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Agenda

Newport City Council

Date: Tuesday, 28 February 2023

Time: 5.00 pm

Venue: Council Chambers - Civic Centre

To: **All Members of the City Council**

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At the start of the meeting the Presiding Member will confirm if all or part of the meeting is being filmed. The images and sound recording may be also used for training purposes within the Council.

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Item **Wards Affected**

1. Preliminaries
   i. To receive any apologies for absence.
   ii. To receive any declarations of interest.
   iii. To receive any announcements by the Presiding Member.

2. Minutes *(Pages 5 - 20)*
   To confirm and sign the minutes of the last meeting.

3. Appointments *(Pages 21 - 22)*
   To consider any proposed appointments.

4. Police Issues
   30 minutes is allocated for questions to the Gwent Police representative.

5. 2023/24 Capital Strategy and Treasury Management Strategy *(Pages 23 - 84)*

6. 2023/24 Budget and Medium Term Financial Plan *(Pages 85 - 124)*

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Date of Issue: Tuesday, 21 February 2023

This document is available in welsh / Mae's ffurflen hon ar gael yn Gymraeg

7. National Non-Domestic Rates: Discretionary Rate Relief Schemes 2023/24 *(Pages 125 - 136)*

8. Gwent Wellbeing Plan 2023/28 *(Pages 137 - 168)*

9. Participation Strategy: Ward Meetings *(Pages 169 - 178)*

10. Scrutiny Annual Report 2021/22 *(Pages 179 - 198)*

11. Questions to the Leader of the Council
To provide an opportunity for Councillors to ask questions to the Leader of the Council in accordance with the Council's Standing Orders.

Process:
No more than 15 minutes will be allocated at the Council meeting for questions to the Leader of the Council.

The question must be addressed through the presiding member at the meeting and not directly to the person being questioned.

12. Questions to the Cabinet Members
To provide an opportunity to pose questions to Cabinet Members in line with Standing Orders.

Process:
No more than 10 minutes will be allocated at the Council meeting for questions to each Cabinet Member.

Members must submit their proposed questions in writing in advance in accordance with Standing Orders. If members are unable to ask their question orally within the allocated time, remaining questions will be answered in writing. The question and response will be appended to the minutes.

The question must be addressed through the presiding member at the meeting and not directly to the person being questioned.

Questions will be posed to Cabinet Members in the following order:

i. Deputy Leader and Cabinet Member for Education and Early Years
ii. Cabinet Member for Community and Wellbeing
iii. Cabinet Member for Strategic Planning, Regulation and Housing
iv. Cabinet Member for Social Services
v. Cabinet Member for Organisational Transformation
vi. Cabinet Member for Climate Change and Bio-Diversity
vii. Cabinet Member for Infrastructure and Assets

13. Questions to the Chairs of Committees
To provide an opportunity to pose questions to the Chairs of the Committees in line with Standing Orders.

Process:
No more than 10 minutes will be allocated at the Council meeting for questions to each Chair.

Members must submit their proposed questions in writing in advance in accordance with Standing Orders. If members are unable to ask their question orally within the allocated time, remaining questions will be answered in writing. The question and response will be appended to the minutes.

The question must be addressed through the Mayor or the person presiding at the meeting and not directly to the person being questioned.

Questions will be posed to Committee Chairs in the following order:

i. Scrutiny Committees
   a. Overview and Scrutiny Management Committee
   b. Performance Scrutiny Committee – People
   c. Performance Scrutiny Committee – Place and Corporate
   d. Performance Scrutiny Committee – Partnerships
ii. Planning Committee
iii. Licensing Committee
iv. Democratic Services Committee

For information:

A digest of recent decision schedules issued by Cabinet, Cabinet Members and Minutes of recent meetings of Committees has been circulated electronically to all Members of the Council.

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Minutes

Council

Date: 24 January 2023

Time: 5.00 pm

Present: Councillors C Reeks, S Cocks, E Stowell-Corten, J Harris, A Screen, L James, T Harvey, M Howells, P Bright, J Peterson, A Pimm, D Batrouni, D Jenkins, P Drewett, B Davies, S Adan, M Pimm, C Baker-Westhead, J Reynolds, R Howells, A Sterry, G Horton, J Cleverly, P Cockeram, D Davies, M Al-Nuaimi, M Evans, D Fouweather, D Harvey, M Kellaway, M Linton, D Mayer, R Mogford, M Spencer, C Townsend, T Watkins, K Whitehead, J Clarke, P Hourahine, J Hughes, J Jordan, L Lacey, S Marshall, W Routley, A Morris, F Hussain and B Perkins

Apologies: Councillors J Jones, J Mudd, K Thomas and Y Forsey

1. **Preliminaries**

1.i Apologies
The Presiding Member will report any apologies.

1.ii Declarations of Interest

1.iii Presiding Member's Announcements

Councillor Cockeram lead a minute's silence for former councillors David Hando and Paul Hannon.

Councillors Morris, Davies, Evans, Whitehead and Harvey took the opportunity to say a few words of condolence for the former Councillors.

Councillor Harvey had promised David Hando that he would be invited to cut the first sod for the new visitor centre at the Newport Transporter Bridge. With this in mind, and as Cabinet Member for Community and Wellbeing it would be fitting to put a plaque in the visitor centre to commemorate David Hando's contribution and hard work.

2. **Minutes**

The Minutes of 22 November 2022 were accepted as a true record.

3. **Appointments**

To consider the proposed appointments set out in the report

Councillor Clarke moved the appointments set out in the Report, as agreed by the Business managers, subject to the additional appointments set out below.

Councillor Fouweather seconded the report.

Resolved: That the following appointments be agreed.

Governing Body Appointments

Organisation	Nominations Received	Number of Vacancies/Replacements
Lliswerry Primary School	Appointment	Andrew Sterry

4. **Police Issues**

The Presiding Member welcomed Superintendent Vicki Townsend, who provided council members with an update on Police issues within East, West and Central Newport.

The Presiding Member invited the Deputy Leader to put address Superintendent Townsend.

The Deputy Leader thanked Supt Townsend for attending full council and specifically wanted to thank the Police on behalf of all council colleagues, in particular Chief Inspector John Davies for the information he shared with councillors at the beginning of the New Year. The newsletter that he provided outlined the geographical priorities within wards which was informative and helpful. What was especially welcomed was his staged intent to meet with all councillors in person in February and a key opportunity for councillors to raise residents' concerns and to work with police to reduce crime in the local areas. It was good to know that these meetings would be held quarterly going forward and would strengthen relationships with elected members and their local police team.

The report also referred to the sterling work of the Council's Trading Standards Team who worked closely with the police and received some positive outcomes which needed applauding and noting.

<u>Questions to the Police raised by Councillors:</u>

- Councillor M Evans referred to the 20mph enforcement across the city and asked would police resources be affected by maintaining this. The Superintendent assured Councillor Evans that front line officers would not redirected from other duties to dealing with new speed enforcement issues.

- Councillor Al Nuaimi also passed on thanks to city centre inspectors who engaged in regular meetings and also expressed his best wishes to Sean Conway who left the role and welcome Hannah Welty. Councillor Al-Nuaimi asked the Superintendent about the Knife Angel project and for feedback onto the effectiveness of the instalment in the city centre. The Superintendent outlined the positive feedback on the Knife Angel and how well it was received from a community perspective. The overarching work was being manged by Matt Edwards, a police officer who worked in the police head quarters who was looking at the wider impacts, however it was still early to report at this stage but an update on the findings of the report could be provided at the next meeting.

- Councillor M Howells, as a member of the Planning Committee noted the lack of feedback from the police in relation to planning applications. In addition to this, when speaking to local police officers, they are often not aware of these applications and felt that they could make a contribution. Cllr Howells questioned how the council and police could therefore work together to ensure better communication for the future, in particular, applications relating to Housing in Multiple Occupation (HMOs). The Superintendent agreed that the police would like to be part of the consultation for planning applications; unfortunately opportunities had been missed and suggested that she and Councillor Howells arrange a separate meeting to discuss a way forward.

- Councillor Whitehead referred to antisocial behaviour in Bettws which he considered was usually the same offenders. Cllr Whitehead queried whether there was an escalation process for police to make home visits. The Superintendent advised that there was always an escalation process in place with a raft of civil options available which have been used successfully in the past. Superintendent Townsend recommended that the councillor raise these issues at the monthly police meetings, if they were not already reported to the police, as this would help them put together a civil order or criminal investigation, whichever might be appropriate in the circumstances.

- Councillor Morris asked for an update on E-bikes. The Superintendent confirmed that the Road Policing Support Special Operations (RPSSO) were running a special E-scooter operation across Gwent including Newport, but was not sure on the figures for Newport. However, there had been a number of seizures, including three from one specific arrest in the Maesglas area. The Superintendent reflected that, unfortunately, the E-scooters were difficult to deal with as they were not cars on the road and were not fast enough to stop on foot. However, the RPSSOs had a different set of skills to be able to deal with them and the Superintendent would look into the statistics and make sure they were available on social media platforms such as Twitter.

- Councillor Batrouni thanked the Superintendent for all the hard work carried out by Newport police. Councillor Batrouni mentioned the potential that the amazing work done locally could be undermined by Metropolitan Police, and asked if there were any repercussions arising as a result of this. Secondly, Cllr Batrouni questioned whether the culture of protection of officers particularly in relation to the accounts of women, being taking advantage of by the police could also happening in Gwent. The Superintendent advised that the recommendations and actions arising from what happened in the Metropolitan Police demonstrated lessons to be learned, and these should be embedded regardless of the current position from a Gwent perspective, in order to reassure public confidence. It was also important to remember that it was an investigation specific to the Met Police .

- Councillor Marshall referred to the police's support in tackling online fraud. A few years ago, Councillor Marshall raised concerns about people being scammed through phone and text, not on social media, and asked if the police could also include mail drops to warn against scammers using these other methods. Superintendent Thomas confirmed there had been a recent meeting within the police held by Chief Inspector Davies on how to identify the most vulnerable residents in relation to scammers, and the appropriate response to take action against this. The Superintendent stated that this requires support from a partnership perspective, and any thoughts on how to collaborate on this would be gratefully received. The Superintendent reflected that whilst social sedia is a great tool for communication there is a risk that some people within the community would be missed from this, therefore any contribution to additional approaches would be welcome.

5. **Treasury Management Six Monthly Report - 2022/23**

The Deputy Leader presented the report, which highlighted, as at 30 September 2022, that borrowing was £140.6m, a decrease of £1.5m in comparison to 2021-22 outturn levels.

This decrease was predominantly caused by the Equal Instalments of Principal (EIP) loans, which paid back principal over the life of the loan (and so incurred less interest costs), as an alternative to the Council's maturity loans where the principal was repaid on the final day of the loan.

Officers have indicated that as interest rates increased, the likelihood that our Lender Offer Borrower Offer (LOBO) loans would be called in also increased. This meant that the lenders asked to amend the rates of these facilities upwards; in response, the borrower (the Council) either accepted that increased rate or redeemed the debt.

No such recall requests were made in the first half of 2022-23, but should they be made in the second half of the year, officers were anticipating they would be replaced with more traditional borrowing in due course, unless there was a sufficient incentive to accept the change in interest rate,

The current capital expenditure forecast involved a degree of slippage, so it was not expected that there would be a need to undertake further long-term borrowing this financial year. However, this did not exclude external borrowing being considered if the situation was advantageous in acting as a hedge to manage interest rate risks, recognising that the Council still had a longer-term borrowing necessity. Any such decision to do this would be made in line with advice from the Council's treasury advisors and only where there was a clear financial benefit in doing so.
The level of investments at 30 September 2022 was £50m, which decreased by £8.2m since outturn 2021-22, as the Council uses up such resourcing as a more cost effective alternate to arranging new external borrowing.

It was anticipated that investment levels would continue to reduce during 2022/23 as an alternative to borrowing until a minimum balance of £10m was ultimately reached, which would remain invested for compliance with Markets in Financial Instruments and Derivatives Directive (MiFIDII).

Market expectations were for interest rates to start to revert to more traditional levels in the last quarter of 2022-23, and so it was prudent to avoid making any long-term borrowing decisions in the short term whilst rates were perceived to be higher than they are likely to be in the following year.

This approach is a cornerstone of effective internal borrowing; even in an environment of increasing interest rates, the cost of new borrowing was still more expensive than any increasing returns on investments. Therefore, it continues to make sense to use the Council's existing surplus cash balances as an alternative to arranging new borrowing.

The final aspect considered was the Prudential Indicators. The Authority measured and managed its exposures to treasury management risks using various indicators which could be found in Appendix B. The report confirmed that the Council continued to comply with the Prudential Indicators set for 2022/23, other than one particular metric designed to highlight the risk to levels of interest receivable from investments, should interest rates collectively fall by 1%.

Officers explained in the report that the purpose of that particular indicator is to highlight how much the Council budgeted income levels would be adversely affected by any reduction in interest rates.

The deviation was more significant than the target due to an increased level of investments being made. This created a false impression as interest rates were currently experiencing a rising trend. However, should those interest rates revert to historic levels, there would still be no risk to the Council's finances in this financial year, as the current income target for interest receivable was being exceeded. Officers were aware that the risk would need to be closely monitored heading into 2023/24, if both investment levels and interest rates were to reduce.

Councillor Batrouni seconded the report.

Resolved:
Council endorsed that the treasury management activities undertaken during the first half year period of 2022-23 were consistent with the 2022-23 Treasury Strategy framework agreed by Members. Council had gained a comfort that those Strategy practices remained

prudent to apply to second half year given the unanticipated volatility in interest rates and international economic circumstances.

6. **Council Tax Reduction Scheme**

The Deputy Leader presented the Council Tax Reduction Scheme report to Council.

Unlike in England, there was one all-Wales scheme that provided a framework for assessing applications and removed the postcode lottery that could result from individual schemes.

The all-Wales scheme, along with some discretionary areas had to be approved annually by Council for the scheme to operate.

The report today sought Council's approval for the scheme to be adopted for 2023-24. The report also laid out some technical amendments to the scheme.

The technical amendments were relatively minor in nature and covered the annual uprating of personal allowances and non-dependant deductions, as well as some technical regulation changes as detailed in the report.

There were areas where the Council had discretion in the operation of the scheme, namely:

1. Discretion to extend council tax reduction for those starting work.

2. Discretion to increase the amount of War Disablement Pensions and War Widows Pensions which was to be disregarded when calculating income of the claimant.

3. Discretion to enhance the process for notification of decisions above the minimum requirements.

4. Discretion to backdate the application of council tax reduction beyond the standard period of three months.

If the scheme in the report was not formally adopted, the discretionary areas would be lost and the default standard all-Wales scheme would apply instead.

Councillor Harvey seconded the report.

Resolved:
Council approved the Council Tax Reduction Scheme for 2023/24 in accordance with the Council Tax Reduction Schemes (Prescribed Requirements and Default Schemes) (Wales) (Amendment) Regulations 2013 ("the Prescribed Requirements Regulations") exercising its local discretions as indicated in the report.

7. **Director of Social Services Annual Report**

The Deputy Leader introduced the report, informing colleagues that the Strategic Director, as the designated Director for Social Services, had a statutory duty under the Social Services and Wellbeing (Wales) Act 2014 and as amended by the Regulation and Inspection of Social Care (Wales) Act 2016 to produce an annual report to the Council.

The report set out the Council's Director of Social Services personal assessment of performance of delivering its social care functions during the preceding 12 months. The report also covered the period 2021/22 and was laid out in the format prescribed in the guidance.

During this period the Council had seen a restructuring of its Senior Management team and the appointment of a permanent Director of Social Services. The delivery of social care during 2021 and 2022 was profoundly impacted firstly by covid and the restrictions of the pandemic closely followed by the beginning of the emerging cost of living issues.

In light of the particular strictures of 2021-22 the report reflected the challenges and changes of the period. Despite the significant issues faced, the Director of Social Services was satisfied that the Council continued to comply with its statutory duties.

Staff across all Social Services continued to deliver the majority of provisions face to face while embracing the benefits of hybrid working in certain key areas. The benefits of this way of working continued to improve and enhance practice.

The Deputy Leader was pleased to note that despite the difficulties of 2021-2022 social services staff were able to look beyond the relentless demands and also delivered innovative and continued development of services.

Councillor Marshall seconded the report.

Councillor Comments:

- Councillor Cockeram was cabinet member when the report for 2021/22 was completed. The team was led by Sally-Ann Jenkins and Chris Humphries before. Social Services had been going from strength to strength. There were however some issues being faced, such as the short fall in finances that was also seen in domiciliary care pay. The Presiding Member was disappointed that there were only four compliments that social services received in the whole year by comparison with other councils. There was a need to record compliments in the authority, and said that the lack of compliments was not a reflection on staff.

- Councillor Hughes agreed with Presiding Member's views and joined the Director of Social Services for thanking Councillor Cockeram and the former Directors of Social Services, Chris Humphries who was hopefully enjoying her retirement. It was a difficult role to undertake, especially during the pandemic. Staff went above and beyond to provide care in the city. Staff had adapted quickly and continued to remain innovative in their responses and they continued to be under immense pressure. The Cabinet Member for Social Services thanked the Director of Social Services and officers for bringing the report to council.

- Councillor Marshall reiterated the thanks for officers and their continued help, particularly coming out of covid. Staff maintained an excellent service on behalf of the council. The Cabinet Member for Social Services also joined his colleague in thanking Councillor Cockeram and officers for their hard work and contribution.

Resolved:
Council received the Annual Report of the Director of Social Services, 2021 to 2022.

8. **Annual Safeguarding Report**

The Deputy Leader presented the interim Annual Report for Safeguarding. This report was the evaluation of 2021/22 performance for the Local Authority by the Head of Corporate Safeguarding.

This was an interim report because of changes in Welsh Government guidance. A full report would be presented to Cabinet early next year in line with the new guidance.

Safeguarding and protecting children and vulnerable adults was of the highest priority for Newport City Council.

The Corporate Safeguarding Policy set out the Council's duty and commitment to safeguard and promote the health, wellbeing and human rights of adults and children at risk.

This report assessed the Council's proactive actions and responses to safeguarding, it was presented to Overview and Scrutiny Management Committee on 30 September 2022. There was a constructive and helpful discussion of the content.

The report noted the challenges across the Council in respect of safeguarding due to the pressures brought about by Covid and the restrictions of the pandemic.

The Safeguarding Hub for Children's Services saw a 13.9% increase in referrals during 2021/22. This reflected the issues arising in schools, early years and youth settings and for partner agencies. For children and their families an effective and robust safeguarding approach was vital and could be life changing.

Despite the pressures the outcome of the safeguarding self-assessment for all areas of the Council demonstrated a very high level of compliance with statutory requirements and a determination to continue to place the highest priority on safeguarding for all our citizens.

It was pleasing to note that the new Welsh Government Guidance for Corporate Safeguarding (March 2022) included Newport's Safeguarding Self-Assessment tool as a model of good practice. The guidance was published was based on similar themes coming from external audit and encouraged standardising some of the performance data to enable better measuring distance travelled as to benchmark with other Local Authorities.

The challenges of ensuring all staff, volunteers and Members were accessing and engaged with training for all areas of safeguarding were noted in the report. This was an area which would continue to require a focus and keen prioritisation over the coming year.

The Council was working to ensure safeguarding is maintained in all areas of service and would in the coming year work with the revised Guidance for Corporate Safeguarding to ensure continued compliance.

Councillor Marshall seconded the report.

<u>Councillor Comments:</u>

- Councillor Cockeram considered that it was important for colleagues to note that Newport City Council's Annual Safeguarding Report was considered as a matter of good practice throughout Wales and thanked the officers involved for all their work.

- Councillor Marshall reiterated that this was an issue that was considered to be one of the highest priorities for Newport. The report highlighted the efforts that the Council was undertaking as part of a duty to protect children and responsibility for their health and wellbeing. It was also positive that the Welsh Government was also using Newport City Council's self-referral tool. Moving forward, there were challenges to address. Members had a duty to report safeguarding concerns and were the eyes and ears of the community. Even if it was a question that may sound trivial, a situation could build up to a greater concern, therefore reporting small incidences could be saving lives. On this basis, Councillor Marshall therefore commended the report.

Resolved:
Council received the Annual Safeguarding Report (interim) by the Head of Corporate Safeguarding.

9. **Schedule of Meetings - 2023/24**

The proposed schedule of meetings aimed to facilitate the decision-making process through regular Council, Executive and Regulatory Committees. The schedule of meetings also set a pattern of meetings for Scrutiny Committees and other bodies.

The diary did not include dates for meetings of individual Cabinet Members as Cabinet Members would take a view on when they needed to meet to make decisions, rather than be bound by a diary of meetings. This would of course, not affect members' rights of consultation on proposed decisions or to request to meet the Cabinet Member before decisions were taken.

It was suggested that the dates, times and locations of all meetings other than the Council meeting were to be left to each individual committee. It was suggested that the needs of Councillors who had work or other commitments at any time during the day were taken into account by the various committees and groups.

The schedule would remain a guide, was subject to change and amended to meet the needs of the work programmes of each committee or other group.

The Deputy Leader seconded the report.

Resolved:
Council adopted the schedule of meetings as the basis for arrangements for May 2023 to May 2024, recognising it was subject to change and amendment to meet the needs of the work programmes of each committee or other group.

10. **Mayoral Nomination - 2023/24**

The Presiding Member invited the Leader to nominate the Mayor for 2023/24.

The Deputy Leader was delighted to formally move Councillor Watkins as the Mayor for 2023/24, which was also seconded by Councillor M Evans.

Resolved:
That Council nominated Councillor Trevor Watkins as Mayor for 2023/24.

11. **Democratic Services Committee Minutes: 13 December 2022**

The Presiding Member asked councillor colleagues to note the Minutes of the Democratic Services Committee for their information.

12. **Questions to the Leader of the Council**

The Presiding Member advised that due to the apologies of the Leader, a written response would be provided should members wish to submit a question.

Councillor M Evans understood that whilst there was no provision in the Standing Orders for the Deputy Leader to speak, his Conservative colleagues were of the view that the Deputy Leader could deputise for this item in the absence of the Leader.

Councillor Morris echoed the comments of Councillor M Evans and believed that questions had been covered by the Deputy Leader in the past.

The Presiding Member reminded colleagues that the former Leader, Councillor D Wilcox had introduced open questions to the Leader in 2016. Officers would refer to the Standing Orders to Democratic Services Committee as part of their remit in considering any proposed amendments to the council's constitution. Any proposed changes, whether recommended by

the Democratic Services Committee or not, would have to be debated by full Council and required a majority vote of those members present and voting to be accepted.

13. **Questions to the Cabinet Members**

There were three written questions to the Cabinet Members:

Question 1: Cabinet Member for Strategic Planning, Regulation and Housing

Councillor Mark Howells:
As part of the planning committee since my election this year, it is evident that there is an increase in planning applications around conversion of properties HMOs.

I'm sure the Cabinet Member will agree that these are the most contentious applications that attract the most public criticism and if not carefully considered, can cause significant issues in local communities. Conflict often arises between the views of the public, Members views and considerations, and the views of the Council Officers in line with legislative constraints. Only this month an application came before the committee that was contentious and friction existed between Officers and Members on the right approach to take.

The current supplementary planning guidance on HMOs is not helping. It is dated 2017 and significantly out of date and has not kept pace with housing and planning law changes since that time. It does not represent the views of members generally and this is further supported by cross party support at planning committee on these issues.

I note the Cabinet report of 11 January around the timetables for delivery of the LDP as well as no real commitment to amend the SPG's due to time constraints. Given the issues around HMO's and the strong public feeling about them, It is my submission that the SPG for HMOs' cannot wait until after 2026 to be updated and should be looked at and consulted on urgently to provide a better framework for determining these applications that reflects the listening council we strive to be.

Will the Cabinet Member therefore commit to instructing Officers to update the SPG for how this council deal with conversion to HMOs urgently?

Councillor James Clarke response:
It is acknowledged that planning applications for HMOs can often be contentious. Indeed, poorly managed and high concentrations of HMOs can potentially lead to issues affecting local residents and often the tenants themselves. However, we must also remember that well managed HMOs can integrate well with the local community and will often provide housing opportunities for a variety of people, including young professionals. Therefore, care must be taken not to tarnish all HMOs with the same brush.

In respect of the statement that there is an increase in planning applications for HMO's, I would like to confirm that this is not the case. Planning records show 30 applications were determined in 2020/21, 21 applications for 2021/22 and 16 applications in the current financial year. I think what Cllr Howells is seeing as a newly elected Member is a high number of referrals to Planning Committee and misconstruing this as an increase in actual applications.

