.gov.uk).
[6] National Minimum Wage Rates National Minimum Wage and National Living Wage rates - GOV.UK (www.gov.uk).
[7] Families and the labour market, 2021 Families and the labour market, UK - Office for National Statistics (ons.gov.uk).
[8] 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).
[9] Average household income UK Average household income, UK - Office for National Statistics (ons.gov.uk).
[10] 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 scrutinizing 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.

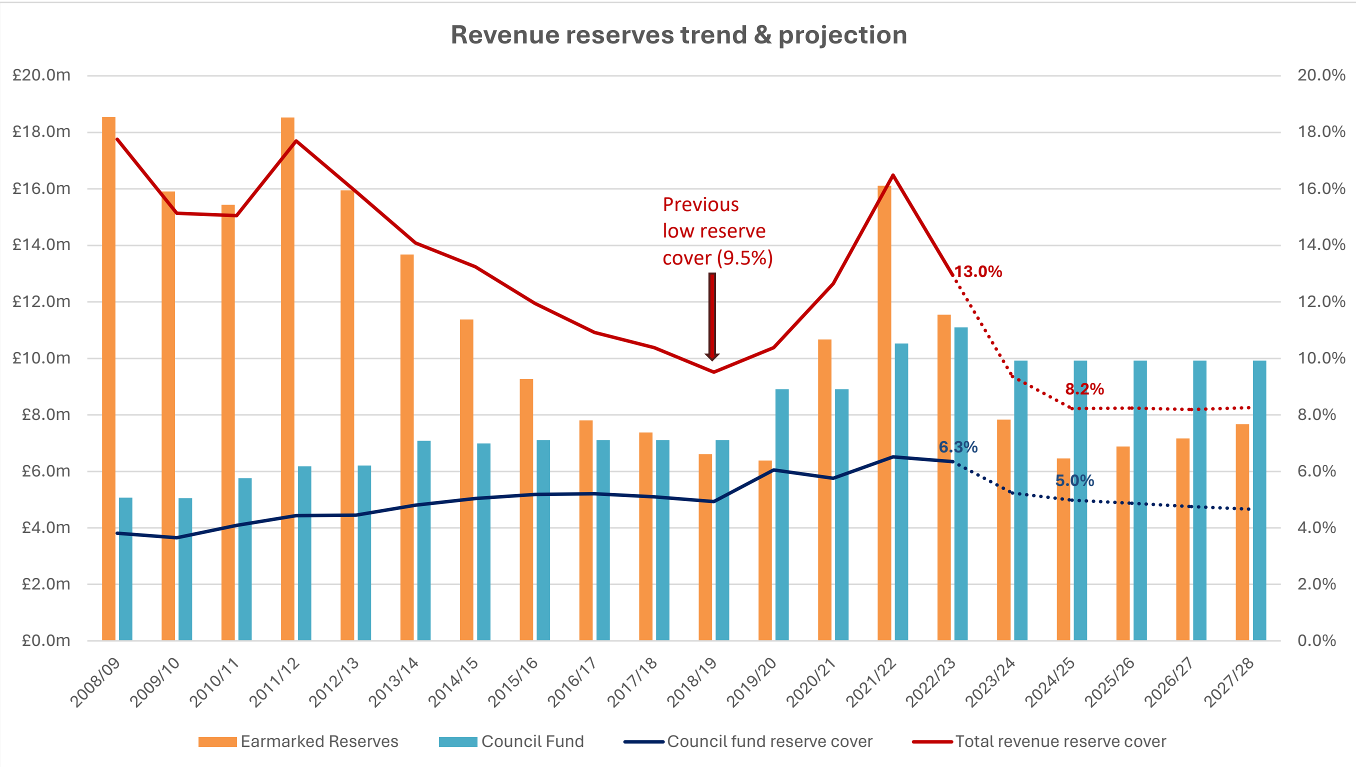
- Uncertainty and potential budget considerations resulting from the proposed Bus Reform Bill as the proposed franchise model will see significant changes to the current funding model and which could have potential implications on local bus services.