As a former member of Planning Committee and now Cabinet Member responsible for Planning, I am very familiar with member concerns and their worries about the potential issues that HMOs can cause. However, I believe that new or updated Supplementary Planning Guidance (SPG) is not the solution, it's a tool to help make decisions and is for guidance only and is based on evidence of need and impact. It is certainly not a vehicle to reflect members' own views on a particular type of proposal which they personally don't like. It provides additional guidance on the main policy or policies within the Local Development

Plan (LDP). As Councillor Howells is already aware from the detailed and ongoing training he has received as a Planning Committee member, all planning decisions must be made in accordance with the Development Plan. Policy H8 of the Development Plan is very clear on the criteria that proposals for HMOs need to satisfy, namely the need to ensure that there is no harm to the character of the building and locality, there is no over concentration of HMOs in one area, adequate noise insulation is provided, and adequate amenity is provided for future occupiers. We cannot refuse applications on the basis of "we just don't like them. There needs to be a measured and evidence based decision and personally I was pleased to see an open and lively debate between the Planning Committee and Officers at this month's Planning committee which was mostly evidence based.

In his question, Councillor Howells confirms that he is aware of the review of the LDP which is currently underway. I am pleased to confirm that we are at the growth options stage and Cabinet recently approved a report which you can find online that allows us to consult with our residents and stakeholders on how they would like to see Newport grow and thrive in the coming years. As part of the LDP review it is much more appropriate and effective for us to review policy H8 rather than produce more guidance.

You will be comforted to know that we are already working on this and the Council has commissioned a research piece which should be completed by this Summer. This work will start to build the evidence base we need to inform the policies in the new LDP. As we are all aware, any new LDP policy will be examined by an Inspector appointed by the Welsh Government and the evidence supporting any new policy, including a new HMO policy, will therefore need to be robust. We will also engage with partners such as Gwent Police and review complaints made to other Council services to gather all available evidence. Consultation with residents, Members and stakeholders is at the heart of the LDP review process and I would welcome Council Howell's engagement in the review of the HMO policy and any other policy which he feels does not give him the outcome he wants. We are happy to consider all suggestions and feedback.

In fact, I know there that there are a few councillors here today who have lived in HMOs. Therefore, care must be taken not to tarnish all HMOs with the same brush.
In respect of the statement that there is an increase in planning applications for HMO's, I would like to confirm that this is not the case. Planning records show 30 applications were determined in 2020/21, 21 applications for 2021/22 and 16 applications in the current financial year. I think what Cllr Howells is seeing as a newly elected Member is a high number of referrals to Planning Committee and misconstruing this as an increase in actual applications.

As a former member of Planning Committee and now Cabinet Member responsible for Planning, I am very familiar with member concerns and their worries about the potential issues that HMOs can cause. However, I believe

Supplementary Question:

Whilst not a supplementary question, Councillor Howells wished to state that he was not against HMOs but felt that there should be appropriate guidance to determine HMOs within Newport and wanted this clarified for the record.

Question 2: Cabinet Member for Climate Change and Bio-diversity

Councillor Mark Howells:

Background:
In 2022 prior to the local council elections, the labour administration announced capital investment of 2.5m in Parks. I wrote to you by email in June 2022 requesting detail of how that money will be spent and you replied:

"*We are in the process of arranging an all member seminar in relation to this service area. This will help to familiarise elected members with service level responsibilities and commitments. I believe that this will be particularly helpful to newly elected members. The administration previously agreed an increase in the maintenance budget in addition to the further capital investment of £2.5m agreed by Cabinet. Again, the seminar should help to provide a better understanding of context and priorities.*

Should you have any further queries following on from the seminar I would be happy to arrange a meeting."

To my knowledge, no such seminar has taken place.

In my question to you in September, and your written reply of 3rd October you informed me that *"the investment covers both play areas and cemeteries and that funding will be used to clear existing maintenance backlog over a 2-year period."* This was the first I and other colleagues and members of the public had heard of this.

I wrote to again you following that response asking for a meeting to discuss the parks budgets but unfortunately you refused, in your email reply of 13 October 2022.

Further scrutiny of Cabinet reports and minutes notes.

In the Cabinet meeting of 13 July 2022 the Leader mentioned *"the importance of the 2.5m for parks and open spaces – in addition, £300k permanent funding over 2 years has been allocated to maintain play areas and equipment."*

In the Cabinet meeting of 12 October a capital report was prepared and funding appears to now be split for the first time at £700k for parks for 22/23 and £500k for 22/23 to cemeteries. A further £900k earmarked for 23/24 for cemeteries and a £400k for parks.

In the budget papers for Cabinet in December 2022, it is confirmed that Cabinet added only £700k budget for parks improvements and the prediction is that only £46k spending will take place by the end 22/23 financial year. This is despite you informing me in reply to my question that most works are currently in the process of being tendered.

<u>Question:</u>
Is this Labour administration about investing in our green spaces and parks or was the announcement of £2.5m investment, conveniently made just prior to last council elections just a failed election pledge in disguise?

Why has no capital money been spent improving our parks in 2022 when the need is desperate and evident to Newport citizens?

Why are you now consulting on imposing parking charges to these areas which only discourage people from using them?

Will you now agree to meet with me and my ward colleagues to thrash out how we can spend some of the parks investment money on projects that will make a real difference to our constituents' lives locally?

<u>Councillor Yvonne Forsey response:</u>

As it was stated in my previous response to you, the £2.5M capital investment for parks and cemeteries agreed by Cabinet as a 2-year programme. Work is prioritised based on results of the annual inspection programme.

As it had been stated previously, engagement with residents is a key element of this work, to ensure the local community is suitably involved in any replacement work taking place. We have recently appointed an engagement officer and tendering for contractors is underway.

A meeting between Lliswerry ward members and the senior manager in charge of parks was agreed with you in November. The all-member seminar was held on 4th August 2022.

With the current unprecedented levels of inflation and budget pressures. The council must increase income to fund maintaining services in park open spaces and countryside sites. It helps support posts, activities, and services that the public rely on for formal and informal leisure and recreation.

The current proposal extends the charging scheme already in place in Belle Vue Park, Tredegar Park and Fourteen Locks, with no increase in charges from previous years, and which has proven successful to help maintain the assets.

Proposed fares are extremely low relative to the cost of operating a motor vehicle.

Question 3: Cabinet Member for Infrastructure and Assets

Councillor Ray Mogford:

Once again Bishton and Langstone along with other parts of Newport East has experienced severe flooding over the weekend.

What is the Cabinet Member and this administration doing to ensure that this recurrent flooding, apparently linked to climate change, is once and all resolved from a strategic perspective?

Councillor Laura Lacey response:
From a strategic perspective, Newport City Council is the Lead Local Flood Authority for Newport and works closely with all key flood management authorities to manage local flood risk across the city.

Our Local Flood Risk Management Plan sets out how we manage flooding from local sources so that the communities most at risk benefit the most.

In doing so, the plan takes forward the objectives and actions set out in the authority's Local Flood Risk Management Strategy

You will be aware that both the communities mentioned in your question are considered within the plan.

The sources of floodwater are not always within the management of Newport City Council as Lead Local Flood Authority. Therefore, we work closely with partners such as Natural Resources Wales, Welsh Water and local landowners who all have water management responsibilities within the east of Newport.

I can confirm that all the flooding recently experienced was impacted in some way by one or more third party asset owner and officers are reminding owners of their duties under flood management legislation and working with them to resolve the issues identified.

It is, however, important to be aware that there will always be a limit to the capacity of any drainage system, especially with the recent heavy rainfall, which was nationally experienced and likely to become more common due to climate change.

Minutes

Formal Council Questions and Responses

Date: 27 January 2023

1 **Question to the Leader of the Council: 2023/02 - Newport Leisure Centre**

Councillor M Howells asked:

In 2021 a council report stated that up to £2.5 million would be needed to reopen the Newport Centre pool area to the public, and an additional £9.1 million to maintain the building in the medium term. This is significantly less than the £19.7m new leisure centre (and no doubt given construction costs and inflation, that figure has now increased to circa 22m.)

Why has the council chosen to replace the leisure centre with a new one at a different location, given the financial position and the £27m funding black hole we currently face and would it not be more prudent to scrap the plans and use the money to balance the budget and reduce the increases in budget pressures and likely council tax increase to residents.

Councillor Mudd responded:

The reasons for replacing the Newport Centre are set out in previous Cabinet reports. The £9.1m referenced by Cllr Howells would only deal with maintenance issues and would not address current energy and accessibility requirements. Addressing such issues would necessitate significant, additional costs associated with a full redesign of the existing building.

I would also remind Cllr Howells that this project is not wholly funded by the Council. The development is also supported by a mix of Welsh Government grant, and savings derived as a result of delivering a more efficient operation, both of which would not be available for refurbishing the current site.

Cllr Howells will also be aware that this development is a capital not revenue project, therefore stopping the project would not significantly assist with the Council's challenging medium-term revenue position.

Finally, the leisure centre project is also part of a wider vision for the city, which facilitates the relocation of Coleg Gwent's campus into the City Centre, bringing footfall to support our retail and leisure businesses.

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Minutes

Formal Council Questions and Responses

Date: 27 January 2023

1 **Question to the Leader of the Council: 2023/03 - Oaklands Children's Home**

Councillor Reeks asked:

We are all very mindful of the economic difficulties facing our council at present, and some difficult decisions have to be made about cuts to various services in order to balance the books. However cuts to social services can lead to significant stress and trauma for adults and children across Newport who rely on these services as a lifeline, including the children and their families who have access to the vital services provided by the Oaklands Children' Home in Rogerstone. Now that the RSG from the Welsh Government has been confirmed at a much higher rate than originally anticipated, will the leader commit to instructing her cabinet members to look again at the proposed budgetary cuts to Oaklands with a view to scrapping them completely, thereby relieving the parents and children of the stress and anxiety they have suffered since the proposed budget was announced and reaffirming in them the comfort of knowing that Newport cares about its' most vulnerable residents?

Councillor Mudd responded:

The significant financial pressures currently facing all local authorities has created a situation where all savings proposals, however challenging they may be, have to be given initial consideration and an opportunity for them to be consulted upon.

Whilst the RSG settlement is better than anticipated, there remains a significant shortfall in the Council's medium-term financial plan, which must be addressed through a range of budget proposals and service readjustments.

As with all potential revisions to Council services, proposed changes to the services provided by Oaklands, are yet to be formally agreed. I can assure Cllr Reeks that the Cabinet will carefully consider all feedback to the public consultation exercise when making its final decisions on all proposed budget options.

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Report

Council

Part 1

Date: 28 February 2023

Subject **Appointments**

Purpose To agree the appointment of Council nominees to committees and outside bodies.

Author Governance Team Leader

Ward General

Summary In accordance with its terms of reference within the Constitution, Council is responsible for appointing the members of Council Committees, and the Council's representatives on outside bodies. The current vacancies and nominations received are set out in the attached report.

Proposal **Council is asked to receive and approve the nominations for representatives, as listed in the report**

Action by Governance Team Leader

Timetable Immediate

This report was prepared after consultation with:

- Council Business Managers
- Head of Law and Standards

Signed

Background

In accordance with its terms of reference within the Constitution, Council is responsible for appointing the members of Council Committees, and the Council's representatives on outside bodies. The current vacancies and nominations received are set out below.

Any vacant appointments / nominations received after the publication of this report, will be announced at the Council meeting by the appropriate Business Manager or Group Leader.

Governing Body Appointments

Governing Body	No of Vacancies / Re-appointments	Nominations Received
Langstone Primary	Re-appointment	Garrie Tillett
Monnow Primary	Re-appointment	Jason Jordan
Lliswerry High	New Appointment	Reverend Father Glen Wilkins
Lliswerry High	New Appointment	Adam Smith
Ysgol Gymraeg Ifor Hael	New Appointment	Joseph Chambers
Caerleon Lodge Hill	New Appointment	Jason Hughes
Ysgol Gymraeg Bro Teyrnon	New Appointment	Peredur Griffiths
Jubilee Park	New Appointment	Martin Bentley
The John Frost School	New Appointment	Jackie Littlejohns
Marshfield Primary	New Appointment	Suzanne Evans
Milton Primary	New Appointment	Stephen Blewett

Appointment to the Gwent Regional PSB
Councillors Stowell-Corten and Farzina Hussain

Proposal
Council is asked to receive and approve the nominations for representatives, as listed in the report.

Comments of Chief Financial Officer
There are no financial implications directly arising from this report.

Comments of Monitoring Officer
The appointment of individuals to serve on outside bodies is a Local Choice function under the Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007. The Council has determined that responsibility for this function shall rest with Full Council unless delegated by the Council.

Comments of Head of People, Policy and Transformation
There are no staffing implications directly arising from this report.

Background Papers
Newport City Council Constitution
Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007

Dated: 21 January 2022

Report

Council

Part 1

Date: 28 February 2023

Subject **2023/24 Capital Strategy and Treasury Management Strategy**

Purpose The purpose of this report is to present to Council the Capital and Treasury Management Strategies for approval. The report summarises the key aspects of both strategies, as well as highlighting the main implications and risks arising from them. The report also includes the proposed Capital Programme, which Cabinet approved at its meeting on 15th February 2023.

Author Assistant Head of Finance / Head of Finance

Ward General

Summary As set out within the Corporate Plan, the Council has ambitious plans for the city, with the Capital Programme a key enabler in delivering this ambition. The current programme is due to end in March 2023, with a new five-year programme commencing in 2023/24. The new programme will predominantly comprise of annual recurring allocations and a number of ongoing schemes from the existing programme.

This report includes both the Capital and Treasury Management Strategies which, at their core, (i) confirm the Capital Programme, as part of the Capital Strategy and (ii) the various borrowing limits and other indicators which govern the management of the Council's borrowing and investing activities, as part of the Treasury Management Strategy.

The Capital Strategy also sets out the long-term context (10 years) in which capital decisions are made. It demonstrates that the Council's approach to taking capital and investment decisions is in line with service objectives, whilst giving consideration to risk, reward and impact. It also demonstrates that these decisions are taken whilst having proper regard to stewardship of public funds, value for money, prudence, sustainability and affordability.

The capital plans of the authority are inherently linked with the treasury management activities it undertakes and, therefore, the Treasury Management Strategy is included alongside the Capital Strategy.

The main recommendations arising from the two strategies are outlined in this covering report.

Proposal Council is asked:

- To approve the Capital Strategy (Appendix 2), which incorporates the approved capital programme, and the borrowing requirements/limits needed to deliver the approved programme.

- To approve the Treasury Management Strategy and Treasury Management Indicators, the Investment Strategy and the Minimum Revenue Provision (MRP) policy for 2023/24. (Appendix 3)

- As part of the above:

    - To note the increasing debt, and corresponding revenue cost of this, in delivering the new Capital Programme, and the implications of this over both the short and medium-long term with regard to affordability, prudence and sustainability.

    - To note the Head of Finance comments that borrowing needs to be limited to that required to fund ongoing and previously approved schemes brought forward from the current Capital Programme only, and the recommended prudential indicators on borrowing limits to achieve this.

    - To note the proposal to prioritise annual sums funding over any new schemes, unless unavoidable.

    - To note the feedback provided by the Governance & Audit Committee on 26th January 2023 (paragraph 5).

Action by Head of Finance

Timetable Immediate

This report was prepared after consultation with:

- Leader of the Council and Cabinet Member for Economic Growth and Investment
- Chief Executive
- Strategic Directors
- All Heads of Service
- Newport Norse
- The Council's Treasury Advisors
- Governance & Audit Committee

Signed

Background

Governance and requirement of councils

1. In November 2022, the Cabinet approved the Council's new Corporate Plan, which set out how it would achieve the ambition of an *Ambitious, Fairer, Greener Newport for everyone*. This mission is underpinned by four wellbeing objectives and supported by a transformation plan. Achievement of the four wellbeing objectives will be pursued via a series of actions and individual service plans. In some instances, these actions will involve activity and projects of a capital nature.

2. Whilst Cabinet makes decisions regarding the capital projects to be included in the programme, it is full Council that approves the borrowing limits that the overall programme must remain within. Many projects are funded from capital grants, capital receipts and specific reserves, which do not impact on borrowing levels, but, where borrowing is required, it is important that those limits are not exceeded. This is an important area of overall financial management governance in that debt funded capital expenditure, and the external borrowing that results, lock in the Council into a long-term liability for the associated revenue costs. These costs, known as 'Capital Financing Costs' are comprised of the external loan interest costs and the provision for financing the debt funded capital expenditure, known as Minimum Revenue Provision (MRP).

3. The key governance documents that underpin this area of local authority finances are:

   <u>Capital Strategy</u>

   This, at its core:

   i) Sets out the long-term context (10 years) in which capital decisions are made and includes the medium term Capital Programme;

   ii) Demonstrates that the local authority takes capital / investments decisions in line with service objectives, giving consideration to risk, reward and impact;

   iii) Shows how the Council takes account of stewardship of public funds, value for money and affordability, sustainability and prudence in its decisions and plans.

   <u>Treasury Management Strategy</u>

   This, at its core:

   (i) Sets out the Council's longer term borrowing requirement and approach, which is driven mainly by the Capital Programme requirements and, in Newport specifically, the reducing 'internal borrowing' capacity;

   (ii) Outlines how the Council will manage and invest any surplus cash;

   (iii) Includes additional guidance, namely the Welsh Government Investment Guidance and the MRP Policy.

   Both these strategies are a requirement of CIPFA's Prudential Code, which ensures, within the frameworks which these documents set, and a suite of prudential indicators, that capital expenditure plans are:

   - **Affordable –** there must be sufficient resources to be able to meet the capital financing consequence of debt-funded capital expenditure within the overall revenue budget. There must

also be sufficient capital resources for any non-debt funded capital expenditure. In addition, total capital expenditure is to be within **sustainable** limits. Councils are required to consider their current and estimated future resources available, together with the totality of their capital expenditure and income forecasts in assessing affordability.

- **Prudent –** it is important that whilst capital expenditure and capital financing costs are affordable, they are also proportionate. I.e. it is important that an appropriate proportion of the revenue budget is allocated for the purpose of financing past capital expenditure and that this is **sustainable**. Consideration as to overall financial **sustainability** is a key aspect to this. The operational borrowing limit should provide for the most likely level of borrowing, not the worst case, with the authorised limit providing sufficient headroom to enable day to day cash management. There should be alignment with the treasury management policy statement and practices and investing activities should strike an appropriate balance between security, liquidity and yield, in that order.

- **Sustainable –** sustainability is a key theme when considering both affordability and prudence and is something that should be assessed in terms of the long term financial picture.

4. The Capital Strategy and Treasury Management Strategy are inherently linked and the main recommendations and observations arising from these are summarised in the following sections. In light of the requirement for full Council to ultimately provide approval of these strategies, the Governance & Audit Committee were asked to review and provide comments on both strategies, and the limits and prudential indicators contained within them, as necessary, to enable Cabinet, and then Council, to appropriately consider and then approve each strategy as required.

5. The report was considered by Governance & Audit Committee on 26th January 2023. There were no significant comments or observations raised and the committee endorsed the strategies for onward consideration by Cabinet and then Council. The Committee noted the anticipated increase in debt, noted the Head of Finance recommendations and noted the proposal to prioritise resources against the backdrop of a challenging financial context.

6. Subsequent to Governance & Audit Committee considering the report, and prior to the Cabinet meeting on 15th February 2023, the draft capital programme was updated to align with the in-year monitoring position as at December 2022. The changes mainly related to an increase in budgets being slipped from 2022/23 to the new programme. However, it is important to note that these changes had no material impact of any of the prudential indicators, such as borrowing limits, included within both strategies.

<u>Capital Strategy 2023/24 to 2033/34</u>

Capital Programme to 2027/28

7. The Council's current capital programme ends in March 2023, with a new five-year programme taking effect from 2023/24. Because of the extremely challenging financial context facing the Council, and all councils in Wales, the scope for additional borrowing over and above that approved in previous years is severely limited. Therefore, the new programme will comprise annual sums, for activity such as cyclical asset maintenance, and unfinished schemes carried forward from the previous programme. Because of the high level of slippage forecasted in 2022/23, it means that the new programme will still be significant in scale and, because of this, remain a challenge in terms of deliverability.

8. Although the new programme will contain no new schemes, and very little borrowing headroom for new schemes, there may be the scope to review this position, particularly beyond the first two years

of the programme. This is enabled by the move to a rolling approach to programme management, meaning each year the programme will be fully reviewed as another year is added to the back end of the five-year window. Therefore, should the financial outlook significantly improve, there may be scope to introduce new schemes or additional borrowing headroom. This may be critical, as there will inevitably be new demands upon capital resources emerging over the medium term and it will be important that the Council is able to respond to these demands.

9. In addition to new borrowing capacity, there may be one-off opportunities to bolster the capital headroom, via in-year revenue underspends. This would provide the scope to support new schemes and react to the risk of pressures being created by rising cost inflation on existing schemes. Even more critically, additional headroom would enable annual sums allocations to be augmented and deal with significant challenges in relation to maintenance backlogs and the increasing costs of renewal programmes, such as fleet. It is important to note that the current annual sums are based on historical allocations, with a minor uplift in light of the recent draft Local Government Settlement, where General Capital Financing (GCF) was increased. This is not currently sufficient for known pressures in relation, for example, to the fleet renewal programme. Work is currently ongoing to consider how best to prioritise the available resources towards the different areas that receive annual sums funding and ensure that the difficult costs to avoid, such as fleet renewal, are supported. However, ultimately, additional resource is required for annual sums and this is something that is being considered as part of the preparation of the 2023/24 budget and medium term financial plan.

10. The proposed programme is set out in the overview that follows. It shows a total programme of £157.5m, comprising annual sums of £31.9m and ongoing schemes totalling £125.6m. Borrowing headroom stands at only £1.057m (albeit £1m of this is ringfenced specifically in relation to the Council's Levelling Up bid) and is the residual value of the previously approved £4.5m, which is now almost entirely allocated for existing and past schemes. Significant schemes included within the proposed programme include the completion of the Council's Sustainable Communities for Learning Band B programme, the new leisure centre, the Transporter Bridge refurbishment and the Council's contribution towards the Cardiff Capital Region City Deal. The total value of the programme in 2023/24 stands at £83.3m, which is significantly more than has been spent in previous years and could be a challenge to deliver without any slippage occurring.

Table 1: Prudential Indicator: Estimates of Capital Expenditure and Capital Financing in £ millions

	NEW 5-YEAR CAPITAL PROGRAMME					**Total new programme**
	2023/24 Budget £m	**2024/25 Indicative £m**	**2025/26 Indicative £m**	**2026/27 Indicative £m**	**2027/28 Indicative £m**	**£m**
Annual Sums	7.9	5.8	5.8	5.8	5.8	**31.9**
Ongoing Schemes	75.9	38.1	8.8	2.6	0.0	**125.6**
Uncommitted borrowing*	1.1	0.0	0.0	0.0	0.0	**1.1**
TOTAL EXPENDITURE	**84.4**	**45.4**	**14.6**	**8.4**	**5.8**	**158.6**

11. The capital programme is financed through a variety of different funding streams, including external grants, capital receipts, Section 106 contributions, direct revenue funding, use of reserves and external borrowing (unfunded or debt-funded capital expenditure).

12. Capital Expenditure funded by debt increases the need to undertake external borrowing, unless it is possible to bridge this need via 'internal borrowing', which is the use of existing cash resources which are underpinned by the overall level of earmarked reserves. As the capacity to internally

borrow reduces, as reserves are utilised as intended, the need for external borrowing increases. This is particularly the case for this Council, which has had a high level of internal borrowing in the past, but is now seeing that capacity reducing over the medium-long term. Because of this, coupled with an increased level of unfunded capital expenditure, the Council is committed to be a net borrower for the long term. To ensure this borrowing is affordable and sustainable, Council is required to set an affordable borrowing limit.

Affordable borrowing limit

13. The Council is legally required to approve an affordable borrowing limit (also termed the 'Authorised Limit' for external debt) each year. The Authorised Limit is the absolute maximum amount of borrowing that can be undertaken, in order to manage the overall, day to day, cash requirements of the Council. It also allows for a level of borrowing in advance of need to be undertaken, where appropriate and affordable. In addition, the Council needs to set an 'Operational Boundary', which is the expected level of borrowing required to finance the current Capital Programme. Any increase required to the Operational Boundary needs to be approved by full Council.

Table 2: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2022/23 limit	**2023/24 limit**	**2024/25 limit**	**2025/26 limit**
Authorised limit – borrowing	271	246	253	248
Authorised limit – PFI and leases	41	39	36	34
Authorised limit – total external debt	**312**	**285**	**289**	**282**
Operational boundary – borrowing	192	150	163	161
Operational boundary – PFI and leases	41	39	36	34
Operational boundary – total external debt	**233**	**189**	**199**	**195**

14. Over the medium term, it is anticipated that the level of borrowing required to facilitate the new capital programme will be substantial. As outlined in Table 2, it is projected that borrowing will reach £199m, compared with the £140m that is currently held. It should be noted, however, that this is a reduced figure from that forecasted in the previous Capital Strategy and compared with the previous year's limits, due to the slippage that has occurred in delivery the existing programme, short-term increase in the availability of internal borrowing and the removal of scope for additional borrowing over the medium term.

15. It can be seen that there is a significant difference between the Authorised Limit and the Operational Boundary. This is because of the level of internal borrowing available, underpinned by the level of cash backed reserves, which have increased significantly over recent years. The level of reserves will reduce over the medium-long term, in particular the PFI reserves, and, therefore, it will become necessary to undertake external borrowing in lieu of this reducing capacity. This will have a revenue impact because of the interest costs that will be incurred as a result of the external borrowing, compared to the lower cost of internal borrowing, which, in essence, is represented by interest income foregone.

16. It should be noted that the two limits described above only place a theoretical limit on borrowing that can be undertaken to fund new capital expenditure. This is particularly relevant where there is evidence of slippage occurring across the programme. As a consequence, in theory, additional borrowing could be undertaken over and above that budgeted in the existing Capital Programme, because the slippage means that the operational boundary, for example, would not be reached. This would present a risk that, ultimately, the cumulative level of borrowing could exceed that which is deemed affordable. Therefore, to ensure a measure of control on borrowing undertaken to fund new capital expenditure, a local indicator was introduced for 2022/23, which is directly linked to the level

of borrowing headroom within the Capital Programme. The limit amounts to only £1.057m in 2023/24, with only £57,000 not earmarked already, and will apply until the scope for affording new borrowing improves.

17. The commitment to increase external borrowing leads to increasing capital financing costs, comprising both Minimum Revenue Provision (MRP) and interest payable. Because the financial impact of the current borrowing commitments was funded up front in the 2021/22 revenue budget, the existing revenue budget is already sufficient (unless interest rates increase significantly beyond current levels) and is not set to change over the medium term. The current budgets are set out in Table 3, below. The table also shows the value of capital financing costs as a proportion of the total revenue budget. The percentages quoted are lower than in previous years and are also set to decrease over the medium term. This is largely because of the capital financing budgets remaining stable at a time when the overall revenue budget is increasing, due to funding increases to cover pressures in key services. There remains uncertainty regarding local authority settlements beyond 2024/25 and, therefore, affordability of new borrowing and corresponding capital financing increases could remain a challenge.

Table 3: Capital Financing Budgets

	2023/24 budget	**2024/25 budget**	**2025/26 budget**	**2026/27 budget**	**2027/28 budget**
Provision for repayment of debt (MRP)*	10.4	10.4	10.7	10.7	10.7
Net interest cost	6.9	6.9	7.0	7.0	7.0
Total capital financing (exc PFI)	**17.3**	**17.3**	**17.7**	**17.7**	**17.7**
PFI	5.7	5.5	5.5	5.7	5.7
Total Financing costs* (£m)	**23.0**	**22.8**	**23.2**	**23.4**	**23.4**
Proportion of net revenue stream	6.1%	5.9%	5.8%	5.9%	5.9%

*includes charges direct to service areas

Longer term outlook

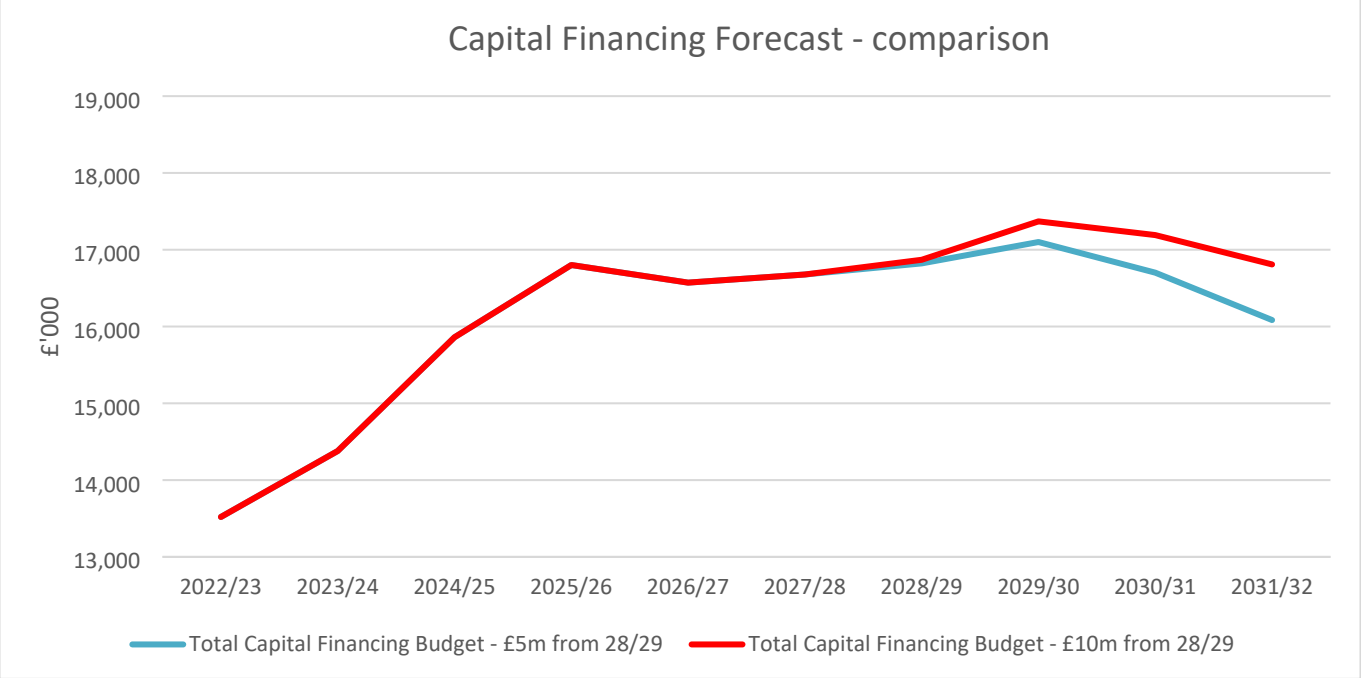
18. As well as considering the medium-term outlook, there is a need to look beyond this timeframe. This is particularly relevant when considering the move towards a rolling capital programme approach and future iterations of the capital programme. When reviewing the programme on a rolling basis, the overriding objective will be to ensure that capital expenditure plans are affordable, prudent and sustainable, requiring a limit to be placed upon debt funded capital expenditure over that period. When looking longer term, the following points will need to be considered:

- the high level of forecast borrowing and corresponding higher level of capital financing cost over the next few years
- the anticipated reduction in reserves and consequent capacity to be internally borrowed, requiring a continuing increase in external borrowing to replace it
- the need to refinance existing maturing borrowing, which could incur a higher interest cost than currently being incurred

- the Council's methodology for charging MRP, which realised a budget saving when changed in recent years, but which increases the charge each year from that point and will continue to do so going forward
- the challenging medium term outlook driven by high inflation, increasing demand for services and the potential for external funding reductions.

19. As a consequence of the points above, the new programme does not contain provision for any new borrowing. Beyond 2027/28, which is the final year of the new programme, an assumption of £5m per year of new borrowing has been modelled. However, this would be subject to affordability within the revenue budget and cannot be guaranteed. Should the medium term revenue outlook improve, however, there may be scope to afford new borrowing beyond that level. Therefore, a further scenario, whereby £10m additional borrowing per year is incurred, has been modelled. The impact of both scenarios is shown in the graphs within the main Capital Strategy document and the chart that follows. Both options would achieve the aim of stabilising the Capital Financing Requirement and, in the case of the first scenario (£5m borrowing per year), it would reduce the CFR overall.

Chart 1: Capital Financing Cost Forecast, excluding PFI



20. The above graph demonstrates the impact that the existing programme, with the significant borrowing requirement attached to it, has on the capital financing requirements, denoted by the sharp increase in costs over the short term. Beyond that, there is a levelling off before a more gradual increase over the middle years. There is then a drop-off in both scenarios, largely because of some current significant MRP commitments coming to an end. Whilst this could, theoretically, release budget to allow further borrowing to be undertaken, it wouldn't achieve the aim of stabilising the underlying need to borrow (CFR). It should be noted that any increase in capital financing costs beyond the current budget provision, may result in a pressure on future revenue budgets.

Accountability and Responsibility for delivery of the Capital Programme

21. As outlined in the main strategy report, and capital monitoring reports during 2022/23, there has been a general issue in relation to slippage in recent years. A large part of this has been caused by the COVID-19 pandemic, which led to delays in scheme delivery, amongst other challenges.

However, there are also instances of other issues, such as overly optimistic profiling and a degree of placeholding each time a new programme is developed, which have had an impact. As a consequence of slippage, there is a risk that revenue budget is provided in advance of need and external borrowing is undertaken before required. Therefore, it is an issue that needs addressing, especially with revenue resources being under such pressure over the medium term.

22. To address this, and in line with the recent senior management restructure, governance arrangements for the capital programme are being strengthened. A capital board is being proposed as part of the introduction of the Transformation Programme. Cabinet will retain the same authority over setting the programme, approving additions to the programme and approving slippage from year to year, however this new board will have a clear remit in terms of overseeing the delivery of the programme. Existing boards and groups, such as the Capital Strategy & Asset Management Group which has oversight of the asset maintenance programme, will remain, however ultimate internal officer responsibility will rest with the new board. Heads of Service and project managers will report to this board and be held accountable for ensuring delivery of schemes on time and within budget. It is anticipated that this will reduce instances of slippage and reduce the risk of scarce resources being tied up unnecessarily.

Treasury Management Strategy

23. The Council's detailed Treasury Management Strategy for 2023/24 and beyond are included as Appendix 3, as are the various treasury management indicators. Key points of interest are summarised below.

Borrowing Strategy

24. As outlined in earlier sections of this report, the Council is committed to being a net borrower over the life of the proposed new Capital Programme. In particular, a significant increase in the need to borrow is being projected to 2025/26 financial year. However, the Council's preferred strategy is to maximise the level of internal borrowing, aided by the recent increase in earmarked reserve levels. Therefore, whilst the overall Capital Financing Requirement is set to increase, the need to undertake new borrowing will be deferred for as long as possible.

25. However, the capacity to internally borrow is planned to reduce over the medium to long term. In addition, some existing sizeable loans are due to mature over the next few years. These two factors, will mean that some new borrowing will be required, before considering any overall increase in the CFR. As well as this, in light of the Council's position as a committed long-term borrower, the decision could be taken to undertake borrowing in advance of need. This would only be done in consultation with the Council's treasury advisors and where it was felt to be appropriate, and affordable, in order to mitigate against future interest rate rises. This is especially relevant considering recent interest rate rises and the potential for further rate rises over the forthcoming 12 months.

26. When the need to undertake borrowing arises, the Council will need to give consideration as to the time period over which to borrow. The guiding principle will be to achieve a low, but certain cost of finance. This will generally mean long term borrowing, as this can provide certainty for periods of more than 50 years, if desired. Also, there is currently little difference between long and short term borrowing rates. However, with there being potential for long-term borrowing interest rates to reduce over the medium term, the Council could decide to undertake a degree of short term borrowing as a way of buying time before rates reduce. Also, this would achieve a more balanced borrowing portfolio, but also assist with mitigating the risk of locking into high long-term borrowing rates prior to rates dropping. Again, individual borrowing decisions would only be taken in consultation with the Council's treasury advisors, but also whilst considering the maturity profile of the current borrowing portfolio, as well as overall affordability.

Investment Strategy

27. Both the CIPFA Code and the WG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The 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. Currently, this is not easy to achieve, despite increasing interest rates, due to the high inflation rates. However, in any longer term investment the Council makes, it would still seek to maximise the level of return providing security and liquidity was deemed acceptable from a risk management perspective.

28. As originally outlined in the 2021/22 Capital Strategy, and reiterated in last year's strategy, the Council intends to diversify its investment portfolio, given the relatively low returns from short-term unsecured bank investments and the need to maximise income generation in support of a very challenging medium-term outlook. The recent upturn in interest rates, coupled with uncertainty regarding the IFRS9 statutory override, led to this ambition being put on hold. However, it is intended to explore this further during the last quarter of 2022/23 and into 2023/24. The outcome is likely to be the Council investing all, or part, of the £10m that is available for long-term investment in higher yielding asset classes, such as pooled property funds or covered bonds. This would represent a move away from investing in low yielding bank deposits or with other local authorities. The detail regarding the approved counterparty list and limits is shown in Appendix 3.

Head of Finance Summary

29. The Council's Capital Strategy, and in particular the Capital Programme itself, are, from a financial perspective, decisions with long term implications and where decisions today 'lock-in' the impact on budgets once projects have progressed and borrowing taken out. As explained in the first part of this report, the core requirement for councils is to make decisions whilst taking into account affordability, prudence and sustainability:

30. In terms of the Council's proposed Capital Programme to 2027/28:

Affordability

- There is a significant increase in the Council's projected level of external borrowing and the associated capital financing costs over the next three years, in particular. However, some of this borrowing requirement is simply delayed from previous years. Due to the better than anticipated settlement the Council received for 2021/22, it was possible to fully fund the revenue costs of the entire current Capital Programme, to its conclusion. The current capital programme is therefore affordable, in totality, as a result of this. This is an important position because the Council has an unbalanced medium term financial position currently, due to high inflation driving up costs and increased demand for services. There is also a risk that funding constraints could arise over the medium term. Having already fully funded the revenue impact of the existing programme means that there is one less pressure on an already challenging outlook.

Prudence

- Prudent operational limits on the level of capital expenditure funded by borrowing have been recommended, which align with the proposed programme requirement and, therefore, the Council's priorities. These operational limits increase over the course of the programme and will result in the Council taking on significantly more debt. Therefore, the Capital Programme

needs to be strictly managed within those limits to ensure that the need to externally borrow does not increase and expose the Council to any further risk or interest costs.

Sustainability

- As outlined above, the revenue costs arising from the existing Capital Programme have been fully funded within the overall revenue budget. In addition, WG have provided an indicative funding settlement for the next financial year, which provides some assurance regarding future funding levels. Providing that the Council is able to meet the challenge of balancing its budget over the medium term, then the costs of borrowing are sustainable.

- However, there is potentially a more significant challenge when considering the longer term sustainability of meeting the costs of debt funded capital expenditure, although this is dependent upon the funding context and the position in relation to inflation and demand for services. The Capital Strategy provides two scenarios, which exemplify the costs of limiting the annual level of debt funded capital expenditure to either £5m or £10m from 2028/29 onwards. Both of these scenarios would be successful in restricting the growth in the CFR longer term, with the £5m scenario actually reducing the CFR. However, due to the reducing capacity for internal borrowing and the MRP policy, the cost of capital financing does not reduce. Therefore, when developing future iterations of the Capital Programme, from a sustainability perspective, it will be important for the Council not to overcommit itself to additional borrowing, particularly with the uncertainty regarding future funding levels.

31. The proposed new Capital Programme is unlike many in the past insofar as it is restricted to ongoing schemes and annual sums. This is reflective of the current financial situation and the extremely challenging MTFP situation meaning that new borrowing is not currently affordable. Because of the high volume and cost of schemes being carried forward from the current programme to the new programme, this is not necessarily a problem because there will be enough of a challenge in delivering the new programme without any new schemes on top. However, it is recognised that there will be a need for new schemes over the course of the next five years, as well as a critical need to address asset maintenance and fleet renewal challenges through the annual sums. Therefore, with a rolling approach now in place, it will be important to continually review the programme and the scope for additional borrowing. As well as this, all opportunities to increase the capital headroom via one-off sums need to be taken when available and potentially prioritised over other emerging pressures. This will assist with mitigating the impact of the maintenance backlogs and potentially avoiding the high cost impact of asset failure. The absence of significant capital headroom will mean that other funding sources will need to be pursued for any new schemes, as well as maximising the ability to self-fund schemes. The new, strengthened, governance arrangements, will be a crucial part of managing the challenging situation over the medium term.

32. Council is required to approve the Capital and Treasury Management Strategies, including the prudential indicators and limits contained within.

Risks

Risk Title / Description	**Risk Impact score of Risk if it occurs* (H/M/L)**	**Risk Probability of risk occurring (H/M/L)**	**Risk Mitigation Action(s)** What is the Council doing or what has it done to avoid the risk or reduce its effect?	**Risk Owner** Officer(s) responsible for dealing with the risk?
Increased need to borrow beyond currently	High*	Medium	Regular monitoring and reporting of available headroom should identify any issues at an early stage and keep Cabinet / Council	Members, Executive Board, Heads of Service

Risk Title / Description	Risk Impact score of Risk if it occurs* (H/M/L)	Risk Probability of risk occurring (H/M/L)	Risk Mitigation Action(s) What is the Council doing or what has it done to avoid the risk or reduce its effect?	Risk Owner Officer(s) responsible for dealing with the risk?
assumed levels.			updated. A mechanism exists for increasing borrowing limits and this should only be done where affordable, prudent and sustainable.	and Head of Finance.
Undertaking borrowing that is not ultimately required.	High	Low	Regular monitoring of schemes means that potential for slippage should be identified at an early stage. Continued reprofiling to be undertaken to guard against slippage not being identified. Regular contact with WG regarding potential grant funding, which could negate the need to undertake borrowing.	Executive Board, Heads of Service and Head of Finance.
Investment counterparty not repaying investments.	High*	Low	The Council only invests with institutions with very high credit scores. It employs advisors to monitor money market movements and changes to credit scores and acts immediately should things change adversely. The lower levels of funds/duration available for relatively higher risk investment as measured by credit ratings will also alleviate the risk.	Members, Head of Finance, Treasury staff, based on advice from treasury advisors.
Interest Rates moving adversely against expectations.	Medium*	High	There is currently a climate whereby interest rates are changing on a regular basis. Interest rate forecasts are regularly received from external treasury advisors and the Council is prudent when forecasting future interest payable. In addition, the Treasury Strategy provides for a balance between short and long-term borrowing as a means of managing this particular risk.	Head of Finance, Treasury staff, based on advice from treasury advisors.

** Impact is ultimately determined by the values involved, with the impact reducing as the values decrease.*

Links to Council Policies and Priorities

The Capital Strategy sets out the Capital Programme over a long-term context and demonstrates that the Capital Programme supports a number of the Council's aims and objectives.

It is the Council's policy to ensure that the security of the capital sums invested is fully recognised and has absolute priority. The Council follows the advice of the Welsh Government that any investment decisions take account of security, liquidity and yield in that order.

Options Available and considered

To approve both the Capital Strategy and the Treasury Management Strategy for 2023/24, including the prudential indicators contained within both documents.

Preferred Option and Why

The Prudential Code places a requirement upon local authorities to determine a long-term Capital Strategy. The Prudential Code and statute also require that, before the end of the financial year, reports on Treasury Management matters are presented to Cabinet/Council for approval. Therefore, Council is required to approve both the Capital Strategy and the Treasury Management Strategy.

Comments of Chief Financial Officer

This report, and the Capital and Treasury Management Strategies appended, both highlight the revenue implications from capital expenditure, and for the need for the capital plans of the authority to be affordable, prudent and sustainable.

The Capital Strategy highlights the anticipated increase in borrowing and the revenue costs resulting from the proposed Capital Programme, which is largely comprised of ongoing schemes from the current programme. Continuation of increasing borrowing at this level beyond the next few years is potentially unsustainable and, therefore, it is important that the Capital Financing Requirement is stabilised and, ideally, reduced. Whilst the current Capital Programme is affordable, as the necessary capital financing budgets were frontloaded as part of the 2021/22 revenue budget, it is important that expenditure is kept within the financing limits within the programme. If further borrowing is required, this will need to be approved by Council.

Over the longer-term, a position needs to ideally be reached whereby debt funded capital expenditure is no greater than annual MRP, allowing the CFR to stabilise or, ideally, reduce. Even by limiting borrowing, as exemplified in the Capital Strategy, the capital financing costs do not necessarily reduce and increase in some years, therefore showing the importance of agreeing a prudent limit for future iterations of the programme. This will be a key issue over the medium to long term, mainly due to the challenging financial outlook being faced by the Council. At a time when demand for revenue resources, due to rising costs and demand for services, it will be important that demand for capital financing is proportionate and, ideally, kept to a minimum.

The degree of slippage in future years will also be a significant factor. It will be important that the strengthened governance arrangements are effective and that resources are not unnecessarily tied up, when they could be used for other purposes. As well as this, it will be vital that opportunities to increase capital headroom are taken and that issues surrounding asset maintenance are prioritised. This will assist the Council with being able to react to emerging needs and mitigate the chance of asset failure.

The Treasury Management Strategy highlights that whilst the capacity for internal borrowing did not decrease as much as was anticipated in the previous strategy, longer term that capacity is forecasted to diminish. Therefore, the need for the Council to undertake external borrowing remains and a view will need to be taken on whether this can be done early to mitigate the risks of further interest rate rises and remain within current set budgets.

Comments of Monitoring Officer

There are no specific legal issues arising from the report. The Capital Strategy will provide a framework for future capital and investment decisions, having regard to principles of affordability, prudence, sustainability and risk/reward. The Treasury Management Strategy sets out the financial management principles that will underpin the Capital Strategy. As such, both strategies will form part of the Council's overall budget framework and are required to be formally approved and adopted by full Council. Governance & Audit Committee have been asked to comment on the draft Capital Strategy and Treasury Management Strategy as part of its responsibility for reviewing and monitoring the effectiveness of the Council's system of internal controls and the proper administration of its financial affairs. The Committee did not raise any specific concerns for Cabinet or Council to take into consideration.

Comments of Head of People, Policy & Transformation

The Capital Strategy described within this report is considerate of, and meets the requirements of, the Wellbeing of Future Generations Act with a focus on long term planning and sustainability as part of the sustainable development principle. The Fairness and Equality Assessment completed and summarised below reinforces this element, along with the positive impact of protected characteristics.

The report supports the new Corporate Plan objectives which are ambitious and focused on working collaboratively with our staff, residents, and partners to improve service delivery across the city whilst supporting other related plans and strategies, in particular the Council's Strategic Equality Plan.

As the Council works towards its new Corporate Plan and Capital Strategy, it will be necessary to consider the workforce required to achieve the objectives as set out. Any staffing impact will be considered, and consultation will take place as and when necessary.

Scrutiny Committees

N/A

Fairness and Equality Impact Assessment:

- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

The Council has a number of legislative responsibilities to assess the impact of any strategic decision, proposal or policy on people that may experience disadvantage or inequality. In relation to this strategy document, a Fairness and Equality Impact Assessment has been undertaken. The FEIA has been undertaken in light of this strategy being an overarching financial strategy, rather than a policy decision relating to one specific initiative or service. Therefore, there are elements to the assessment that don't lend themselves to this particular strategy. It should also be noted that there is a clear link between this strategy and the Council's revenue budget setting process, with the ultimate impact of debt-funded capital expenditure being felt within the revenue budget. Therefore, any consultation required will have been undertaken as part of the revenue budget setting process. Also, specific schemes within the Capital Programme will have been subject to an FEIA, where relevant.

The main conclusions to be drawn from the FEIA undertaken is that there is a clear link between the long-term nature of the Capital Strategy and the sustainable development principle of the Wellbeing of Future Generations Act. This is evidenced through the focus on ensuring affordability, prudence and, most relevantly, sustainability. Therefore, there is potentially a positive impact from the perspective of the younger age groups. In the case of the other protected characteristics, it is not felt that there is a specific impact, however this may not necessarily be the case for the individual schemes within the programme, which should have been subject to separate FEIAs. However, there are a variety of schemes within the programme that will, collectively, have had a positive impact upon groups with protected characteristics such as disability, language preference and socio-economic background.