- 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

Budgeted revenue reserve usage 2024/25

Reserve	01/04/2024 Forecast £000's	Contributions To (Revenue) £000's	Contributions From (Revenue) £000's	Contribution From (Capital) £000's	31/03/2025 Forecast £000's
Council Fund	9,920				9,920
School Balances	-1,351				-1,351
Sub Total Council Fund	8,569	0	0	0	8,569
Specific Earmarked Reserves:					
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**
Council Fund					
Council Fund	9,920	9,920	9,920	9,920	9,920
School Balances	(1,351)	(1,351)	(1,351)	(1,351)	(1,351)
Total General Fund balance	**8,569**	**8,569**	**8,569**	**8,569**	**8,569**
Specific Earmarked reserves:					
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)
Sub Total Earmarked Reserves	**4,840**	**3,937**	**4,281**	**4,664**	**5,089**
Service & Partnership Reserves	2,995	2,523	2,601	2,504	2,582
Total Useable Revenue Reserves	**16,404**	**15,029**	**15,451**	**15,737**	**16,240**

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
Total unitary authorities	**5,519,889**	**5,689,689**	**3.1%**	

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
Total unitary authorities	**5,689,689**	**1,817**	

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

Portfolio and Grant Name	2023-24	2024-25
Total Education and Welsh Language (of which below)	**619,582**	**620,735**
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 Faciliate 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
Total Climate Change (of which below)	**380,077**	**346,954**
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
<u>Total Health and Social Services (of which below)</u>	**280,110**	**250,501**
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
Total Finance and Local Government (of which below)	**130,382**	**79,530**
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
Total Mental Health and Wellbeing (of which below)	**42,063**	**44,063**
Substance Misuse Action Fund [Note 22]	39,063	41,063
Deprivation of Liberty Safeguards (DoLS)	3,000	3,000
Total Economy (of which below)	**31,593**	**24,489**
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
Total Social Justice & Chief Whip and Social Partnership (of which below)	**6,947**	**6,537**
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
Total Rural Affairs & N.Wales, & Trefnydd (of which below)	**1,090**	**1,014**
Animal Licensing Wales	890	914
LA Animal Health & Welfare Partnership Delivery Plan	200	100
Total Arts, Sport & Tourism (of which below)	**199**	**379**
Culture Revenue Grant	179	179
Specialist Service Grants	20	200
All Grants	**1,492,042**	**1,374,201**
All Grants excluding TBC and RSG transfers (for like-for like comparison)	**1,466,021**	

Appendix H – Revenue budget service groupings

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

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

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

Scheme	Final Budget 2024/25	Indicative Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28
Expenditure	**£**	**£**	**£**	**£**
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
Asset Management Schemes	**2,630,049**	**2,230,049**	**2,230,049**	**2,230,049**
Abergavenny 3-19 school	19,456,606	4,151,797	0	0
School Development Schemes	**19,456,606**	**4,151,797**	**0**	**0**
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
Infrastructure & Transport Schemes	**6,144,740**	**4,204,740**	**4,204,740**	**4,204,740**
Capital Region City Deal	0	730,200	730,200	730,200
Solar Farm development costs	150,000	0	0	0
Regeneration Schemes	**150,000**	**730,200**	**730,200**	**730,200**
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
Inclusion Schemes	**1,150,000**	**1,200,000**	**1,200,000**	**1,200,000**
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
ICT Schemes	**303,000**	**413,000**	**413,000**	**413,000**
Vehicle Leasing	1,500,000	1,500,000	1,500,000	1,500,000
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
Capitalisation Directive	**3,357,500**	**507,500**	**507,500**	**507,500**
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
Other Schemes	**550,000**	**570,000**	**570,000**	**570,000**
Total Expenditure	**35,241,896**	**15,507,287**	**11,355,490**	**11,355,490**

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

Appendix J - 2024/25 Prudential indicators

Capital Expenditure	**2024/25 Budget £m**	**2025/26 Budget £m**	**2026/27 Budget £m**	**2026/27 Budget £m**
Total	**35.2**	**15.5**	**11.4**	**11.4**

Capital Financing	**2024/25 Budget £m**	**2025/26 Budget £m**	**2026/27 Budget £m**	**2026/27 Budget £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 Estimate £m**	**2025/26 Estimate £m**	**2026/27 Estimate £m**	**2026/27 Estimate £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 Estimate £m**	**2025/26 Estimate £m**	**2026/27 Estimate £m**	**2026/27 Estimate £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
Operational Boundary - total external debt	**255.4**	**256.3**	**256.6**	**257.0**
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
Authorised Limit - total external debt	**271.8**	**272.7**	**272.9**	**273.4**

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

Appendix K

Capital Strategy & Treasury Management Strategy 2024/25

Contents

1. Executive Summary

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.