Consultation
N/A

Background Papers
Report on Treasury Management for the period to 30 September 2022
Capital Monitoring and Additions Report – December 2022

Dated: 16th February 2023

Appendix 1 – Detailed breakdown of the proposed Capital Programme (£000)

	Budget 2023/24 (including slippage)	Indicative Budget 2024/25	Indicative Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28	Total
Annual Sums:						
People, Policy & Transformation:						
Asset Maintenance (including schools)	1,500	1,500	1,500	1,500	1,500	7,500
IT Replacement Schemes	224	150	150	150	150	824
Prevention & Inclusion:						
Disabled Facilities Grants	1,669	1,000	1,000	1,000	1,000	5,669
Safety at Home	300	300	300	300	300	1,500
Social Services:						
Disabled Equipment (GWICES)	165	165	165	165	165	825
Telecare	30	30	30	30	30	150
Infrastructure:						
Fleet Replacement	2,648	2,123	2,123	2,123	2,123	11,140
Highways Asset Maintenance	1,372	1,371	500	500	500	4,244
Annual Sums Total	**7,908**	**6,639**	**5,768**	**5,768**	**5,768**	**31,851**
Ongoing and Previously Approved Schemes:						
Education:						
Sustainable Communities for Learning - Band B	31,353	16,858	400	46	30	48,687
Welsh Medium Primary School (Pillgwenlly / Nant Gwenlli)	1,277	2,625	1,159	0	0	5,061
Charles Williams Renovations	1,600	0	0	0	0	1,600
Pentrepoeth Primary School Accessibility Works	204	0	0	0	0	204
St Mary's Primary School	1,716	1,478	0	0	0	3,194
Education Maintenance Grant 2020/21	1,263	0	0	0	0	1,263
Education Maintenance Grant 2021/22	684	0	0	0	0	684
Education Maintenance Grant 2022/23	1,725	830	0	0	0	2,555

	Budget 2023/24 (including slippage)	Indicative Budget 2024/25	Indicative Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28	Total
Education Accessibility Works - Phase 1 and 2	569	0	0	0	0	569
Free Schools Meals Capital Works	1,867	0	0	0	0	1,867
Community Focussed Schools	597	0	0	0	0	597
Supporting Learners with Additional Learning Needs	879	0	0	0	0	879
Education Total	**43,733**	**21,791**	**1,559**	**46**	**30**	**67,159**
Environment & Public Protection:						
Refit	1,135	0	0	0	0	1,135
Parks Improvements	1,054	0	0	0	0	1,054
Cemeteries Improvements	802	0	0	0	0	802
Environment & Public Protection Total	**2,991**	**0**	**0**	**0**	**0**	**2,991**
Housing & Communities:						
Gypsy & Traveller Site Development	44	0	0	0	0	44
Housing & Communities Total	**44**	**0**	**0**	**0**	**0**	**44**
Infrastructure:						
Hostile Vehicle Mitigation	572	572	0	0	0	1,144
Private Sector Bus Electrification	6,323	0	0	0	0	6,323
Infrastructure Total	**6,895**	**572**	**0**	**0**	**0**	**7,467**
People, Policy & Transformation:						
IT Replacement Schemes (in addition to annual sum)	95	95	52	0	0	242
Information Station	23	0	0	0	0	23
People, Policy & Transformation Total	**118**	**95**	**52**	**0**	**0**	**265**
Regeneration & Economic Development:						

	Budget 2023/24 (including slippage)	Indicative Budget 2024/25	Indicative Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28	Total
Cardiff Capital Region City Deal – NCC Contribution	2,375	4,167	1,145	0	0	7,686
Cardiff Capital Region City Deal – Cost of Carry Contribution	0	0	2,037	2,628	0	4,665
Market Arcade	617	0	0	0	0	617
Transforming Towns	536	332	0	0	0	868
Central Library	518	0	0	0	0	518
Transporter Bridge	11,150	807	0	0	0	11,957
Lighting Strategy	450	0	0	0	0	450
New Leisure Centre	2,270	10,948	4,086	0	0	17,304
Newport Centre Demolition	1,200	0	0	0	0	1,200
Regeneration & Economic Development Total	**19,116**	**16,254**	**7,268**	**2,628**	**0**	**45,265**
Social Services:						
Rosedale Annexes	224	0	0	0	0	224
Cambridge House	1,630	0	0	0	0	1,630
Forest Lodge	596	0	0	0	0	596
Social Services Total	**2,450**	**0**	**0**	**0**	**0**	**2,450**
Total Capital Programme	**83,254**	**45,351**	**14,647**	**8,442**	**5,798**	**157,492**

	Budget 2023/24 (including slippage)	Indicative Budget 2024/25	Indicative Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28	Total
Financed by:						
General Capital Grant	4,268	4,268	4,268	4,268	4,268	21,340
Supported Borrowing	4,155	4,155	1,201	20	10	9,541
Unsupported Borrowing	14,601	11,099	4,140	2,628	0	32,468
External Grants	38,283	20,581	3,538	26	20	62,447
S106	3,664	328	0	0	0	3,992

Other Contribution	436	0	0	0	0	436
Capital Receipts	3,629	950	0	0	0	4,579
Revenue Contribution	1,500	1,500	1,500	1,500	1,500	7,500
Reserves	12,719	2,470	0	0	0	15,189
Total Capital Programme Financing	**83,254**	**45,351**	**14,647**	**8,442**	**5,798**	**157,492**

Appendix 2

NEWPORT CITY COUNCIL
CAPITAL STRATEGY
2023/24 TO 2033/34

CONTENTS

NEWPORT CITY COUNCIL
CYNGOR DINAS CASNEWYDD

EXECUTIVE SUMMARY

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.

Decisions made this year 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 local policy framework, summarised in this report.

The report highlights that expenditure on capital needs to remain within affordable, prudent and sustainable limits. Demand for capital resources remains high and therefore, inevitably, prioritisation of projects, leveraging in other sources of funding and working with partners are required to address this.

The strategy highlights the key risks and recommendations:

- The Council's new rolling capital programme, a large proportion of which relates to ongoing and previously approved schemes being carried forward from the previous programme, requires a substantial amount of borrowing to 2024/25, in particular. Whilst this is affordable, due to the revenue budget requirement being forward funded in the 2021/22 budget, it would be unsustainable to continue increasing borrowing thereafter, especially given the current economic climate and pressures upon the Council's revenue budget.

- The Council's Medium Term Financial Plan includes no provision for any new borrowing over and above that already funded within the existing revenue budget. This is on the basis that new borrowing would not be affordable, prudent or sustainable. However, this position will be kept under review as certainty regarding the medium-term outlook increases.

- As per the agreed framework (detailed in the report), the new programme needs to be maintained within the agreed limits and not result in a medium-term increase in the Capital Financing Requirement. This is to be achieved by not incurring new expenditure to be funded via borrowing, other than that already approved. Any required increase in the level of capital expenditure to be specifically funded by borrowing would need approval by full Council.

- Due to the pressure for additional capital resources, primarily driven by the need to increase investment in annual sums for asset maintenance (buildings and highways) and fleet renewal, there is a requirement to supplement the capital headroom with one-off resources, and preferably recurring resources, wherever possible. To achieve this, it is proposed that any revenue underspends over the medium term are redirected towards the capital headroom and used to augment annual sums allocations. In addition, consideration is required as part of the revenue budget setting process to allocating additional base budget resources to supplement annual sums.

- As well as prioritising funding for annual, recurring, sums, there is a need to develop various strategic plans across the organisation which drive the need for capital expenditure. This will include clearer visibility and assessment of demand for maintenance of assets such as schools, highways and other operational assets, as well as focussing on asset rationalisation.

- The pressure upon the Capital Programme and the historic challenges in relation to programme delivery and slippage, coupled with a relatively new management structure, increases the need for clearer, more robust, governance structures around the programme. These are currently being developed but will likely result in a greater prominence for capital expenditure and funding, overseen by the Executive Board, coupled with a clear link to the Transformation Programme.

- The prudential indicators, including borrowing limits, are in line with the MTFP approved by Cabinet.

The strategy will be reviewed and updated on an annual basis alongside the Treasury Management Strategy.

OVERVIEW OF THE STRATEGY

1.1. INTRODUCTION

Capital expenditure can be defined as expenditure on assets, such as property or vehicles, that will be used for more than one year. In local government, this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to acquire assets. It is the Council's policy not to treat any expenditure under £10,000 as capital, and therefore anything under this value will be charged as revenue in the year of expenditure.

The Prudential Code for Capital Finance in Local Authorities (2017) placed a requirement on local authorities to determine a Capital Strategy in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives, and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

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 the implications for future financial sustainability. It has been written in an accessible style to enhance readers' understanding of these, sometimes, technical areas.

Decisions made this year 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 a local policy framework, summarised in this report.

The report sets out:

- The key objectives outlined in the Prudential Code and the governance arrangements for the Capital Strategy and programme, including the move towards a rolling approach to programme development and management (Section 2)

- The new proposed capital programme to 2027/28, including schemes carried forward from the current programme, its financing, and the revenue implications arising from demands on capital expenditure (Section 3)

- The long-term (10 year) projection for the capital financing costs of the Council and where future demands arise from the various strategic plans across the Council for further capital resources. (Section 4)

- Links between the Capital Strategy and Treasury Management strategy, and treasury decision making. (Section 5)

- A look at the commercial activity of the Council and the strategy going forward. (Section 6)

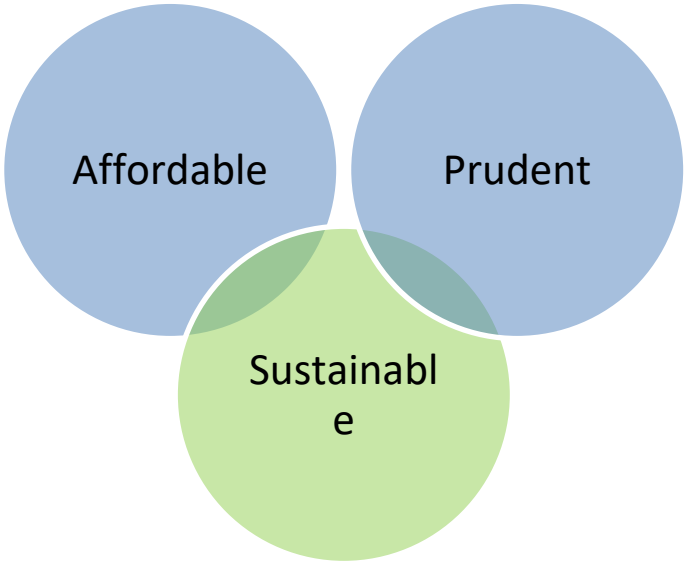
- Overview of other long-term liabilities the Council has, which members need to be aware of when looking at the Capital Strategy. (Section 7)

- Summary of the skills and knowledge the Council holds in order for it to carry out its duties for capital and treasury matters. (Section 8)

2. PRUDENTIAL CODE & GOVERNANCE

2.1. PRUDENTIAL CODE – KEY OBJECTIVES

The objective of the Prudential Code is to ensure, within a clear framework, that the Council's capital expenditure is affordable and prudent. In terms of both affordability and prudence, it is important that sustainability is considered and can be demonstrated;



AFFORDABLE

It is important that the Council's capital investment remains within **sustainable** limits. The Code requires authorities 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, authorities 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

The Council must ensure that its capital and investment plans are prudent and **sustainable**. As required by the Code, consideration should be given to the arrangements for the repayment of debt and the risk and impact on overall financial **sustainability**. The operational boundary for external debt should align with capital expenditure plans and provide for the most likely, not worse case, scenario. The authorised limit should provide sufficient borrowing headroom to enable day to day cash management. It is important that there is alignment with the treasury management policy statement and practices, and that risk management and analysis is taken into account. Borrowing in advance of need should only be undertaken where appropriate and affordable, and treasury management activities should find a balance between security, liquidity and yield reflecting the Council's risk appetite, but not prioritising yield over security and liquidity.

SUSTAINABLE

As highlighted above, the Council has to ensure sustainability when considering both affordability and prudence. In line with the long-term impact of decisions made in relation to capital investment plans, sustainability is considered over a minimum 10-year period.

In addition, the Council ensures that treasury management decisions are taken in accordance with good professional practice and with the full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.

All local authorities are required to have regard to CIPFA's Prudential Code and Treasury Management Code. During the autumn of 2021, a number of changes were consulted on and subsequently introduced. Some of these changes, such as local authorities being precluded from borrowing for investment where the primary aim is to generate a commercial return, were reflected in the 2022/23 Capital Strategy. Other changes, which were outlined in the previous strategy document and include prudential indicators being reported more frequently, could be deferred until 2023/24 and will be reflected in this year's strategy and in-year reports.

2.2. GOVERNANCE FOR APPROVAL AND MONITORING OF CAPITAL EXPENDITURE

Member responsibility for strategic finance rests with the Cabinet Member for Economic Growth and Strategic Investment, currently the Leader of the Council. The main governance and approval process for capital expenditure is summarised as follows:

- Council approves the overall revenue and capital budgets following recommendations from the Cabinet. As part of this, Council approves the external borrowing limits, which place a cap on the level of borrowing the Council can undertake during the year. These limits are based around the level of unfunded capital expenditure, including uncommitted expenditure, within the capital programme. The limits will not include expenditure on any schemes where borrowing is required, but which finance themselves through the savings generated. These limits are a key performance indicator for treasury management and ensure that capital expenditure is limited and borrowing remains affordable. Any changes required to the borrowing limits must be approved by full Council.
- Council approves the Treasury Management and Investment strategies, which are intrinsically linked to capital expenditure and the Capital Strategy. Further details of these are provided in sections 5.1 and 5.3.
- The detailed capital programme, contained within the overall budget, is approved by Cabinet following individual project appraisals by officers, which include the views of the Head of Finance.
- Items of capital nature are discussed at the Capital Strategy Asset Management Group (CSAMG), which is made up of senior officers from all service areas and the Council's property advisors, Newport Norse. Discussions centre on the asset management agenda and include asset disposals and prioritisation of capital expenditure requirements. Other boards with capital considerations, include the People Services Capital Board.
- Operational decisions on capital expenditure will be made by the Capital Board, following a review of the project appraisal and/or business case and advice from CSAMG, where relevant. The board will also monitor the position in relation to previously approved schemes and ensuring that they remain affordable within the overall approved programme envelope. Should action be required to respond to increasing costs, Heads of Service and project managers will be expected

to demonstrate that alternative options, such as rescoping and seeking alternative funding, have been considered.

- Cabinet approves any new capital expenditure to be added to the capital programme, including that funding from external resources, such as specific grant.
- Monitoring of Capital Expenditure is reported to Cabinet, including updates on capital receipts and the impact on the revenue budget of decisions made.

Affordability and sustainability are key considerations when approving capital expenditure, and therefore the agreed framework detailed in section 3.1 is used. Included within Appendix 2a is the process map used for the approval of capital expenditure.

Decisions on the approval of capital expenditure will be made in liaison with the Capital Accountancy Team and an understanding of the long-term revenue implications of the expenditure is assessed before it is added to the programme. Cabinet approves additions to and deletions from the Capital Programme when approving the regular monitoring reports. Approval of slippage from one financial year to the next is also a Cabinet responsibility and tends to take place towards the end of the financial year, as greater certainty around slippage levels become evident.

3. CAPITAL EXPENDITURE AND FINANCING

3.1. CURRENT CAPITAL PROGRAMME

The current capital programme originally covered the five-year period between 2018/19 and 2022/23. However, as approved by Cabinet in January 2020, an additional two years were added to the programme to incorporate those schemes, such as the Sustainable Communities for Learning Band B Programme, where completion was projected to extend beyond the original five-year timeframe. As the original capital programme window is due to end in March 2023, a new five-year programme is required.

This programme will run from 2023/24 to 2027/28, although a rolling approach to capital programme development and management will be introduced as part of this. This means that, rather than having a new programme once every five years, there will be a continual evolution of the programme, with a new year added each time the strategy is refreshed and the most recent year withdrawn. Because of the rolling approach, it means that future years within the programme will be shown as indicative only, until the point at which the full funding is in place for the expenditure planned in that respective year (in the case of debt-funded expenditure, this would require the requisite capital financing budget to be in place). However, this approach will allow for longer term planning and more flexibility in how the programme is managed. In addition, it means that schemes will only be added when ready, which should reduce the instances of “placeholding” and reduce the level of slippage reported.

Given the financial constraints that the Council has faced in recent years, and continues to face, Cabinet and Council established a framework for managing the programme, aimed at maximising capital expenditure but keeping new borrowing at a level that could be afforded within a sustainable revenue budget and, in doing so, not adding unnecessary pressure to the medium term outlook. This framework is as follows:

a. Funding from sources other than borrowing needs to be maximised, by securing grant funding whenever possible and maximising capital receipts;

b. Any change and efficiency schemes requiring capital expenditure, and generating savings as a consequence, would be funded by offsetting the capital financing costs against the savings achieved;

c. Schemes and projects which generate new sources of income would need to fund any capital expenditure associated with those schemes.

This framework ensures that the capital programme can be maximised but those schemes which cannot fund any resulting borrowing costs can be afforded and maximised within any headroom available. This available headroom is made up of residual borrowing headroom agreed within the previous programme and identified uncommitted capital reserves and capital receipts. The new programme does not currently include any allowance for new borrowing over and above that already approved for specific schemes. Therefore, the headroom going forward will largely comprise of capital reserves and receipts.

Because of this, the new programme, in the first few years at least, will be made up of recurring annual sums, ongoing schemes and those schemes approved and funded, but not yet started, as part of the previous programme. This will result in a relatively low level of capital headroom to be able to react to other emerging pressures. As a consequence, it will be necessary to top-up the capital headroom whenever possible, using one-off resources. These one-off resources will include repurposing of existing earmarked reserves, future capital receipts and any underspends against the overall revenue budget.

The proposed new capital programme is summarised in the table below. For 2023/24, the programme contains approved capital schemes of £83.3m, and the overall programme to 2027/28, including uncommitted borrowing, is £158.6m. This total figure includes £4.7m for the cost of carry of undertaking borrowing for Cardiff Capital Region City Deal schemes, prior to the funding from HM Treasury being received, and just £1.1m of uncommitted borrowing headroom (of which only £57,000 is not earmarked for specific schemes).

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	NEW 5-YEAR CAPITAL PROGRAMME					**Total new programme**
	2023/24 Budget £m	**2024/25 Indicative £m**	**2025/26 Indicative £m**	**2026/27 Indicative £m**	**2027/28 Indicative £m**	**£m**
Annual Sums	7.9	5.8	5.8	5.8	5.8	**31.9**
Ongoing Schemes	75.9	38.1	8.8	2.6	0.0	**125.6**
Uncommitted borrowing*	1.1	0.0	0.0	0.0	0.0	**1.1**
TOTAL EXPENDITURE	**84.4**	**45.4**	**14.6**	**8.4**	**5.8**	**158.6**

** Uncommitted borrowing headroom to be invested in Council assets or regeneration.*

The new capital programme, including previously approved schemes, is substantial and leads to a considerable increase in the Capital Financing Requirement (CFR) over the medium term. As a result, there is a consequential increase in capital financing costs. As part of the overall 2021/22 Council budget, a £2.1m investment in the capital financing budget was made in order to provide for the revenue costs arising from the full capital programme. By committing these resources in advance, it means that no additional investment is required over the medium term to meet these costs. Due to the level of

slippage experienced and projected beyond the current financial year, it means that there is likely to be an in-year underspend against this budget during 2023/24 and 2024/25. This may provide one-off opportunities to bolster the capital headroom, assuming there are no other emerging in-year pressures against the revenue budget, for which the underspends are needed for the Council to be able to balance its overall monitoring position.

In terms of funding, the WG General Fund Capital Grant in 2023/24 is set to return to levels in line with 2021/22, having reduced temporarily in 2022/23. The draft Local Government settlement for 2023/24 has confirmed an amount of £4.268m, which actually represents an increase on historic levels. This increase will go a small way to reducing the pressure upon annual sums expenditure.

The overall programme contains a number of key capital schemes, some of which will continue beyond the forthcoming 2023/24 financial year. These include:

- Sustainable Communities for Learning Band B Programme
- Transporter Bridge renovation
- Cardiff Capital Region City Deal (CCRCD)
- New Leisure Centre

There may be other requirements for capital funding for schemes that are not yet contained within the overall programme. Any new schemes that arise during the year will either need to be funded via specific funding sources (e.g. external grant) or will represent a call upon the residual headroom available. It is important that capital expenditure remains at an affordable level within the framework agreed and, therefore, prioritisation of capital expenditure is essential and needs to be affordable and sustainable in the long-term. Regular reviews of previously approved schemes, not yet started, will be undertaken to ensure that they remain affordable. This is especially relevant in the current climate of high construction inflation and where capital expenditure is to be funded via borrowing, as there is a risk that the existing revenue budget may be insufficient. It will be expected that all necessary steps will be taken to ensure that existing budgets can be kept within, including reducing scope, seeking alternative funding sources and mitigating within a wider programme. As a last resort, consideration as to whether a scheme can still proceed will be required.

3.2. MEDIUM-TERM REVENUE IMPLICATIONS OF CAPITAL (CAPITAL FINANCING)

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). All debt has to be repaid and this includes both the actual debt principal plus interest costs on the debt. The planned financing of the expenditure shown in Table 1 is as follows:

Table 2: Capital financing in £ millions

	NEW 5-YEAR CAPITAL PROGRAMME					Total new programme
	2023/24 Budget £m	**2024/25 Indicative £m**	**2025/26 Indicative £m**	**2026/27 Indicative £m**	**2027/28 Indicative £m**	**£m**
TOTAL EXPENDITURE	**84.4**	**43.9**	**14.6**	**8.4**	**5.8**	**158.6**
Financed by:						
Committed Grants and contributions	46.7	25.2	7.8	4.3	4.3	**88.2**
Committed Reserves, capital receipts, revenue	17.9	4.9	1.5	1.5	1.5	**27.3**
Committed new borrowing	18.9	15.3	3.3	0.0	0.0	**37.3**
Committed new borrowing for City Deal Cost of Carry	0.0	0.0	2.0	2.6	0.0	**4.7**
TOTAL COMMITTED (Appendix 1)	**83.3**	**45.4**	**14.6**	**8.4**	**5.8**	**157.5**
Uncommitted borrowing*	1.1	0.0	0.0	0.0	0.0	**1.1**
TOTAL UNCOMMITTED	**1.1**	**0.0**	**0.0**	**0.0**	**0.0**	**1.1**
TOTAL FINANCING	**85.8**	**45.4**	**14.6**	**8.4**	**5.8**	**158.6**

As previously outlined, the better than expected Local Government settlement in 2021/22 enabled the Council to fully funded the revenue budget requirements arising from the commitment to undertake borrowing to fund the capital programme. For the new programme, the forecast level of borrowing is £43.1m, including borrowing headroom. The full impact of this is already funded within the revenue budget and, should there be any need to increase this total, it would need approval by Council.

When capital expenditure is initially financed by debt/borrowing, the Council is locked into a long-term revenue commitment to finance that expenditure over time. This financing is done via a mechanism known as the Minimum Revenue Provision (MRP). The budget held for MRP payments over the medium term (excluding PFI and leases) are as follows:

Table 3: Replacement of debt finance (MRP) in £ millions

	2023/24 Budget	**2024/25 Budget**	**2025/26 Budget**	**2026/27 Budget**	**2027/28 Budget**
MRP budget	10.4	10.4	10.7	10.7	10.7

The table above shows the budgeted amount of MRP that is included within the Council's overall revenue budget, including where service areas are making contributions towards the capital financing costs of invest to save schemes. Because the capital financing costs arising from the existing schemes were fully funded in the 2021/22 revenue budget, and there is no new borrowing planned, there is currently no requirement to increase the MRP budget over the medium term, other than a planned

increase in relation to the Leisure Centre scheme. Should there be any new commitment to borrow in future years, this will need to be reflected via an increase in the MRP budget.

- The Council's full Minimum Revenue Provision statement and policy is available within the Treasury Management Strategy, which will be approved alongside this Capital Strategy.

Although capital expenditure is not charged directly to the revenue budget, as discussed above, interest payable on loans and MRP are charged to revenue - the net annual charge is known as 'financing costs'. The table below shows the financing costs as a percentage of the Council's net budget, which is one of the required prudential indicators.