2024/25 Capital Strategy

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
Total Expenditure	**35,241,896**	**15,507,287**	**11,355,490**	**11,355,490**

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.

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

INF	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

Financing source	**Final Budget 2024/25**	**Indicative Budget 2025/26**	**Indicative Budget 2026/27**	**Indicative Budget 2027/28**

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
Total Funding	**35,241,896**	**15,507,287**	**11,355,490**	**11,355,490**

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

	2023/24 Forecast £m's	**2024/25 Estimate £m's**	**2025/26 Estimate £m's**	**2026/27 Estimate £m's**	**2027/28 Estimate £m's**
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 £m's**	**2024/25 Estimate £m's**	**2025/26 Estimate £m's**	**2026/27 Estimate £m's**	**2027/28 Estimate £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
Total Financing costs	**12.6**	**12.1**	**13.6**	**14.1**	**13.8**
Net Revenue Stream	189.6	198.5	203.2	208.1	213.2
Proportion of net revenue stream %	**6.65%**	**6.09%**	**6.72%**	**6.74%**	**6.48%**

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.

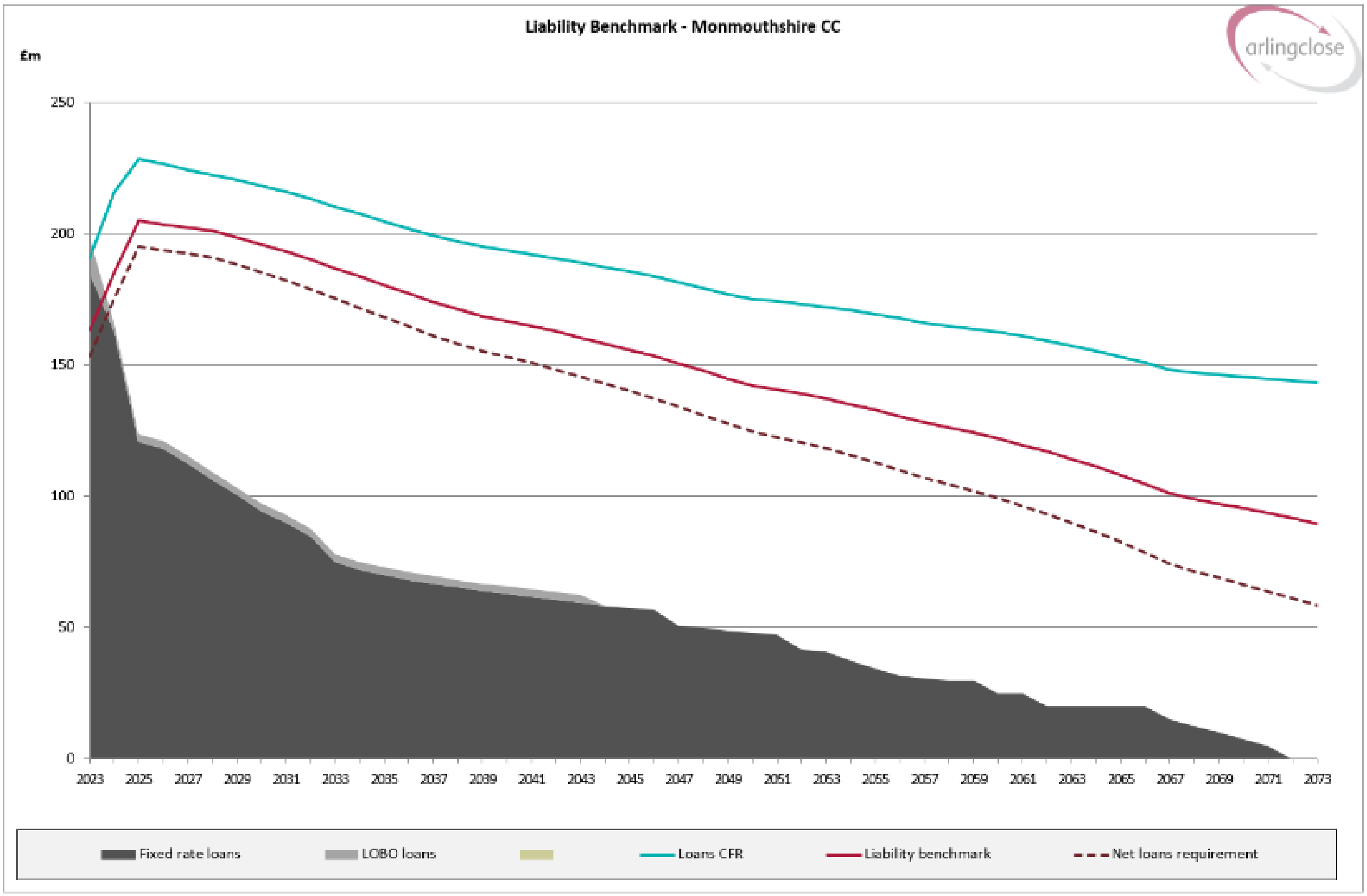
6. Long term capital financing projections