Table 4: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 budget	**2024/25 budget**	**2025/26 budget**
Financing costs* (£m)	23.0	22.8	23.2
Proportion of net revenue stream	6.1%	5.9%	5.8%

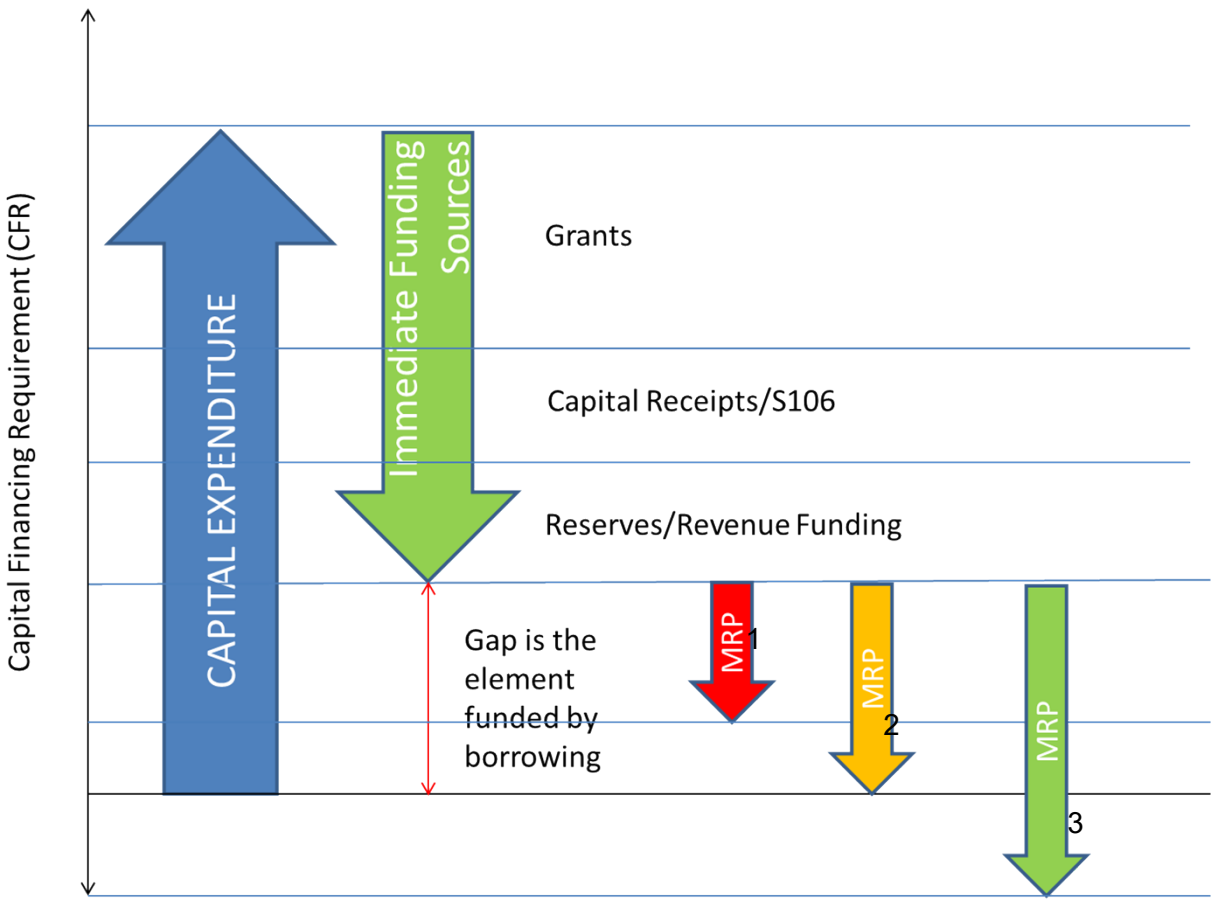
*includes capital financing costs of PFIs

From the table above it is evident that the proportion of the budget set aside to finance capital expenditure is set to steadily decrease over the medium-term. This reduction is a reflection of the fact that the capital financing budget was frontloaded in 2021/22 and is not set to significantly change during that period. However, core revenue funding is set to increase, via a combination of increased core funding from Welsh Government and Council Tax increases. This increase in funding is having the effect of reducing the proportion of the core revenue stream utilised on capital financing costs.

- Information on the revenue implications of capital expenditure is also included in the 2023/24 revenue budget report.

Capital Financing Requirement (the underlying need to borrow)

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 debt. The diagram below shows the impact of capital expenditure, financing and the MRP on the CFR:



The diagram above shows the following:

- CFR **increases** when capital expenditure is incurred.
- CFR **decreases** when capital expenditure is immediately financed - i.e., through grants, capital receipts, revenue funding, reserves, S106 income.
- If the MRP charge is **less than** the capital expenditure funded by borrowing in any given year (Red [1]) the net CFR increases
- If the MRP charge is **equal to** the capital expenditure funded by borrowing in any given year (Amber [2]) the net CFR stays the same
- If the MRP charge is **more than** the capital expenditure funded by borrowing in any given year (Green [3]) the net CFR decreases

This is an important concept, as it demonstrates how decisions on the level of capital expenditure and MRP budget impact upon the Council's long-term borrowing requirements and consequent capital financing implications. However, it is important to note that the CFR is only an indicator as to the need to undertake borrowing, with the actual need to borrow ultimately being driven by the overall short and long term cashflow requirements of the organisation.

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 proposed new programme and, therefore, does not reflect the potential for additional borrowing beyond that already approved. As can be seen, the CFR is expected to increase by £8.9m during 2023/24 to £282.6m, compared to the slight reductions that have occurred in the last three years. Therefore, this increase represents a stepped change in position, when compared with previous years, where the figure has generally stayed at around £273m.

This significant increase in capital expenditure, including that funded via other sources, will be a challenge to achieve, evidenced by the significant levels of slippage incurred during the 2021/22 and 2022/23 financial years. Therefore, it is important to recognise the likelihood that the actual CFR may turn out lower by the end of the 2023/24 financial year, in turn reducing the actual need to undertake external borrowing. This is a significant challenge for the Council, as it is important that ambitions for capital expenditure are not unrealistic, as this can result in unnecessarily committing resources towards the capital financing budget, which may result in other budget priorities not being able to be pursued.

Table 5: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31/03/22 Actual	**31/03/23 Forecast**	**31/03/24 Budget**	**31/03/25 Indicative**	**31/03/26 Indicative**	**31/03/27 Indicative**	**31/03/28 Indicative**
TOTAL CFR	**273.5**	**273.7**	**282.6**	**286.5**	**280.2**	**270.9**	**259.3**

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 response to pressures on Council finance teams, as a result of the COVID-19 pandemic. However, there has been a subsequent further deferral, meaning that the introduction of the accounting standard is likely to be in 2024 at the earliest. Work is continuing to be undertaken to gather the relevant information and fully understand the impact upon the Council. The output of this work will be reflected in the 2024/25 Capital Strategy, at the earliest.

The greater the CFR, the larger the impact will be on the revenue budget, with that impact being exacerbated by an ongoing reduction in the availability of internal borrowing (defined as using available cash, underpinned by the overall level of earmarked reserves, in lieu of external borrowing). Therefore, in the long-term, there will be a need to keep annual capital expenditure funded by borrowing at a level below the annual MRP budget in order to maintain the capital financing revenue budget at a broadly sustainable level.

4. LONG-TERM VIEW OF CAPITAL EXPENDITURE

Expenditure on capital assets/projects are often for assets which have a long-term life i.e. buildings may have an asset life in excess of 40 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 a decision has been made to initially fund capital expenditure from borrowing, the Council is locked into the revenue implications arising from that decision (i.e. the annual cost of MRP) for a long-term period.

Due to the financial constraints that the Council continues to face, it is anticipated that revenue to fund capital financing will remain incredibly restricted over the long term. The capacity to use internal borrowing is also reducing, which means that the authority will face a challenge in relation to its medium to long term capital aspirations, particularly if there is a need or desire to incur a certain level of capital expenditure funded via borrowing. This comes at a time when the authority is facing challenges in relation to its existing asset base, in terms of maintenance backlogs, as well as demand pressures (e.g. increasing pupil numbers) adding to the need to invest in new and existing assets.

As already outlined, there will be no scope for new borrowing in the immediate future. Therefore, this presents an opportunity to stabilise, and possibly reduce, the increasing level of its CFR. This, in turn, will minimise the increase in associated capital financing costs and ensure that they remain affordable and sustainable. This is particularly relevant when considering the position outlined in the Medium Term Financial Plan and the competing financial pressures facing the Council.

Ideally, capital expenditure funded by borrowing should be less than the annual MRP budget, as this will reduce the overall level of the CFR on a year-to-year basis. However, it is recognised that this may be difficult to achieve and that a degree of capital expenditure funded by borrowing will be required as part of future capital programme iterations.

To assist with exemplifying the potential impact over the medium to long term, two scenarios have been modelled. The first scenario assumes no additional (i.e. in addition to already approved schemes) unfunded capital expenditure during the new programme window and then £5m of unfunded capital expenditure from 2028/29 onwards. The second scenario is based on incurring £10m of unfunded capital expenditure from 2028/29 onwards. Charts 1a and 1b, below, demonstrate the impact that these scenarios could potentially have upon the overall level of the CFR and the actual requirement to undertake external borrowing.

Chart 1a – Liability Benchmark v1 - £5m additional borrowing per year beyond 2027/28

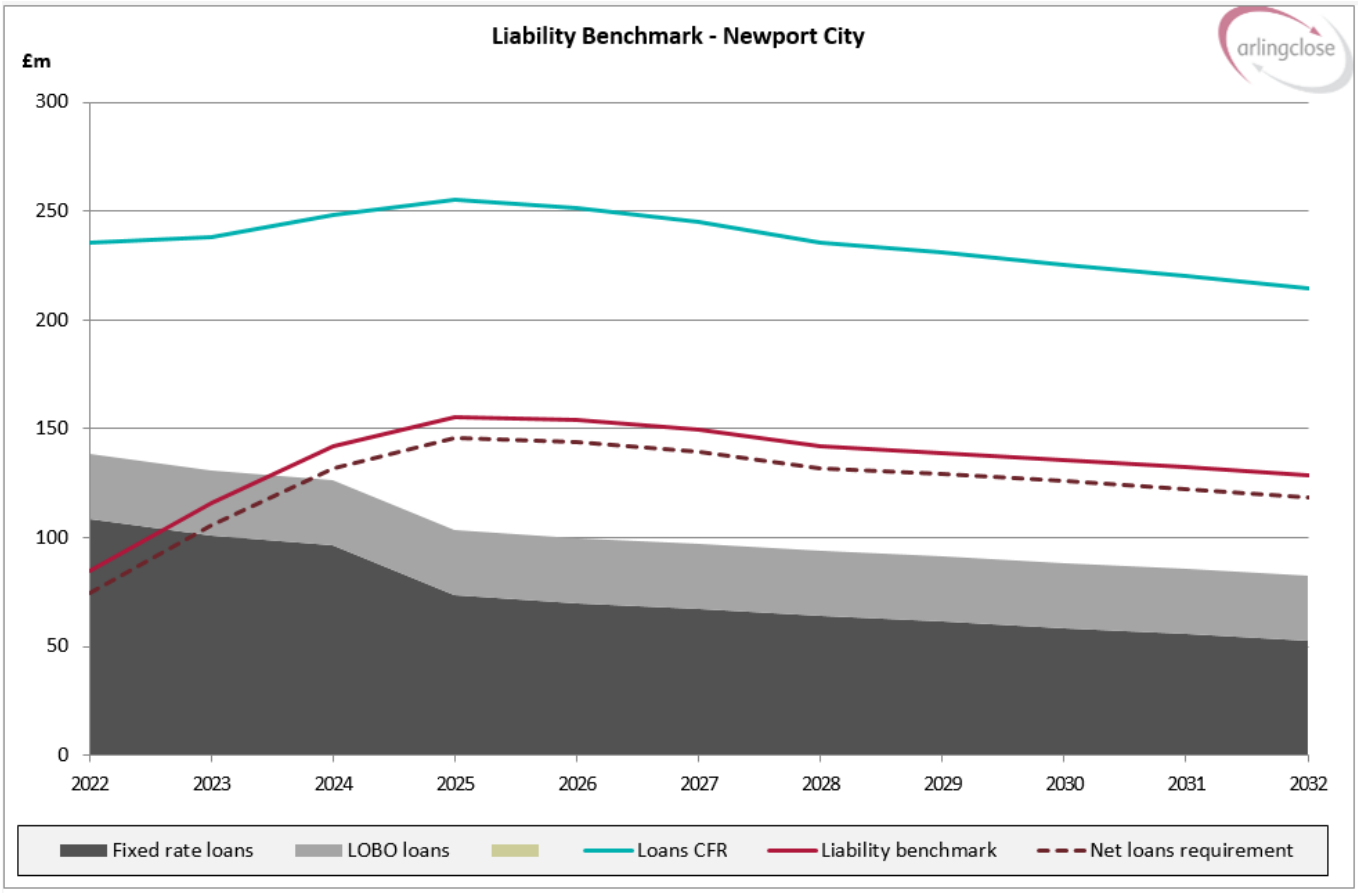
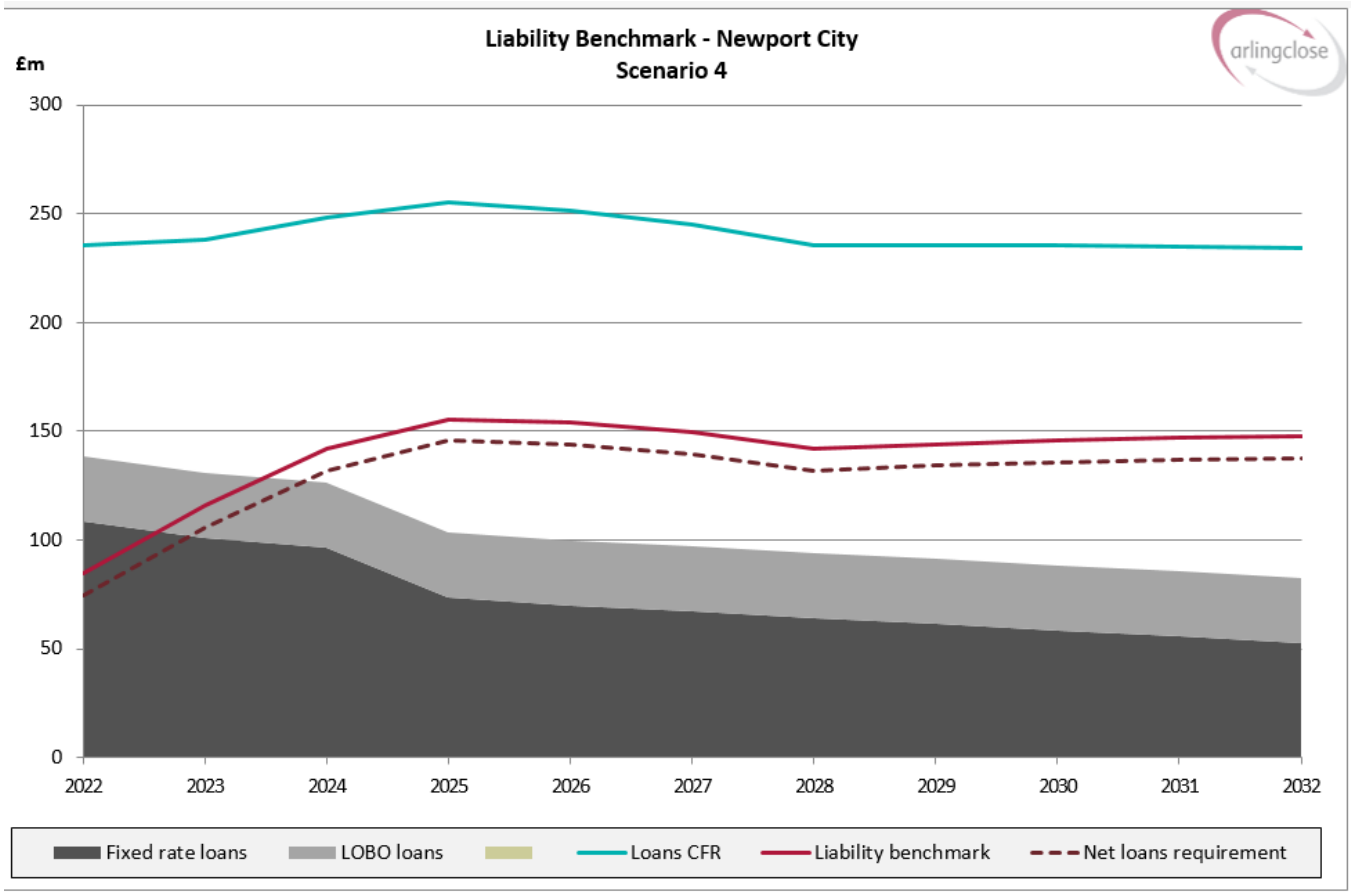


Chart 1b – Liability Benchmark v2 - £10m additional borrowing per year beyond 2027/28



Charts 1a and 1b, known as the Liability Benchmark, demonstrate the following, in terms of the impact of the current capital programme and the two modelled scenarios:

- The impact the current capital programme has in terms of the increasing CFR and consequent need for external borrowing, denoted by the steepness of the solid and dashed red curves over the first few years.
- A longer-term stabilisation (v1 and v2), and then reduction (v1), in the overall level of CFR, as shown by the trajectory of the solid blue lines.
- A longer-term stabilisation of the need to undertake actual external borrowing (v1 and v2), followed by a gradual reduction (v1), as shown by the trajectory of the dashed red lines.
- The impact of the reducing capacity for internal borrowing, demonstrated by the convergence of the two set of lines over the first few years and thereafter.
- The fact that a level of existing borrowing is scheduled for repayment (denoted by the shaded grey area) over the medium to long term, although the underlying need to borrow actually grows during that time, meaning that the repaid borrowing will need to be replenished.

The two modelled scenarios demonstrate that it would be possible to stabilise, and slightly reduce, both the CFR and actual need to borrow over the medium to long term. This is critical if the increase in consequent capital financing costs is to be minimised and remain at a level which is prudent, affordable and sustainable over the medium term. However, as the following paragraphs and Chart 2 demonstrate, there are other factors which also impact upon the overall level of capital financing costs incurred.

Chart 2 – Capital Financing Cost Forecast

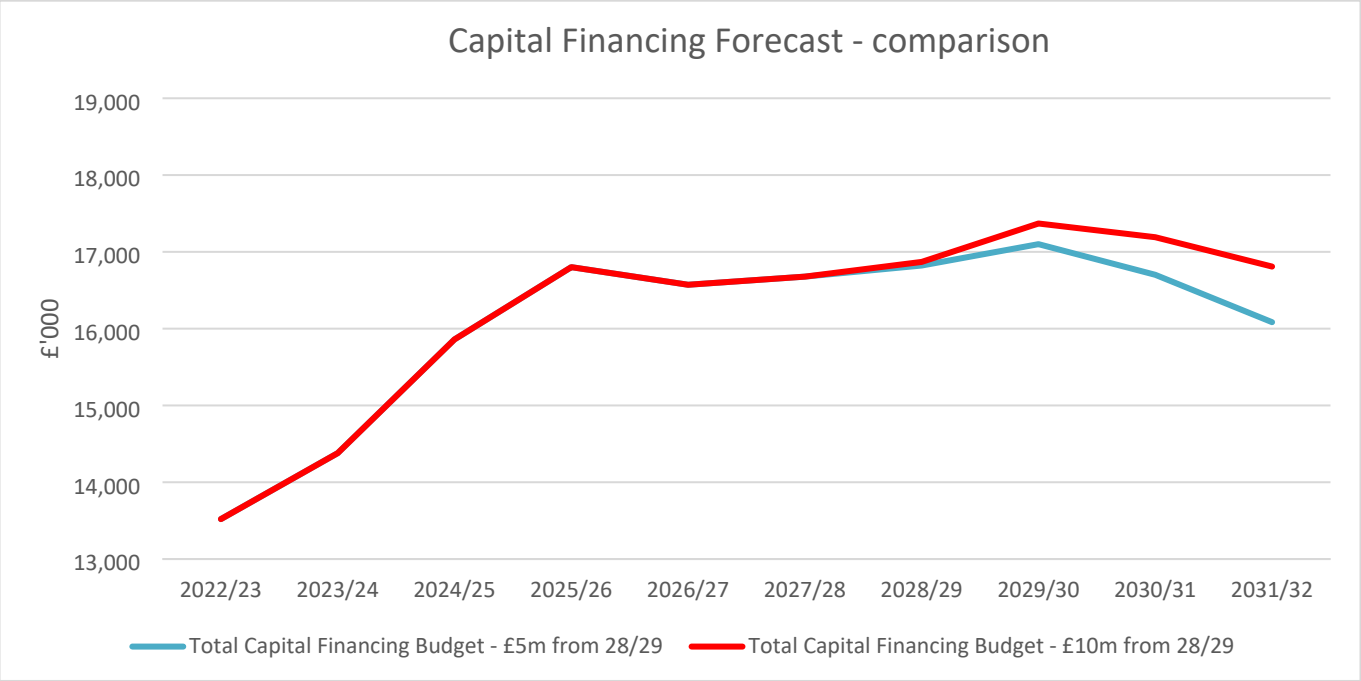


Chart 2 shows the increasing capital financing costs over the next 10 years with a limit of £5m or £10m of unfunded capital expenditure per annum after the current programme. This is initially driven by the capital programme that is proposed, resulting in a significant spike in capital financing costs to 2025/26. This is despite the modelled reductions in the CFR, as outlined in Charts 1a and 1b. Although the revenue costs arising from the current capital programme have been fully funded, this chart highlights the fact that there could be future capital financing budget pressure beyond the new programme window, especially if £10m of unfunded capital expenditure per year is pursued. Due to slippage experienced in delivering the current programme, it should be noted that the actual costs of capital financing are lagging behind the existing budget provision, resulting in an underspend against the revenue budget. This is set to continue in the short to medium term, although as the new programme nears completion, the full capital financing budget is likely to be required, depending upon interest rates on future borrowing.

The reason for the continued increase in capital financing costs, despite the levelling off of borrowing requirements, is primarily because of the change in MRP methodology, but also, in the earlier years, due to the reduced capacity for internal borrowing. What this means, in effect, is that additional external borrowing will need to be undertaken to replace the internal borrowing, just to maintain the status quo. The impact of this is that additional interest costs will be incurred and these will be borne by the capital financing budget. In the case of MRP, the change to the annuity methodology for unsupported borrowing means that MRP charges are lower in earlier years and increase as assets move through their useful life. Therefore, there will be an annual increase in MRP charges, and consequent impact upon the revenue budget, even if no additional unfunded capital expenditure is undertaken.

It should be noted that the scenarios above are for modelling purposes only, with assumptions included on the deliverability of the programme. In saying that, it is a good representation of the financial impact on Council finances given the two levels of capital spend funded from borrowing.

The actual position will of course be impacted by a number of factors that will ultimately determine the level of borrowing and associated capital financing costs. These factors include:

(i) availability of capital grant funding from Welsh Government and other bodies, (i.e. will there be the capacity or need to include those levels of capital expenditure funded by borrowing?)
(ii) the delivery of capital receipts (i.e. as above)
(iii) the utilisation and overall level of earmarked reserves (i.e. as above)
(iv) the general level of slippage within the capital programme (i.e. will the Council spend at the rates modelled even if included in budgets and programmes)

Sustainability and Ongoing Capital Programme Development

As already outlined, the long-term nature of the impacts arising from short to medium term capital expenditure and financing need to be understood in terms of its prudence, affordability and sustainability. The Head of Finance is satisfied that the current programme meets this key requirement, evidenced by the fact that the revenue implications are already fully funded. However, the key challenge facing the Council, in relation to capital, is the continuing pressure relating to the existing estate, in terms of maintenance backlogs and ensuring no asset failures occur. The current annual sums allocations are not as high as would be ideal, meaning that it can be challenging enough to maintain the status quo in terms of backlogs, before considering reducing them. In addition, there is the potential for demand for new schemes to emerge over the medium term, especially in relation to pupil number increases, for example.

On the basis that the current Medium Term Financial Plan is not balanced, there would appear to be little scope to increase capital resourcing by way of external borrowing, as the revenue budget would not be able to cater for the increased MRP and interest costs. The MTFP challenge is especially acute in 2023/24 and 2024/25. Whether or not the challenge will ease beyond those years will largely depend upon the rate of inflation being experienced and the position in relation to core funding via UK and Welsh governments. Therefore, it cannot be assumed that it will be possible to afford borrowing over the medium term. If the pressures upon the capital programme make this unavoidable, then members would need to prioritise those pressures over other competing pressures when setting a balanced budget for the year in question.

In light of this challenge, it is important that the authority understands the key drivers and risks associated with delivering an annually refreshed capital programme. These drivers are captured through various plans across the authority and are outlined in the diagram that follows. These plans will be subject to ongoing revision and it will be necessary for the authority to develop its understanding of the cost of key priorities arising from each plan, to inform what will potentially be a constrained programme in terms of the overall financial envelope.

There will be a range of priorities originating from these plans, particularly the Corporate Plan, which has been refreshed following the local elections in May 2022 and reflects some of the administration's manifesto commitments. As well as the priorities contained within the Corporate Plan, there is the aforementioned requirement to maintain the current asset base. This is something that has been severely impacted by constrained funding levels in previous years and has resulted in the maintenance backlog developing, which gives rise to the potential for major asset failures to occur where issues have developed over time. There is a particular risk surrounding highways and school buildings, although there are other asset bases that hold maintenance backlogs as well.

Therefore, whilst annual allocations are provided for asset maintenance, they are generally insufficient in value. The challenging revenue budget position does not provide an easy solution in increasing these allocations to a level that would, in the first instance, stop the backlogs from increasing. Because of this, it will be critical that opportunities to augment the annual sums, such as those outlined earlier in the strategy, are taken wherever possible. If it doesn't prove possible to increase the annual sums, they should, as a minimum, ensure the highest priority backlog issues are addressed, first and foremost. However, they would, in most cases, be insufficient to address any asset failures.

In addition to the annual sums, other approaches need to be pursued in order to reduce the maintenance backlog. This should include a review of the asset base more generally, and consideration to rationalising the number of assets. This rationalisation, which is a key tenet of the new Transformation Plan, could be achieved in a number of ways, such as closure or disposal of assets, asset transfers or schemes to refurbish/redevelop existing assets (e.g. neighbourhood hubs, Chartist Tower and the Newport Market development). Furthermore, it will be necessary to target external grant funding, such as Sustainable Communities for Learning funding, which will enable wholesale upgrade or replacement of existing assets, including those with significant maintenance backlogs.

Therefore, when developing the rolling capital programme, it will be necessary for decision-makers to ensure that the ongoing maintenance of existing assets is sufficiently addressed. However, there will be other priorities to be included within the programme at some point in the future, such as the need to address the climate emergency via a pursuit of carbon neutral assets, a response to the need for a new way of working, the next phase of WG's Sustainable Communities for Learning Programme and further regeneration schemes for the city. As already outlined, the pressure to support such initiatives will need to be carefully balanced against other competing priorities for revenue resources.

Although members will ultimately decide upon both the overall size of the new programme, and the schemes contained within it, it will be important that there is appropriate governance surrounding the development of the programme. This will be especially important given the constrained funding outlook and the need to be absolutely clear as to where the highest priorities lie. To achieve this, the Capital Board will need to act as an effective gateway and ensure that only those schemes with a clear plan for delivery and where the necessary due diligence has been undertaken are recommended for addition to the programme. The board should also ensure that there is enhanced oversight and management of the programme on an ongoing basis and reduce the likelihood of slippage or grant funding being foregone in future years. As an outcome, a more realistic, deliverable and achievable programme should result.

5. TREASURY MANAGEMENT

The Treasury Management Strategy (detailed in Appendix 3) and Capital Strategy are inextricably linked, with both strategies being considered for approval by Council as part of the same meeting. The figures within the Treasury Management Strategy align with the level of borrowing resulting from this Capital Strategy. The Council will need to approve both the prudential indicators detailed below and the borrowing limits recommended.

5.1. TREASURY MANAGEMENT

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, whilst 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 limits the need to take out actual borrowing by using positive cashflow, largely underpinned by earmarked reserve balances, to fund capital expenditure funded by borrowing, known as internal borrowing.

As a result of decisions taken in the past, the Council as at 31st December 2021, has £140.4m borrowing at a weighted average interest rate of 3.6% and £51.5m treasury investments at a weighted average rate of 3.0%.

As outlined earlier, CIPFA consulted on changes to the Treasury Management code during 2021 and issued a new version of the code subsequent to that. The changes required as a result of the update were outlined in last year's strategy and are reflected in this year's strategy, where relevant and appropriate.

5.2. BORROWING STRATEGY

Whilst the current outlook is for the Council to have significant long-term borrowing requirements, the current strategy is to fund capital expenditure through reducing investments rather than undertaking new borrowing. To clarify, this means deferring new long-term borrowing and funding capital expenditure from day-to-day positive cashflows for as long as possible. 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 slightly lower than the current rates payable on long-term borrowing and this remains a primary reason for the current 'internally borrowed' strategy.

Whilst investment counterparty risk is minimised through this strategy, the risk of interest rate exposure is increased, as the current longer term borrowing rates may rise further in the future. However, long-term borrowing interest rates are broadly similar to short-term borrowing interest rates. Therefore, should there be a need to undertake borrowing at short notice, the current similarity in interest rates mitigates the risk to some extent and also ensures the Council is no worse off in the short term. The market position is being constantly monitored in order to manage this risk.

The Council's overall main objective when borrowing is to achieve a low but certain cost of finance, whilst retaining flexibility should plans change in the future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between short-term loans (which have traditionally been available at a lower cost) and long-term fixed rate loans where the future cost is known but higher. In the current economic context, short-term borrowing is not much cheaper than long-term borrowing (both available at between 4.0% and 5.0%), however this may revert to a more typical scenario in the medium term. The current availability of positive cashflow has meant that the Council has not been required to undertake any short-term borrowing recently, although this can change at relatively short notice.

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities and leases) are shown below, compared with the CFR (which has been detailed in earlier sections). It should be noted that the estimated projected debt is broadly in line with the Operational Boundary, which acts as a borrowing limit for delivering the Capital Programme, as highlighted in the paragraphs that follow.

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2022 Actual	**31.3.2023 Forecast**	**31.3.2024 Budget**	**31.3.2025 Budget**	**31.3.2026 Budget**
Debt (incl. PFI & leases and ST & LT borrowing)	193	174	186	197	192
Capital Financing Requirement	273	274	283	286	280

As outlined earlier, the forthcoming introduction of IFRS 16 Leases will likely result in the CFR and debt identified as relating to leases increasing in future years. Work continues to assess the relevant leases that exist across the Council and their potential impact upon both the CFR and overall debt levels.

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from Table 6, the Council expects to comply with this in the medium term.

Operational Boundary: The Council is obliged to approve an operational borrowing limit. This boundary has been set in line with the expected borrowing required to finance the current Capital Programme until 2027/28, taking account of likely levels of internal borrowing. A small additional allowance has also been made for the timing of PFI debt repayments. If any increase to the operational boundary is required,

including to borrow for investment/income generation schemes or regeneration investment (loans) this will need to be brought to Council for approval.

Authorised Limit: The Council is legally obliged to approve an affordable borrowing limit for external debt each year. This is the absolute limit for external borrowing and is set in line with the CFR, again with a small allowance made for the timing of PFI debt repayments. The authorised limit is greater than the Operational Boundary and provides a buffer for managing day to day cash requirements and undertaking borrowing in advance of need, where appropriate and affordable.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2022/23 limit	**2023/24 limit**	**2024/25 limit**	**2025/26 limit**
Authorised limit – borrowing	271	246	253	248
Authorised limit – PFI and leases	41	39	36	34
Authorised limit – total external debt	**312**	**285**	**289**	**282**
Operational boundary – borrowing	192	150	163	161
Operational boundary – PFI and leases	41	39	36	34
Operational boundary – total external debt	**233**	**189**	**199**	**195**

Whilst the above indicators place a theoretical limit upon the level of borrowing that a council can undertake, they do not, for example, make an allowance for any amount of slippage that may be incurred whilst delivering the Capital Programme. This is relevant in the case of the Council's Capital Programme where, in relation to 2023/24 in particular, there is a significant level of forecasted unfunded expenditure and a high probability of slippage occurring. Therefore, to ensure that the level of expenditure to be funded via borrowing is controlled, a local indicator exists which restricts any unfunded expenditure being added to the existing Capital Programme over and above the headroom that is already in place. This indicator is in line with Table 1 of this report and, for 2023/24 only, limits additional borrowing for new capital expenditure to £1.057m. Should borrowing above this limit be required, it will need to be approved by full Council.

Table 8: Local Prudential Indicator: New capital expenditure to be funded via borrowing (£m)

	2023/24 limit	**2024/25 limit***	**2025/26 limit***
Borrowing headroom	1.1	0	0

** The limit is currently £0m, in line with the existing Capital Programme, but the £1.1m effectively applies across the three years shown.*

5.3. INVESTMENT STRATEGY

Treasury investments arise from receiving, and then holding, cash before there is a need to pay it out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management. The Council's strategies in this area of Treasury Management are (i) to be a short term and relatively low value investor and (ii) investment priorities should follow the priorities of security, liquidity and yield, in that order.

Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities 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. In the case of certain funds, the Council may request its money back at short notice.

Table 9: Treasury management investments in £millions

	31.3.2023 Forecast	**31.3.2024 Budget**	**31.3.2025 Budget**	**31.3.2026 Budget**	**31.3.2027 Budget**	**31.3.2028 Budget**
Near-term investments	22.4	0	0	0	0	0
Longer-term investments	0	10	10	10	10	10
TOTAL	**10**	**10**	**10**	**10**	**10**	**10**

Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Head of Finance and relevant staff, who must act in line with the Treasury Management Strategy approved by Council. Half-year and end of year reports on treasury management activity are presented Council, although the frequency of these reports will change to quarterly from 2023/24, in line with the recent changes to the Treasury Management Code. The Governance & Audit Committee is responsible for scrutinising treasury management decisions.

Loans to other organisations

The Council can and does make investments to assist local public services, including making loans to businesses to promote economic growth. The Council will assess these opportunities and will only plan that such investments at least break even after all costs. Loans to such organisations will be approved following a due diligence process and formal governance arrangements.

The Council will also use other methods of assisting businesses to promote economic regeneration by providing grants or by allowing rent free periods where the Council is the owner of the freehold, such as the case with Chartist Tower.

Decisions on service investments are made by the relevant service manager in consultation with the Head of Finance and Monitoring Officer and must meet the criteria and limits laid down in the investment strategy.

6. COMMERCIALISATION

The 2019/20 Capital Strategy contained details of the Council's Commercialisation Strategy, which was agreed by Council during 2019. A feature of this commercial approach was to explore three areas of activity, all aimed at increasing income generation and contributing towards addressing the medium-term budget gap faced by the Council. The three areas of activity were:

1) Current services that could be provided on a more commercial basis - e.g. trade waste
2) New services that could be provided - e.g. energy services
3) Property investment – commercial and residential

As outlined in the 2022/23 strategy, the third element of this approach would entail, in essence, investment primarily for the purpose of yield. This type of activity is now precluded by the Public Works

Loans Board no longer lending to local authorities for this purpose and the updated Prudential Code preventing investment funded by borrowing solely for the purpose of yield. Combined with the financial constraints currently being faced, and new borrowing not currently being considered affordable, this area of the Commercialisation Strategy is no longer being pursued. The first two elements of the strategy are still areas that the Council will consider and potentially pursue, subject to affordability, risk acceptability and the ability to contribute towards the medium-term financial challenges.

7. OTHER LONG-TERM LIABILITIES

In addition to debt of £140.4m outlined above, the Council has a number of other long-term liabilities, which represent potential future calls on Council resources, as follows:

Private Finance Initiative (PFI)

The Council has two PFI arrangements. These are for the provision of the Southern Distributor Road (21 years remaining) and for Glan Usk Primary School (11 years remaining). As at 31st March 2022, the combined value of the liabilities was £40.7m. The Council holds specific earmarked reserves to cover the future costs of the PFIs.

Pension Liability

The Council is committed to making future payments to cover its pension fund deficit (valued at £403.2m) as at 31st March 2022.

Provisions

The Council has set aside long-term provisions for risks in relation to landfill capping and aftercare, for example.

Contingent Liabilities

The Council also has a number of contingent liabilities, which may or may not ultimately materialise as a call on Council resources. These liabilities are detailed in the annual Statement of Accounts and include potential insurance claims and risks attached to loans extended to external developers. As well as this, the Council has also entered into a number of financial guarantees to act as a guarantor, in particular for the safeguarding of former employee pension rights when their employment is transferred to third party organisations.

8. KNOWLEDGE AND SKILLS

In-house expertise

The overall Capital Programme, Capital Strategy and Treasury Management Strategy are overviewed by the Head of Finance and Assistant Head of Finance, who are both professionally qualified accountants with extensive Local Government finance experience between them. There is a Capital Accounting team consisting 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. In addition, there is a Treasury Management team who manage the day-to-day cash-flow activities and banking arrangements of the authority. Members of this team, again, attend the necessary courses and training and have an extensive amount of experience.

External expertise

All of the Council's main capital projects are overseen by project teams comprising the relevant professional disciplines from across the Council. When required, external professional advice is taken, primarily from the Council's property advisors, Newport Norse. The Council also engages with external treasury advisers for advice in relation to treasury management matters.

Members

Training is offered to members to ensure they have up to date skills to make capital and treasury decisions. Training has been provided as recently as December 2022, with a number of new members attending for the first time. A register is also kept on member attendance. The Council also involves members at a very early stage of a project's life cycle.

9. SUMMARY

- Capital expenditure plans for the Council need to be affordable, prudent and sustainable.

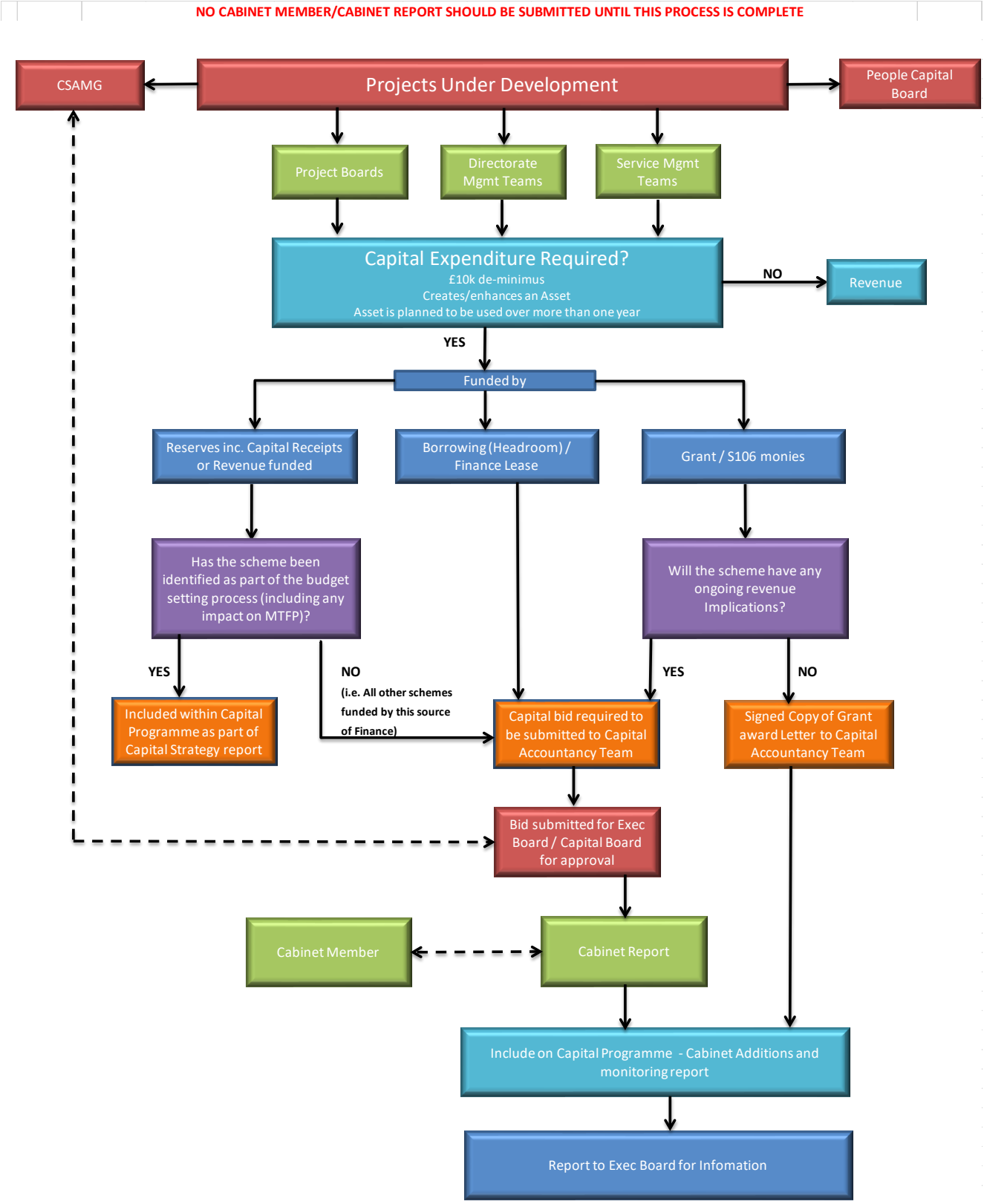
- The revenue budget includes the estimated revenue costs for the entire current capital programme, which includes a small level of headroom for additional capital projects to be added without impacting further on the MRP budget, as per the agreed framework.

- There are a number of demands on the capital programme and there is the need to link the capital strategy with a number of strategic plans across the organisation. This is to ensure that the pressures on the capital programme are known and the risks are assessed and prioritised within an affordable framework. This will include clear visibility and assessment of demand for schools, highways and other operational assets.

- Decisions on funding capital expenditure through borrowing locks the Council into committing revenue funding over a very long period (as long as 40 years +). With the capital financing budget increasing over the long-term, as shown in Chart 2, the Council will need to make some difficult decisions when developing the rolling Capital Programme, to ensure the capital plans remain affordable, prudent and sustainable.

- The Treasury Management Strategy, detailed in Appendix 3, highlights the Council's approach to managing its borrowing and investments. The proposed strategy for 2023/24 is in line with previous years and is based upon a low risk approach to both investments and borrowing. This means that investments held are generally low in value and the approach to borrowing is to look for security of costs, resulting in a generally high proportion of long-term borrowing compared to short term borrowing.

APPENDIX 2a – Capital Additions Process Map



Appendix 3

Treasury Management Strategy Statement 2023/24

Introduction

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

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. In addition, the Welsh Government (WG) issued revised Guidance on Local Authority Investments in November 2019 that requires the Authority to approve an investment strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.

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

External Context

Economic background:

The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.

The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6-3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.

CPI inflation is expected to have peaked at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However, the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.

The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%. Looking forward, the November MPR shows the labour

market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.

Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.5% in December 2022 to 4.25%-4.5%. This rise follows four successive 0.75% rises in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 7%. GDP grew at an annualised rate of 3.2% (revised up from 2.9%) between July and September 2022, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.

Inflation rose consistently in the Euro Zone since the start of the year, hitting a peak annual rate of 10.6% in October 2022, before declining to 10.1% in November. Economic growth has been weakening with an upwardly revised expansion of 0.3% (from 0.2%) in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.50% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and deposit facility rate to 2.0%.

Credit outlook:

Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic. CDS price volatility was higher in 2022 compared to 2021 and the divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities has emerged once again.

The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.

There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.

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.

Interest rate forecast (December 2022):

The Authority's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.

While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.

Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 3%, and that new long-term loans will be borrowed at an average rate of 4.65%.

Local Context

On 31st December 2022, the Authority held £140.4m of borrowing and £51.5m of treasury investments. This is set out in further detail at ***Appendix 3b***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.22 Actual £m	**31.3.23 Estimate £m**	**31.3.24 Forecast £m**	**31.3.25 Forecast £m**	**31.3.26 Forecast £m**
Capital financing requirement	**273.5**	**273.7**	**282.6**	**286.5**	**280.2**
Less: Other debt liabilities *	(40.8)	(38.5)	(36.2)	(34.0)	(31.8)
Loans CFR	**232.7**	**235.1**	**246.5**	**252.5**	**248.4**
Less: External borrowing **	(141.1)	(135.6)	(130.3)	(107.0)	(103.1)
Internal borrowing	**91.6**	**99.5**	**116.1**	**145.5**	**145.3**
Less: Balance sheet resources	(151.0)	(122.1)	(106.4)	(99.7)	(97.7)
Preferred Investment position	10.0	10.0	10.0	10.0	10.0
Treasury investments (or New borrowing)	**49.4**	**12.6**	**(19.7)**	**(55.8)**	**(57.6)**

* leases and PFI liabilities that form part of the Authority's total debt
** shows only loans to which the Authority is committed and excludes optional refinancing

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 Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £57.6m over the forecast period. This is broken down into £38.0m refinancing of maturing existing borrowing and £19.6m additional external borrowing.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2023/24.

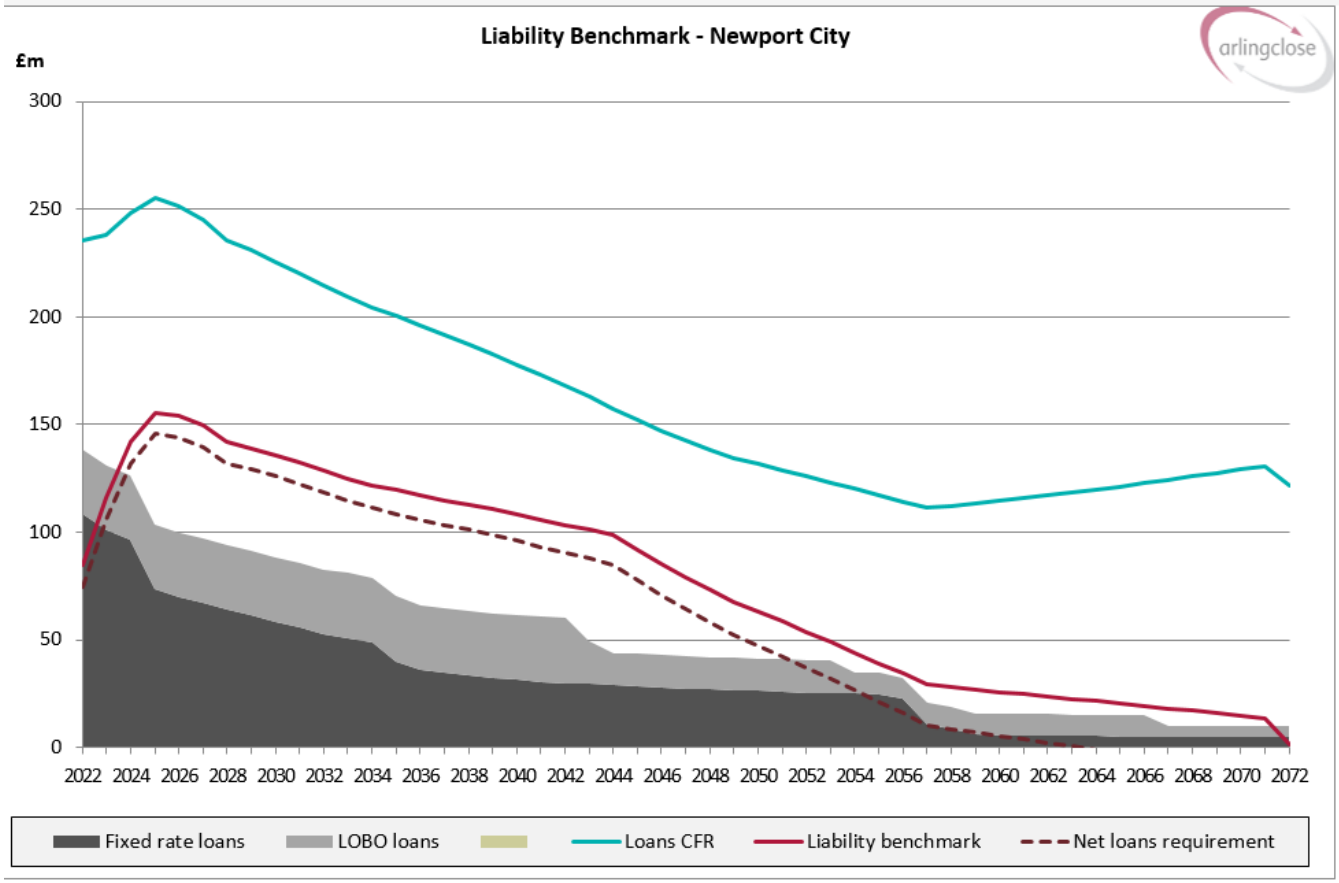
Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

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 2: Prudential Indicator: Liability benchmark

	31.3.22 Actual £m	**31.3.23 Estimate £m**	**31.3.24 Forecast £m**	**31.3.25 Forecast £m**	**31.3.26 Forecast £m**
Loans CFR	232.7	235.1	246.5	252.5	248.4
Less: Balance sheet resources	(151.0)	(122.1)	(106.4)	(99.7)	(97.7)
Net loans requirement	81.7	113.0	140.1	152.8	150.7
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	**91.7**	**123.0**	**150.1**	**162.8**	**160.7**

Following on from the medium-term forecasts in Table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £5m a year from 2028/29, minimum revenue provision on new capital expenditure based on a 25 year asset life and income, expenditure and reserves all increasing by inflation of 2.0% a year. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing:



The chart above shows actual borrowing maturing over time (grey area reducing), however the need to borrow (the blue CFR line) is increasing sharply over the short term due to the proposed capital programme. Over the long-term, to ensure a sustainable position, the CFR needs to stop increasing and ideally come down in order for the liability benchmark to stabilise. This, in turn, reduces the need to borrow and consequent pressure on the capital financing budget. Its important to note that, even with limited planned unfunded capital expenditure beyond the medium term, the liability benchmark doesn't reduce to current levels until circa 2044. Therefore, the chart is demonstrating the following important points/assumptions:

- To be sustainable, the CFR cannot continue increasing at the rate it is currently, and a prudent limit should be placed on the future capital programme to reduce the CFR over the long-term (set out further in the Capital Strategy)
- The ability to use further internal borrowing will diminish, with internal borrowing reducing over time as reserves are utilised.
- As existing borrowing matures (grey area reducing) there will be the need to refinance this debt over the long-term.
- The liability benchmark is increasing significantly in the short term, meaning that the Council will be required to undertake new borrowing over time, although the revenue impact of this is already funded, assuming interest rates don't increase significantly from the current position.
- The only way to reduce this need to borrow is to reduce the level of capital expenditure funded by borrowing.