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
Forecast Balance as at 31st March	**8,785**	**7,004**	**6,700**	**5,835**	**4,970**

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 31st 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

Gross Debt Forecast compared to CFR	2023/24 Estimate £m's	2024/25 Estimate £m's	2025/26 Estimate £m's	2026/27 Estimate £m's	2027/28 Estimate £m's
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
(Under) / Over borrowed	(14.2)	(29.2)	(27.5)	(25.6)	(23.0)

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

Operational boundary and Authorised limit	2024/25 Estimate £m's	2025/26 Estimate £m's	2026/27 Estimate £m's	2027/28 Estimate £m's
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
Operational Boundary - total external debt	**255.4**	**256.3**	**256.6**	**257.0**
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
Authorised Limit - total external debt	**271.8**	**272.7**	**272.9**	**273.4**

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

	31/3/2024 forecast £m's	31/3/2025 forecast £m's	31/3/2026 forecast £m's	31/3/2027 forecast £m's	31/3/2028 forecast £m's
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
Total	**14.6**	**36.0**	**10.0**	**10.0**	**10.0**

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
Total	**31,349,392**	**1,103,224**	**32,452,616**

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.

2024/25 Treasury Management Strategy

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 Actual Portfolio £m's	Average Rate %	31st Dec 2023 Actual Portfolio £m's	Average Rate %
External borrowing:				
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%
Total external borrowing	**188.1**	**2.9%**	**173.5**	**3.5%**
Treasury investments:				
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%
Total treasury investments	**38.3**	**3.0%**	**13.6**	**4.76%**
Net debt	**149.8**		**159.9**	

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.

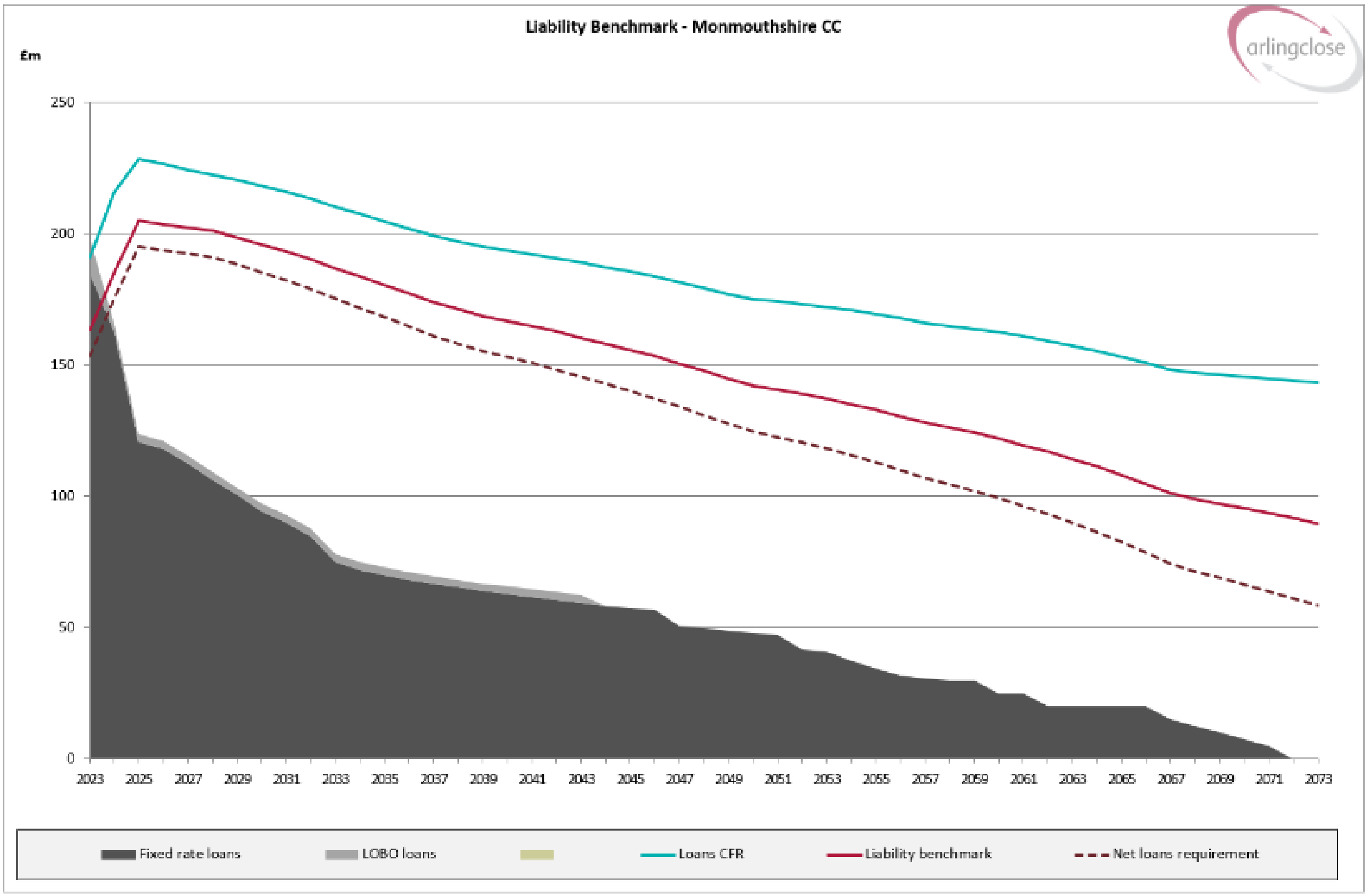
2.5. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external 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