Borrowing Strategy

The Authority currently holds £140.4 million of loans, a decrease of £3.4 million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 1 shows that the Authority expects to borrow up to £19.7m in 2023/24. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £246 million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant pressures upon public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority 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 authorities, 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 authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Authority 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.

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

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)
- 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 authority bond issues

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

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 authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities

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.

LOBOs: The Authority holds £30m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £25m of these LOBOs have options during 2023/24, and with interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years, if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to £30m.

Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

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

Treasury Investment Strategy

The Authority currently holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £40 million and £99 million. It is anticipated that the level of investments held in 2023/24 will be lower, as cash balances are used in lieu of external borrowing, in line with the authority's internal borrowing strategy.

Objectives: Both the CIPFA Code and the WG Guidance require the Authority 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 Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

Strategy: As demonstrated by the liability benchmark above, the Authority 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. However, because of the requirement to remain Mifid II compliant, the authority will need to retain a £10m minimum investment balance. The intention is to explore longer term, higher yielding asset classes during 2023/24, such as strategic pooled funds and covered bonds, as well as continuing its use of Money Market Funds, where necessary and appropriate. This will also enable the authority to generate a higher rate of return and contribute towards the medium-term challenges facing the revenue budget.

The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Authority may opt to 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.

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 Authority'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 Authority will, wherever possible, 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.

Business models: Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its 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.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in Table 3 below, subject to the limits shown. It should be noted that the Council is only intending to invest for longer term periods up to the Mifid value of £10m. However, some counterparty limits exceed £10m and this is because of the need to manage short term investment requirements when surplus cash balances exist.

Table 3: Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£20m	Unlimited
Secured investments *	25 years	£10m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	5 years	£5m	£25m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£10m	£25m
Real estate investment trusts	n/a	£10m	£25m
Other investments *	5 years	£5m	£5m

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 either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £20m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK 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 Authority 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 Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

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

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 Authority's investment at risk.

Operational bank accounts: The Authority 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 £1 million per bank, wherever possible. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. 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.

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.

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and

advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits: The Authority's revenue reserves available to cover investment losses are forecast to be £120.5 million on 31st March 2023 and £104.8 million on 31st March 2024. In order that no more than 15% 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 £10 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £1 million in operational bank accounts count against the relevant investment limits.
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 4: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£10m per country

Liquidity management: The Authority uses purpose-built 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 Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

The Authority 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 Prudential Indicators

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

Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	**Limit**
Upper limit on one-year revenue impact of a 1% rise in interest rates	£200,000
Upper limit on one-year revenue impact of a 1% fall in interest rates	£100,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates. The impact of a 1% rise is predicated on known maturing borrowing during 2023/24, plus an allowance for borrowing in advance of need, should it be appropriate to do so as a means for mitigating the potential for rising interest rates. The impact of a 1% fall in rates is predicated on the Council's minimum £10m investment balance.

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

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	60%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	40%	0%
10 years and within 20 years	30%	0%
20 years and within 30 years	20%	0%
30 years and within 40 years	20%	0%
40 years and within 50 years	20%	0%
50 years and above	20%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

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

Price risk indicator	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£10m	£10m	£10m	£10m

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.

Related Matters

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

Financial derivatives: Local authorities 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 authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority 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 Authority 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.

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.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Head of Finance believes this to be the most appropriate status.

Government Guidance: Further matters required by the WG Guidance are included in Appendix 3c.

Financial Implications

The budget for investment income in 2023/24 is £0.3 million, based on an average investment portfolio of £10 million at an interest rate of 3%. The budget for debt interest paid in 2023/24 is £6.9 million, based on the known annual cost of existing borrowing plus assumed new borrowing at a rate of 4.65%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance 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

Appendix 3a – Arlingclose Economic & Interest Rate Forecast – December 2022

Underlying assumptions:

- The influence of the mini-budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.
- Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.
- The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.
- The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.
- Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.
- While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB seems to harbour (worryingly) few doubts about the short term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.

Forecast:

- The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.
- The MPC will cut rates in the medium term to stimulate a stuttering UK economy, but will be reluctant to do so until wage growth eases. We see rate cuts in the first half of 2024.
- Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.25	3.25
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.00	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.50	3.40	3.40	3.40
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.43	3.60	3.80	3.80	3.80	3.70	3.60	3.50	3.40	3.30	3.30	3.30	3.30
Downside risk	0.00	0.80	1.00	1.00	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	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.47	3.50	3.60	3.60	3.60	3.60	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Downside risk	0.00	0.80	1.00	1.00	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	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.86	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.80	1.00	1.00	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	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix 3b - Existing Investment & Debt Portfolio Position

	31/12/2022 **Actual portfolio** **£m**	31/12/2022 **Average rate** **%**
External borrowing:		
Public Works Loan Board	95.8	3.8
LOBO loans from banks	30.0	3.8
Other loans	14.6	1.3
Total external borrowing	**140.4**	**3.6**
Other long-term liabilities:		
Private Finance Initiative	40.7	
Leases	0.1	
Total other long-term liabilities	**40.8**	
Total gross external debt	**181.2**	
Treasury investments:		
The UK Government	11.5	3.1
Local authorities	30.3	3.3
Money market funds	10.0	2.9
Total treasury investments	**51.5**	**3.0**
Net debt	**129.7**	

Appendix 3c – Additional requirements of Welsh Government Investment Guidance

The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local authorities that are not integral to this Authority'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.

Contribution: The Authority'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 Authority, and
- investment property provides a net financial surplus that is reinvested into local public services.

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 projects and Solar PV, as well as ultra-low emission vehicles. In addition, new schools are now being constructed on a net carbon zero basis.

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 authority,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

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

Loans: The WG Guidance defines a loan as a written or oral agreement where the authority 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 authority.

The Council currently has loans totalling £10.6m as at 31st December 2022. These are all developer loans issued to local enterprises and are secured. The current value of loans issued represent approximately 7% of the useable reserve balance held as at 31st March 2022. The authority's aim when issuing loans is to ensure that they do not exceed 15% of total useable reserves as at the end of each financial year and, therefore, the current value of loans is within that self-assessed limit. The authority is also working to the loan limits set out below.

Table C1: Loan limits

Borrower	**Cash limit**
Local enterprises	£15m
Local charities	£5m
Wholly owned companies	£5m
Joint ventures	£5m
Treasury management investments meeting the definition of a loan	Unlimited

The Authority 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 Authority has appropriate credit control arrangements to recover overdue repayments in place.

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 C2; the Authority confirms that its current non-specified investments remain within these limits.

Table C2: 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	£10m
Total non-specified investments	£15m

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 2022, the Authority's investment property portfolio is anticipated to provide security for capital investment, since its fair value totals £12.530m and is likely to exceed the original purchase price (as in a number of cases, the purchases took place a significant amount of time ago). The authority will undertake further work to confirm, wherever possible, that the necessary security exists.

The Authority consider that the scale of its commercial investments including property are proportionate to the resources of the authority since such investments represent just 8% of its £151m useable reserves.

Liquidity: 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. However, the Council is not actively pursuing a strategy of acquiring investment properties. Therefore, the current level of investment properties, which represents a relatively low proportion of useable reserves, is not likely to increase in the near future. As a result, it is not anticipated that these investments will need to be liquidated in the medium term.

Because the invested funds, if required, would potentially take time to be liquidated, the authority ensures that it holds adequate available cash balances to be able to, for example, repay capital borrowed. In addition, the authority plans to hold a minimum £10m in investments (to meet Mifid II requirements) which could, if needed, be liquidated at relatively short notice, although this would be avoided if possible to ensure that the professional client status could be retained.

Investment advisers: The Authority has appointed Arlingclose Limited as treasury management advisers and Newport Norse as property investment advisers. The quality of these services is controlled by regular review of the services provided by both advisers and regular strategy meetings with them.

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.

Capacity and skills: The authority ensures that members and statutory officers involved in investment decisions have the appropriate skills, capacity and information to take informed decisions, assess individual investments in the context of strategic objectives and risk profile, and how the quantum of decisions impact upon the overall risk exposure of the authority. 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 advise from its independent advisers regarding investing and borrowing activity.

Commercial deals: Any commercial deals that the Council would be involved in would involve statutory officers in those discussions and any final decisions. This ensures that the core principles of the prudential framework and the regulatory regime of the local authority is adhered to when making such decisions.

Corporate governance: The Council has a clear corporate governance framework set out within its constitution, scheme of delegations 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 Head of Finance.

Appendix 3d – Minimum Revenue Provision Policy

Where the Authority 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 Authority to have regard to the Welsh Government's *Guidance on Minimum Revenue Provision* (the WG Guidance) most recently issued in 2018.

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 Welsh Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The WG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the guidance.

- For supported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments. This is currently deemed to be an average of 40 years.

- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in on an annuity basis 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.

- For capital expenditure loans to third parties that are repaid over a short time period (less than 12 months) or frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement. The only other scenario whereby MRP would not be charged is where there is unencumbered first charge security, held against separate assets, upon which the loan is secured. For all other capital expenditure loans to third parties, MRP will be charged in accordance with the MRP policy for the assets funded by the loan.

- The MRP policy and charges in relation to the Cardiff Capital Region 'City Deal' will reflect those within the Joint Working Agreement.

Capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2024/25.

Based on the authority's latest estimate of its Capital Financing Requirement as at 31st March 2023, the estimated cost of MRP in 2023/24, including finance leases and PFI, is as follows:

	31.03.2023 Estimated CFR £m	**2023/2024 Estimated MRP £m**
Supported capital expenditure	161	5
Unsupported capital expenditure	74	4
Finance leases* and Private Finance Initiative	39	2
Total General Fund	**274**	**11**

Report

Council

Part 1

Date: 28 February 2023

Subject **2023/24 Budget and Medium Term Financial Plan**

Purpose To review and agree the Council's council tax increase for 2023/24, resulting from the Cabinet's total net revenue budget requirement agreed at their meeting on 15 February 2023; and agree the resulting council tax resolution for 2023/24.

Author Head of Finance

Ward General

Summary Following recommendation by Cabinet of their 2023/24 budget requirement, the Council needs to review and decide on the level of resulting council tax for 2023/24.

Cabinet met on the 15 February 2023 and finalised detailed budget recommendations. This report sets out their recommended overall 2023/24 budget, resulting service cash limits and council tax increase and the council's general reserve and contingencies. An increase in council tax of 8.5% (to £1,380.13 per annum at Band D) for Newport City Council is recommended. An 8.5% increase on council tax is an increase of £1.62 per week, £1.85 per week and a £2.08 per week increases for Band B, C and D properties respectively.

Building on the medium term projections approved in March 2022, the budget process has presented a distinct set of challenges this year, building on the unprecedented circumstances of the last few years, and the drastic economic changes and inflationary increases on a scale never seen before. From this, Cabinet have approved a package of investments and savings and are recommending a council tax level to Council which will balance the budget for 2023/24.

The Council's business and financial planning is underpinned by the Council's Corporate Plan. The Council has recently approved its new Corporate Plan, and this will be supported by a Transformation Plan and other plans to achieve the outcomes within it. Whilst this will form a key part of the strategy for addressing the budget gap in the future, it will not in itself deliver the quantum of savings required over the medium term. Therefore, further work is required to build a budget and transformation strategy that ensures sustainable services and financial stability.

Section:

8 2023/24 proposed council tax

Appendix:

Appendix 1	Service area budgets
Appendix 2	Precepts and council tax
Appendix 3	Council tax resolution
Appendix 4	Medium term financial plan (MTFP)
Appendix 5	Financial resilience snapshot
Appendix 5a	Projected earmarked reserves
Appendix 6	Reserves strategy and Transformation Fund protocol

Proposal

Council is asked:

Revenue budget and council tax 23/24 (section 2-8)

1 To note that an extensive consultation exercise has been completed on the 2023/24 budget proposals. Cabinet have taken this into account in recommending final details of their budget

2 To note the Head of Finance's recommendations that minimum General Fund balances can be maintained at a level of at least £6.5million, the confirmation of the robustness of the overall budget underlying the proposals, subject to the key issues highlighted in section 7

3 To consider and approve a council tax increase for Newport City Council of 8.5%, a Band D tax of £1,380.13; and the overall revenue budget shown in Appendix 1

4 To approve the formal council tax resolution, included in Appendix 3 which incorporates The Police and Crime Commissioner for Gwent and Community Council precepts

Medium term financial plan (MTFP) (section 5)

5 To note the MTFP and the uncertain financial challenges over the medium term in the context of economic challenges, increasing demand within service areas and potential financial issues on school budgets

6 To note Cabinet's approval of the implementation of the three-year plan, including all budget proposals, as summarised within the medium term financial plan (Appendix 4). Considering point 5 above it should be noted that financial projections are subject to on-going review and updating

7 To note and approve the Council's reserves strategy and transformation fund protocol. Estimated reserve balances as of 31 March can be found within Appendix 5a

Action by

Head of Finance – 2023/24 council tax billing and detailed budgets to be prepared in line with recommendation.

Timetable

Immediate

This report was prepared after consultation with:

- Leader of the Council
- Chief Executive
- Strategic Directors
- Head of Law and Standards
- Head of People, Policy and Transformation

Signed

1 Background

1.1 The draft budget proposals for 2023/24 have been subject to public consultation. The proposals have been consulted on through a range of stakeholder groups as set out in paragraph 6.1.

1.2 The Welsh Government (WG) draft settlement was received on 14 December and confirmed that funding would increase by 8.88% for 2023; additional funding of £11.7m, over and above that already assumed. This was a welcomed uplift as it enables the Council to support a growing population, support major cost and demand pressures that the Council continues to face during a challenging economic period; however, it was not sufficient to mitigate, in full, the extent of the financial challenges being faced. Therefore, this confirmed that a budget gap of over £4m as shown below:

	2023/24 £'000
Budget gap December	16,078
Draft settlement +8.88%	(11,738)
Revised budget gap	4,340

1.3 Since then, the MTFP has remained under constant review with revised planning assumptions in relation to cost pressures, schools contribution towards the budget gap and new savings with no service impact being incorporated into the position. At this point, Cabinet were given some financial flexibility to meet spending priorities and respond to public consultation by allocating £2.5m 'cash in hand' balance at the February Cabinet meeting. It was at this stage that the overall net budget requirement and resulting council tax was agreed for recommendation to Full Council. The overall package of investments for 2023/24 is set out in section 4.

	2023/24 £'000
Revised budget gap (as above)	4,340
Schools contribution to overall gap	(8,475)
Change in budget assumptions	5,206
Non service budget reductions	(1,840)
Reduced service pressures	(1,695)
Revised budget (surplus)	(2,464)
Investments following consultation	,464
Balance	Nil

** Details of the above can be found in the February 2023 Cabinet report*

1.4 The Council's final settlement will be announced on 1 March 2023. Apart from late transfers of specific grants into / out of the final settlement, which should be neutral in their impact, no other changes are anticipated. Cabinet have, therefore, agreed final budget proposals and recommend a council tax level to Council based on the draft settlement.

1.5 The next section explains the link between the medium term outlook and how this translates into the requirement on the Council to set a balanced budget.

2 Finalising the budget

2.1 The Council is required by law to set a balanced budget every year. At the same time, the MTFP is reviewed and updated to help plan savings and investments across the next three to four years. A key part of the review is to ensure that key priorities are included.

2.2 The Council has recently approved its new Corporate Plan, and this will be supported by a Transformation Plan and other plans to achieve the outcomes within it. Whilst the Transformation Plan is in the development stage and, in due course, when implemented, will form a key part of the strategy for addressing the budget gap in the future, it will likely not in itself deliver the quantum of savings required over the medium term. Therefore, further work is required to build a budget and transformation strategy that ensures sustainable services and financial stability.

2.3 Whilst Cabinet are responsible for the detailed spending plans, the council tax level underpinning the overall budget requirement is approved by Council. The proposed budget is included within Appendix 1 and is based on detailed proposals approved by Cabinet on 15 February. Members have also had sight of the budget proposals previously via the Council's Scrutiny Committees in January. The detailed proposals can be found appended to the Cabinet agenda (weblink).

2.4 Council should note that Cabinet continues to take a strategic and medium term view and has done so by approving all budget investments and savings as part of the implementation of the Council's three-year plan. These have been summarised within the MTFP shown in Appendix 4.

2.5 A key part in considering and agreeing the annual budget and MTFP are the financial resilience issues and how the budget deals with key risks. These were considered in detail by Cabinet on 15 February and are outlined below in this report for Council.

3 Welsh Government funding

3.1 As the result of the final settlement not being known at the time of writing, Cabinet have finalised the 2023/24 budget based on the funding position made up of the draft Aggregated External Finance (more commonly referred to as the "Revenue Support Grant – RSG"), the confirmed increase in the Council's tax-base and a requirement for an 8.5% increase in the council tax rate, as recommended to Council.

3.2 Although councils have until 11 March each year to set council tax, in practical terms, to delay beyond this meeting date would cause delays to billing and collection of council tax. This would have a significant adverse impact on the collection of Council Tax and therefore the Council's cash flow.

4 2023/24 budget requirement

4.1 Funding levels for service areas, based on the final proposals, are shown in Appendix 1 with the detailed budget investments and savings shown in the February Cabinet report.

4.2 The allocation of the £2.5m 'balance in hand' was agreed during the February Cabinet meeting and is included and reflected within the overall package of investment and savings set out below.

4.3 Proposals for 2023/24 include over £48m of budget investments / pressures (including inflation). The most significant areas of additional expenditure are linked to:

- £14,597k gross investment in school budgets. Despite c£7m permanent net investment in the ISB plus an extra £2m one off funding for targeted intervention and support in 2023/24, it is recognised that this does leave schools with some challenges to face heading into next year;
- £13,857k investment in social care which includes funding to pay care workers the Real living Wage from April 2023, additional provision to cover the risk of higher on-going costs in the sector and significant increased demand for both children's and adult services;
- £3,576k for homelessness provision to support WG directive to ensure that there are no rough sleepers in Newport;
- £1,729k to make good the shortfall in the NJC pay award for 2022/23

4.4 In addition to this base budget investment, significant specific grants are received from WG each year, and, at this time, we still await the finer details of funding levels for 2023/24. Specific grants are a key element of Council's funding which often assists in supporting core service delivery. As noted within the February report, it is likely that a number of grants will see real term decreases in funding during 2023/24 and it is proposed, in line with the Council's current working policy, that service areas deal with these matters with Cabinet Members in terms of identifying issues as they become aware of them and developing necessary solutions to be able to absorb the impact within existing resources. This may involve reducing/stopping services that WG specific grants no longer fund. These grants will be included within service areas budgets once the value and conditions are known.

5 Medium term financial plan (MTFP)

5.1 The MTFP is the articulation of the Council's financial challenges and includes the savings currently identified over the next three years. The Council is required to set a balanced budget each year and this year it was evident that it was not possible to balance the 2023/24 budget through efficiencies alone but instead the identification of savings that would impact on front line service delivery. The Head of Finance will continue to work with the Corporate Management Team and Cabinet to develop the budget strategy over the medium term to ensure the following issues and uncertainties are accounted for as appropriate:

- the economic challenge, in the context of major cost and demand pressures. The cost of living and energy crisis and the lasting impact that current levels of inflation have on future pay and other cost pressures;
- increasing demand within service areas over and above provision already made within the MTFP;
- potential financial issues on school budgets.

5.2 Whilst the Council has recently approved its new Corporate Plan, the supporting Transformation Plan is in the development stage and whilst this will form a key part of the strategy for addressing the budget gap in the future, it will not in itself likely deliver the quantum of savings required over the medium term. As part of this the development of a detailed delivery and implementation plan with potential savings is required. The current medium term financial projections are included in Appendix 4.

6 Budget consultation

6.1 The budget proposals agreed by Cabinet in December have been consulted on through a range of stakeholder groups and formats, which are as follows:

- With Trade Unions via the Employee Partnership Forum on 19 January 2023;
- With all Scrutiny Committees in their January 2023 meetings where Members discussed the detailed investments and savings proposals, plus the MTFP;
- With the Schools' Forum on 19 January 2023;
- With the public from 14 December 2022 to 2 February 2023;
- Engagement with Newport Fairness Commission

The detailed results of the consultation were shared at the February Cabinet meeting. In summary, there was a degree of understanding of the situation decision-makers within the Council face and whilst it was clear that there was support for some proposals, some of the qualitative comments were pertinent and this feedback was responded to within the February Cabinet meeting. In terms of Council Tax, whilst a significant majority of the public were not in support of the 9.5% increase consulted upon, there was recognition that increases are unavoidable and that increases in the rate of Council Tax can enable vital services to be protected. Therefore, Cabinet recommended an overall budget which required a reduced council tax increase of 8.5%, which was below the current rate of inflation.

Fairness and Equality Impact Assessments (FEIAs)

6.2 In line with the Council's legal duties as set out in the Equality Act 2010 and the Welsh Language (Wales) Measure 2015, all budget proposals have undergone a full equality impact assessment, which have been updated to reflect public consultation responses.

6.3 As part of the budget process, equality implications are considered for all budget proposals and where necessary an EIA carried out by the relevant service manager, supported by the council's policy team. These were updated, as necessary, following the budget consultation exercise and used by the Cabinet in their final budget decisions in their February meeting.

7 Risk, reserves, financial resilience, and performance

7.1 A key driver in the budget strategy and MTFP framework is the need to manage the Council's general and financial risks, its financial resilience and performance. This next section looks at these issues and identifies how they are dealt with, whilst considering how they influence the Council's 2023/24 budget and medium-term projections.

Risk

7.2 The Council maintains a corporate risk register, which is regularly reviewed by the Corporate Management Team and Cabinet, as well as the Governance & Audit Committee from a procedural / risk management framework viewpoint. The Council's budget strategy and MTFP framework needs to reflect risks and incorporate appropriate financial mitigation, where required.

7.3 The quarter 2 corporate risk register reported to December Cabinet identified 16 risks that are considered to have a significant impact on the achievement of the Council's objectives and legal obligations. Overall, 8 of these risks are severe and in many cases link the issues set out within the economic context and earlier sections of this report. In some cases, it is increasingly difficult for the Council to effectively prepare and quantify the financial impact of some of these risks until outcomes are known. There are several risks identified in the risk register that to fully mitigate would be unaffordable. In these cases, the risk is identified, and the Council needs to consider and assess how best to mitigate and continue lobbying WG to provide more funding in these areas, as these risks are not unique to Newport. These areas do, however, continue to be monitored closely to ensure that where information is available these risks are considered and where appropriate factored into the Council's financial planning.

7.4 Three current risks in the corporate risk register with significant uncertainty are (i) stability of social services providers, (ii) pressures on adult services and (iii) pressure on delivery of children services and in the case of challenges facing social care have already been considered within the February Cabinet report.

7.5 Outside of the risk register, there are also other key budget related issues and risks which the Cabinet's attention has been drawn too:

- Uncertainty on the adequacy of pay provision for 2023/24 financial year, given on-going disputes and the trajectory of the National Living Wage.
- The inherent risk in delivering a quantum of savings which is far higher than any previous year, particularly those relating to schools.
- Further demand increases in Council services, in particular social care and housing

7.6 In the context of the challenging economic climate, the budget has the following areas of mitigation which may be required to support the challenges set out above.

- existing revenue contingency budget £1.373m;

- existing revenue budgets not yet committed, and which are set aside to manage revenue budget risks in the short term c£1m;
- specific reserves earmarked for general budget risks, including the 'pay reserve' and residual covid risk reserve at £2.3m;
- investment in revenue budgets agreed by Cabinet in those demand led areas, and which have given rise to overspending in the current 2022/23 year – social care children's placements, homelessness, and adults social care. These have been made at a level which meets the current demand levels.

Reserves

7.7 In terms of contingencies and reserves, the Head of Finance has reviewed these in their totality in conjunction with the base budget and the financial risks associated with delivering the budget in 2023/24. This review incorporates a medium term view and considers key developments that may affect the need for and use of one-off resource.