	31.3.24 Forecast	**31.3.25 Forecast**	**31.3.26 Forecast**	**31.3.27 Forecast**	**31.3.28 Forecast**
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)
Net loans requirement	**188.8**	**204.9**	**204.8**	**204.6**	**204.4**
Plus: Liquidity allowance	10.0	20.0	20.0	20.0	20.0
Liability benchmark	**198.7**	**224.9**	**224.8**	**224.6**	**224.4**
Current loan profile**	(198.7)	(125.3)	(121.5)	(117.0)	(111.1)
Borrowing requirement	**0.0**	**99.6**	**103.4**	**107.6**	**113.3**

** 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

Operational boundary and Authorised limit	**2024/25 Estimate £m's**	**2025/26 Estimate £m's**	**2026/27 Estimate £m's**	**2027/28 Estimate £m's**
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
Operational Boundary - total external debt	**255.4**	**256.3**	**256.6**	**257.0**
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
Authorised Limit - total external debt	**271.8**	**272.7**	**272.9**	**273.4**

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

Refinancing rate risk indicator	**Upper limit**	**Lower limit**
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 though 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 31st March 2024 and £15.0m on 31st 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

	Cash limit
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.

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

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 31st 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
Official Bank Rate													
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
3-month money market rate													
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
5yr gilt yield													
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
10yr gilt yield													
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
20yr gilt yield													
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
50yr gilt yield													
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.

<u>MRP in 2024/25:</u>

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

Authorised Limit	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 *Operational Boundary* to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit. (see **also** *Operational Boundary*, below)
Balances and Reserves	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.

Bail-in	Refers to the process which the banking regulatory 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.
Bank Rate	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
Bond	A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of capital assets
Capital Financing Requirement (CFR)	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local Council that has not been financed.
Capital growth	Increase in the value of the asset (in the context of a collective investment scheme, it will be the increase in the unit price of the fund)
Capital receipts	Money obtained on the sale of a capital asset.
CIPFA	Chartered Institute of Public Finance and Accountancy
Constant Net Asset Value (CNAV)	Also referred to as Stable Net Asset Value. A term used in relation to the valuation of 1 share in a fund. This means that at all times the value of 1 share is £1/€1/US$1 (depending on the currency of the fund). The Constant NAV is maintained since dividend income (or interest) is either added to the shareholders' account by creating shares equal to the value of interest earned or paid to the shareholder's bank account, depending on which option is selected by the shareholder.

Collective Investment Schemes	Funds in which several investors collectively hold units or shares. The assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'Pooled Funds'). Unit Trusts and Open-Ended Investment Companies are types of collective investment schemes / pooled funds.
Corporate Bonds	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Corporate Bond Funds	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
CPI ***Also see RPI***	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
Credit Default Swap (CDS)	A Credit Default Swap is similar to an insurance policy against a credit default. Both the buyer and seller of a CDS are exposed to credit risk. Naked CDS, i.e. one which is not linked to an underlying security, can lead to speculative trading.
Credit Rating	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.
Cost of carry	When a loan is borrowed in advance of requirement, this is the difference between the interest rate and (other associated costs) on the loan and the income earned from investing the cash in the interim.
Credit default swaps	Financial instrument for swapping the risk of debt default; the buyer effectively pays a premium against the risk of default.
Diversification / diversified exposure	The spreading of investments among different types of assets or between markets in order to reduce risk.
Derivatives	Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded 'over the counter'.
ECB	European Central Bank

Federal Reserve	The US central bank. (Often referred to as "the Fed")
Floating Rate Notes	A bond issued by a company where the interest rate paid on the bond changes at set intervals (generally every 3 months). The rate of interest is linked to LIBOR and may therefore increase or decrease at each rate setting
GDP	Gross domestic product – also termed as "growth" in the economy. The value of the national aggregate production of goods and services in the economy.
General Fund	This includes most of the day-to-day spending and income. (All spending and income related to the management and maintenance of the housing stock is kept separately in the HRA).
Gilts (UK Govt)	Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
Housing Revenue Account (HRA)	A ring-fenced account of all housing income and expenditure, required by statute
IFRS	International Financial Reporting Standards
Income Distribution	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a 'dividend'
Investments - **Secured** - **unsecured**	Secured investments which have underlying collateral in the form of assets which can be called upon in the event of default Unsecured investments do not have underlying collateral. Such investments made by local 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.
Liability Benchmark	Term in CIPFA's Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level (which may be zero).
LOBOs	LOBO stands for 'Lender's Option Borrower's Option'. The underlying loan facility is typically long term and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at predetermined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining

	term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.
LVNAV (Low Volatility Net Asset Value)	From 2019 Money Market Funds will have to operate under a variable Net Value Structure with minimal volatility (fluctuations around £1 limited to between 99.8p to 100.2p)
Maturity	The date when an investment or borrowing is repaid.
Maturity profile	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by-quarter or month-by-month basis.
MiFID II	MiFID II replaced the Markets in Financial Instruments Directive (MiFID I) from 3 January 2018. It is a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.
Money Market Funds (MMF)	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.
Minimum Revenue Provision	An annual provision that the 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
Non-Specified Investments	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.
Net Asset Value (NAV)	A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.
Operational Boundary	This is the limit set by the 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.

Permitted Investments	Term used by Scottish Councils as those the Council has formally approved for use.
Pooled funds	See Collective Investment Schemes (above)
Premiums and Discounts	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. PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate. *The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.
Private Finance Initiative (PFI)	Private Finance Initiative (PFI) provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. Contracts can typically last for 30 years, during which time the asset is leased by a public Council.
Prudential Code	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.
Prudential Indicators	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

	publicly accountable; they are not intended to be comparative performance indicators between Councils.
PWLB	Public Works Loans Board. It is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local Councils and other prescribed bodies, and to collect the repayments.
Quantitative Easing	In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It “does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller’s bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy”. Source: Bank of England
Registered Provider of Social Housing	Formerly known as Housing Association
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges
RPI	Retail Prices Index. A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the CPI index.
SORP	Statement of Recommended Practice for Accounting (Code of Practice on Local Council Accounting in the United Kingdom).
Specified Investments	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.
Supported Borrowing	Borrowing for which the costs are supported by the government or third party.

Supranational Bonds	Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry 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.
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services. The current Code is the edition released in autumn 2011.
Temporary Borrowing	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (interest)
Unsupported Borrowing	Borrowing which is self-financed by the local Council. This is also sometimes referred to as Prudential Borrowing.
Usable Reserves	Resources available to finance future revenue and capital expenditure
Variable Net Asset Value (VNAV)	A term used in relation to the valuation of 1 share in a fund. This means that the net asset value (NAV) of these funds is calculated daily based on market prices.
Working Capital	Timing differences between income/expenditure and receipts/payments
Yield	The measure of the return on an investment instrument