7.8 Protection against budget risks is provided through earmarked reserves and contingencies. In addition, the Council has a number of earmarked reserves for known, but not always easily quantifiable, financial risks.

7.9 An analysis of projected earmarked reserves can be found in appendix 5.

Financial resilience

7.10 A robust view is taken in managing budget risks and protecting the financial health of the Council. In that respect, the Council's financial resilience is a key consideration and Appendix 5 shows the current 'snapshot' of the key data and information showing an overview of the health of the Council currently. Key headlines include:

- Earmarked Reserves: Although the Council's reserves have increased in recent years, these are earmarked for specific purposes. However, as a last resort they do provide some mitigation but use of them means that the original purpose would be affected and/or would result in a budget pressure to build those reserves up again, as well as delaying the identification of recurring mitigation/savings for the identified budget gap.

- Revenue Contingency budget – General Reserves: The contingency base budget and other specific risk reserves held by the Council are taken into consideration when assessing the level of the general reserve and help to mitigate the risk to the Council. The general reserve is increasingly becoming too low, as the Council's net budget increases each year but can be maintained at that level at this point due to the overall level of reserves which, in the last resort, provide more than adequate financial mitigation, albeit with resulting impacts as noted above.

- School budgets- Reserves: Although the position in relation to school reserves has improved over the last couple of years, this is likely to be a temporary improvement due to significant one-off grants being awarded at the end of last financial year. The forecast net spend against school budgets this year will see reserve balances reduce to £10,453k by the end of this financial year, though this could change in the last quarter as so often is the case if new grants are received.

- Current budget savings-managing the revenue budget – demands on the revenue budget: The Council has identified and continues to monitor budget reductions of £800k in 2022/23 and whilst understandable delays in delivery is evident, HoS have confirmed they can and will be implemented. This is alongside delivering outturns within and under budget over recent years, despite the delivery of £25m savings over the last 5 years. This needs to be viewed within the context of continued significant demands which are faced by service areas, namely

children's social care and schools, which have been highlighted throughout the year as part of the budget monitoring process.

7.11 The Council is developing a strategic transformation programme and has its 'transformation plan fund' (previously invest to save) reserve to fund the one-off cost of change. The programme is integral to developing ongoing financial sustainability whilst also ensuring key services can be delivered.

7.12 Overall, whilst there are some underlying issues and challenges, the Council's financial resilience remains strong, and it has financial capacity to develop and change services in response to continuing pressure on funding and increased demand for services.

7.13 The base general budget contingency, other temporary revenue budget contingencies, alongside the level of recommended general and earmarked reserves reflect the overall potential financial risk associated with delivering the budget in 2023/24. Whilst there is significant uncertainty around a number of on-going risks at this point, these provide sufficient capacity in total to cover financial risks. In light of this approach, the Head of Finance, as part of his S151 responsibilities, is content that the 2023/24 overall budget as proposed is robust.

7.14 Council are also requested to approve the reserve strategy, incorporating the Council's Transformation Fund as part of the annual budget setting process. The reserves strategy and invest to save protocol are included within appendix 6

8 2023/24 proposed Council Tax

8.1 Newport continues to have one of the lowest council tax rates in Wales, amongst the lowest in the UK. Whilst changes in council tax levels are usually noted in percentage terms, the cash increase this delivers in Newport will be smaller relative to other local authorities as the starting position is lower.

8.2 Cabinet have recommended an 8.5% council tax increase to Council. This would result in a Band D council tax of £1,380.13, which is an increase of £2.08 per week for Band D properties. Although the draft 2023/24 settlement was a welcomed uplift as it enables the Council to support a growing population, support major cost and demand pressures that the Council continues to face during a challenging economic period, it was not sufficient to mitigate, in full, the extent of the financial challenges being faced. Therefore, the key consideration for Cabinet has been to ensure that the correct balance has been found between council tax increases and the level of savings.

8.3 Based on the recommended 8.5% council tax and the changes to the draft report outlined in 4.1 above, the table below illustrates the net budget and funding recommended by Cabinet at its meeting on 15 February 2023.

Table 1: 2023/24 available and required budget

The table below shows the available and required budget funding with an 8.5% increase in council tax. In setting council tax, the Council needs to be aware of the need to set a balanced budget.	
Council Tax at Band D at 8.5%	£1,380.13
Budget requirement	**£000**
Base budget 2022/23	343,012
2023/24 Inflation	36,071
2023/24 use of reserve 'movement'	119

DRAFT BASE BUDGET 2023/24 (before investments/savings)	**379,202**
2023/24 Budget investments – (£12,617k (inc. increase of £1,081k required in council tax benefit based on 8.5% council tax increase)	13,698
2023/24 New budget savings	(19,535)
DRAFT BASE BUDGET 2023/24	**373,365**
Draft funding available	
Draft WG settlement	289,211
Current council tax at new tax base	76,626
Increased council tax @ 8.5%	7,528
Total	**373,365**
Balance	**-**

8.4 The final budgets, as detailed in Appendix 1, incorporate the above recommendations. In finalising the budgets from the draft, Cabinet were aware of the key messages/concerns/support coming out of the consultation.

8.5 The Cabinet was also mindful of the need to balance the interests of service users with taxpayers given the current economic climate and the financial challenges that are being faced by residents. In addition, it should be noted that the council tax, even with the increase recommended, would still be lower than most (if not all) other Welsh authorities.

Community / Police precepts and Council Tax calculation

8.6 The ultimate council tax calculation includes precept figures from The Police and Crime Commissioner for Gwent and precept figures from community councils within the city as well as the city council's own budget. These are shown in Appendix 2. The resulting council tax resolution is set out in Appendix 3. These are based on the budget proposals agreed by Cabinet on 15 February 2023.

Risks

Detailed financial risks are included in the various sections of the report and appendices where applicable.

Risk Title / Description	**Risk Impact score of Risk if it occurs* (H/M/L)**	**Risk Probability of risk occurring (H/M/L)**	**Risk Mitigation Action(s)** What is the Council doing or what has it done to avoid the risk or reduce its effect?	**Risk Owner** Officer(s) responsible for dealing with the risk?
Previously agreed budget savings not delivered	L	L	(i) robust budget proposal process (ii) robust budget monitoring (iii) programme governance (iv) service planning (v) retention of reserves and budget contingency	Head of Finance/ Heads of Service
Budget savings not delivered on time leading to in year overspending	M	M	(i) robust budget monitoring (ii) programme governance (iii) retention of reserves and budget contingency	Heads of Service Head of Finance
Unforeseen pressures	H	H	(i) retention of reserves and budget contingency (ii) robust budget review	Head of Finance/ Heads of Service

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

In drawing up budget proposals, due regard has been given to key council policies and priorities and Cabinet, in setting the detailed budget and spending plans, considered these in detail in their February meeting. Details are included in the February 2023 budget report.

Options Available and considered

The Council must approve a recommended council tax and resulting overall revenue budget for 2023/24.

Preferred Option and Why

Council has various options available to them on the level of council tax and therefore the overall total revenue budget for the Council.

Comments of Chief Financial Officer
The 2023/24 budget has been very challenging, and Cabinet approved a balanced budget on 15 February, requiring a Council Tax increase of 8.5%. As the report highlights, my assessment of the budget, as required by law, has been positively influenced by the availability of revenue budget contingency and ultimately, the availability of reserves, in the last resort. These are spelt out in detail in section 7 of the report. The budget estimates are as reasonably robust as they can be under the circumstances, which is to say, the significant uncertainty on 2023/24 pay, especially within the teaching profession and coupled with very significant saving targets to deliver, again especially in schools, giving rise as they do to significant increases in risks.

The Council has a good track record of spending within its available budget and services will need to take great care to manage budgets as robustly as they can in 2023/24 and in that respects, major budget overspending areas and issues have been dealt with in this budget.

Comments of Monitoring Officer
The Revenue Budget Report and MTFP have been prepared in accordance with the requirements of the Local Government Act 2003 and the Local Government Finance Act 1992. In accordance with Section 25 of the 2003 Act, the Council must have regard to the advice of the Head of Finance, as the Council's Chief Finance Officer, regarding the robustness of the budget estimates and the adequacy of the financial reserves. This advice must be taken into account when considering the recommendations from Cabinet regarding the budget and the Council tax rate. In accordance with the Functions and Responsibility Regulations, agreeing the overall budget and setting the Council Tax rate under the 1992 Act is a matter for full Council. Therefore, the recommendations of the Cabinet are subject to ratification and approval by full Council, insofar as they relate to the overall budget and Council tax proposals for 2023/24. However, the approval and implementation of the individual investment proposals within the Report are executive matters for the Cabinet and the Heads of Service, in accordance with the scheme of delegation, provided that they are in accordance with the general budget framework set by the Council.

Comments of Head of People, Policy & Transformation
The Budget and Medium Term Financial plan considers the implications and opportunities in the deployment of resources across a range of functions and services over the next three years. This is set against a backdrop of highly challenging financial pressures which have created a difficult environment and increased financial uncertainty. This is despite the Council having received a relatively favourable draft funding settlement from Welsh Government.

As outlined in the report, opportunities have been made available for the public to express their views through the consultation process and these were considered by Cabinet in the proposals. All staff potentially affected by the budget proposals have been consulted with, or will be as and when necessary, and the relevant trade unions have made representations as outlined in the Cabinet Report.

The Councils workforce will be impacted by a range of proposals to deliver services in different ways and wellbeing support will become more integral in supporting the workforce to adapt to the challenges ahead.

The Local Authority is required to ensure it considers the impact of decisions made today on future generations and protected equalities groups. This has been done through Fairness and Equality Impact Assessments.

Scrutiny Committees
All detailed proposals were reviewed by all Scrutiny Committees in their January 2023 meetings, as part of the wider budget proposals consultation undertaken and considered by Cabinet.

Fairness and Equality Impact Assessment:
- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

The link to Fairness and Equality Impact Assessments (FEIAs) for individual savings proposals was appended to the February Cabinet report.

The Wellbeing of Future Generations Act 2015, which came into force in April 2016 provides a framework for embedding sustainable development principles within the activities of Council and has implications for the long-term planning of finances and service provision. The business cases used to develop savings proposals include specific linkage with Future Generation Act requirements of the “five ways of working”.

Long term - The medium-term approach that is in place for financial planning within the Council is intended to bridge the gap between longer-term strategic aspirations and sustainable development concerns with the more immediate pressures of setting a balanced budget each year.

Prevention – Taken as a whole the proposed investments are geared towards sustaining preventative type services and focussing on some of the most vulnerable groups which should have the greatest impact over the longer term and will help to prevent negative outcomes getting worse.

Integration – The budget and medium term financial plan has the overall aim of balancing resource allocation across services to support the range of strategic priorities and the delivery of the Council’s change programme whilst ensuring financial sustainability.

Involvement – The budget is informed by insight gained from public engagement work, including previous budget consultations. Pre-budget public engagement on the relative prioritisation of Council services has informed the proposed budget investments. Newport Fairness Commission along with other stakeholders will be engaged as part of the consultation.

Collaboration – Whilst the budget and medium term financial plan is a Council owned document it recognises that services are increasingly delivered in a collaborative public sector landscape with a greater emphasis on regional working e.g., through Corporate Joint Committees, Gwent-wide and South East Wales based partnerships.

The Well-being of Future Generations Act has involvement as one of the five ways of working under the sustainable development principle. Involvement in the development of this budget has included a seven-week period of public consultation and consultation with Trade Unions via the Employee Partnership Forum, with all Overview and Scrutiny Committees, with the Schools’ Forum and with the Council’s Fairness Commission.

Consultation

Wide consultation on the budget has been undertaken, as outlined in section 6 of the report.

Background Papers

Final Budget and MTFP: Final Proposals – 2023/24 presented to Cabinet on 15 February 2022.

Dated: 22 February 2022

APPENDIX 1 – Service Area Budgets

2023/24 Summary Revenue Budget	2022/23 Base Budget £'000	2023/24 Base Budget £'000
Social Services		
Children Services	28,186	29,520
Adult Services	59,264	69,723
Prevention & Inclusion	925	841
	88,374	**100,084**
Transformation & Corporate		
Finance	5,155	5,527
People, Policy & Transformation	14,274	15,136
Law & Standards	4,612	4,925
	24,041	**25,589**
Environment & Sustainability		
Housing & Communities	4,688	7,979
Environment & Public Protection	15,060	16,574
Head of Infrastructure	12,104	15,507
	31,852	**40,060**
Chief Executive		
Regeneration & Economic Development	5,813	6,437
Education	16,871	17,736
Schools	122,267	129,127
	144,950	**153,300**
Capital Financing Costs and Interest		
Capital Financing Costs and Interest (Non-PFI)	14,564	16,564
Public Finance Initiative (PFI)	9,007	9,700
	23,571	**26,264**
Sub Total - Service/Capital Financing	**312,788**	**345,297**
Contingency Provisions		
General Contingency	1,373	1,373
Covid Contingency	3,298	-
Centralised Insurance Fund	604	617
Non Departmental Costs	40	40
Other Income and Expenditure	1,395	1,717
	6,710	**3,747**
Levies / Other		
Discontinued Operations - pensions	1,651	1,451
Discontinued Operations - Ex Gratia Payments	3	3
Levies - Drainage Board, Fire service etc	9,416	10,717
CTAX Benefit Rebates	13,458	13,739
	24,528	**25,910**
Transfers To/From Reserves		
Base budget - Planned Transfers to/(from) Reserves	(1,015)	(1,589)
	(1,015)	**(1,589)**
Total	**343,012**	**373,365**
Funded By		
WG funding (RSG and NNDR)	(265,612)	(289,211)
Council Tax	(77,400)	(84,154)
Total	**-**	**-**

These are indicative budgets for 2023/24. Final Cash limits will be agreed during February Council.

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APPENDIX 2 – Precepts and Council Tax

The funding required from council tax for the recommended draft 2023/24 budget is an increase of 8.5%. The tables below show the figures involved in that calculation.

The Tax Base

This is the number of properties that attract council tax for the year, expressed as if they were all in Band D. In practice, Band A properties only pay 66% of the Band D council tax rate whilst a Band I property pays 233% of the Band D council tax. For 2023/24, the tax base is 60,975.52 (2022/23 – 60,848.73).

Calculation of the Council Tax – Newport City Council

The calculation of the council tax follows the process shown below

	£000
Net budget requirement	373,365
Less WG funding	289,211
Equals that which needs funding from council tax	84,154
	£
Divided by tax base (60,975.52) gives a council tax at Band D	1,380.13

Calculation of the Council Tax – The Police and Crime Commissioner for Gwent and Community Councils

The final council tax also incorporates other demands (precepts) that the Council collects on behalf of other bodies. These bodies are The Police and Crime Commissioner for Gwent (PCC for Gwent) and the Community Councils within the City's boundary. Of these, The Police and Crime Commissioner for Gwent is the largest and for 2023/24, has set a precept of £19,787,775.75.

Authority	**Budget requirement / Precept from Council Tax (£'000)**	**Tax Base**	**Council Tax at Band D**		**% Change**
			2023/24	**2022/23**	
Newport City	£84,154	60,975.52	£1,380.13	£1,272.01	8.5%
PCC for Gwent	£19,788	60,975.52	£324.52	£303.80	6.8%

The table below lists the precepts and Band D council tax for the Community Councils within Newport City boundary, for which the Council collects council tax.

Community Council	**Council Tax Base**	**2023/24 Precept (£)**	**Council Tax at Band D**		**% Change**
			2023/24	**2022/23**	
Bishton	760.37	32,365.00	42.56	38.88	9.5%
Coedkernew	987.78	4,445.01	4.50	3.50	28.6%
Goldcliff	187.50	8,030.62	42.83	42.83	-
Graig	2,486.36	64,645.36	26.00	26.00	-
Langstone	1,916.06	60,607.00	31.63	31.46	0.5%
Llanvaches	238.17	11,908.50	50.00	25.00	100%
Llanwern	1,442.01	29,439.00	20.42	18.26	11.8%
Marshfield	1,513.87	33,305.14	22.00	21.00	4.8%
Michaelstone - Y - Fedw	167.41	6,696.40	40.00	40.00	-
Nash	140.20	1,445.00	10.31	22.20	-53.6%
Penhow	463.38	27,451.00	59.24	49.51	19.7%
Redwick	116.89	4,910.00	42.01	43.42	-3.2%
Rogerstone	6,097.14	199,193.56	32.67	29.92	9.2%
Wentlooge	358.94	18,291.00	50.96	51.17	-0.4%

The council tax payable by households is the total of the Newport City Council, The Police and Crime Commissioner for Gwent and, where relevant, the Community Council taxes payable in the above tables. As already noted, the actual council tax payable by households will vary from the figures above as they represent those at the Band D only. The tables included in section 5 of the council tax resolution at appendix 3 show the actual council tax for each Band.

APPENDIX 3 – Council Tax Resolution

RESOLUTION TO SET COUNCIL TAX LEVELS

1. That the revenue estimates for 2023/24, as recommended by the Cabinet on 15 February 2023 be approved.

2. That it be noted that the Council at its meeting on 20 February 2007 delegated the setting of the tax base to the Head of Finance and that on 11 November 2022, the Head of Finance acting in accordance with that delegation calculated the following amounts for the year 2023/24 in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992: -

   (a) Council Tax Base

   60,975.52 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (calculation of council tax base) Regulations 1992, as its council tax base for the year;

   (b) Council Tax base for parts of the Council's Area

Area	Tax base
Bishton	760.37
Coedkernew	987.78
Goldcliff	187.50
Graig	2,486.36
Langstone	1,916.06
Llanvaches	238.17
Llanwern	1,442.01
Marshfield	1,513.87
Michaelstone	167.41
Nash	140.20
Penhow	463.38
Redwick	116.89
Rogerstone	6,097.14
Wentlooge	358.94

3. That the following amounts be now calculated by the Council for the year 2023/24 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992: -

   (a) £538,141,725.03 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act ***(Gross Expenditure)***.

   (b) £164,273,729.50 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act ***(Gross Income)***.

   (c) £373,867,995.53 being the amount by which the aggregate at (3)(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance

with Section 32(4) of the Act, as its budget requirement for the year ***(Budget + Community Council precepts)***.

(d) £289,211,030.00 being the aggregate of the sums which the Council estimates will be payable for the year into its council fund in respect of redistributed non-domestic rates, revenue support grant or additional grant ***(RSG + NNDR)***.

(e) £1,388.38 being the amount at 3(c) above less the amount at 3(d) above, all divided by the amount at 2(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year ***(Average Band 'D' Tax for NCC including Community Councils)***.

(f) £502,732.59 being the aggregate amount of all special items referred to in Section 34(1) of the Act and detailed below ***(Community Council precepts)***.

Area	Special Item £
Bishton	32,365.00
Coedkernew	4,445.01
Goldcliff	8,030.62
Graig	64,645.36
Langstone	60,607.00
Llanvaches	11,908.50
Llanwern	29,439.00
Marshfield	33,305.14
Michaelstone	6,696.40
Nash	1,445.00
Penhow	27,451.00
Redwick	4,910.00
Rogerstone	199,193.56
Wentlooge	18,291.00
	502,732.59

(g) £1,380.13 being the amount at 3(e) above less the result given by dividing the amount at 3(f) above by the amount at 2(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates ***(NCC Band 'D' Council Tax)***.

(h) Council Tax level for parts of the Council's Area

Area	Basic Council Tax £
Bishton	1,422.69
Coedkernew	1,384.63
Goldcliff	1,422.96
Graig	1,406.13
Langstone	1,411.76
Llanvaches	1,430.13
Llanwern	1,400.55
Marshfield	1,402.13
Michaelstone	1,420.13
Nash	1,390.44
Penhow	1,439.37
Redwick	1,422.14
Rogerstone	1,412.80
Wentlooge	1,431.09

Being the amounts given by adding to the amount at 3(g) above, the amounts of the special item or items in 3(f) divided by the amount at 2(b) for the specified area of the council. These amounts are calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

NCC + Community Councils	Valuation Bands								
	A	B	C	D	E	F	G	H	I
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
Bishton	948.46	1,106.53	1,264.61	1,422.69	1,738.85	2,055.00	2,371.15	2,845.38	3,319.61
Coedkernew	923.09	1,076.93	1,230.78	1,384.63	1,692.33	2,000.02	2,307.72	2,769.26	3,230.80
Goldcliff	948.64	1,106.74	1,264.85	1,422.96	1,739.18	2,055.39	2,371.60	2,845.92	3,320.24
Graig	937.42	1,093.65	1,249.89	1,406.13	1,718.61	2,031.08	2,343.55	2,812.26	3,280.97
Langstone	941.18	1,098.03	1,254.90	1,411.76	1,725.49	2,039.21	2,352.94	2,823.52	3,294.10
Llanvaches	953.42	1,112.32	1,271.22	1,430.13	1,747.94	2,065.74	2,383.55	2,860.26	3,336.97
Llanwern	933.70	1,089.31	1,244.93	1,400.55	1,711.79	2,023.02	2,334.25	2,801.10	3,267.95
Marshfield	934.76	1,090.54	1,246.34	1,402.13	1,713.72	2,025.30	2,336.89	2,804.26	3,271.63
Michaelstone	946.76	1,104.54	1,262.34	1,420.13	1,735.72	2,051.30	2,366.89	2,840.26	3,313.63
Nash	926.96	1,081.45	1,235.94	1,390.44	1,699.43	2,008.41	2,317.40	2,780.88	3,244.36
Penhow	959.58	1,119.51	1,279.44	1,439.37	1,759.23	2,079.09	2,398.95	2,878.74	3,358.53
Redwick	948.10	1,106.10	1,264.12	1,422.14	1,738.18	2,054.20	2,370.24	2,844.28	3,318.32
Rogerstone	941.87	1,098.84	1,255.82	1,412.80	1,726.76	2,040.71	2,354.67	2,825.60	3,296.53
Wentlooge	954.06	1,113.07	1,272.08	1,431.09	1,749.11	2,067.13	2,385.15	2,862.18	3,339.21
All Other Parts of the City	920.09	1,073.43	1,226.78	1,380.13	1,686.83	1,993.52	2,300.22	2,760.26	3,220.30

Being the amounts given by multiplying the amounts at 3(g) and 3(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in the valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. That it be noted for the year 2023/24, that The Police and Crime Commissioner for Gwent has stated the following amount in precept issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below: -

The Police and Crime Commissioner for Gwent	Valuation Bands								
	A	B	C	D	E	F	G	H	I
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
All Parts of the City	216.35	252.40	288.46	324.52	396.64	468.75	540.87	649.04	757.21

5. That having calculated the aggregate in each case of the amounts at 3(i) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2023/24 for each of the categories of dwelling shown below: -

Total Council Tax Demand	Valuation Bands								
	A	B	C	D	E	F	G	H	I
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
Bishton	1,164.81	1,358.93	1,553.07	1,747.21	2,135.49	2,523.75	2,912.02	3,494.42	4,076.82
Coedkernew	1,139.44	1,329.33	1,519.24	1,709.15	2,088.97	2,468.77	2,848.59	3,418.30	3,988.01
Goldcliff	1,164.99	1,359.14	1,553.31	1,747.48	2,135.82	2,524.14	2,912.47	3,494.96	4,077.45
Graig	1,153.77	1,346.05	1,538.35	1,730.65	2,115.25	2,499.83	2,884.42	3,461.30	4,038.18
Langstone	1,157.53	1,350.43	1,543.36	1,736.28	2,122.13	2,507.96	2,893.81	3,472.56	4,051.31
Llanvaches	1,169.77	1,364.72	1,559.68	1,754.65	2,144.58	2,534.49	2,924.42	3,509.30	4,094.18
Llanwern	1,150.05	1,341.71	1,533.39	1,725.07	2,108.43	2,491.77	2,875.12	3,450.14	4,025.16
Marshfield	1,151.11	1,342.94	1,534.80	1,726.65	2,110.36	2,494.05	2,877.76	3,453.30	4,028.84
Michaelstone	1,163.11	1,356.94	1,550.80	1,744.65	2,132.36	2,520.05	2,907.76	3,489.30	4,070.84
Nash	1,143.31	1,333.85	1,524.40	1,714.96	2,096.07	2,477.16	2,858.27	3,429.92	4,001.57
Penhow	1,175.93	1,371.91	1,567.90	1,763.89	2,155.87	2,547.84	2,939.82	3,527.78	4,115.74
Redwick	1,164.45	1,358.50	1,552.58	1,746.66	2,134.82	2,522.95	2,911.11	3,493.32	4,075.53
Rogerstone	1,158.22	1,351.24	1,544.28	1,737.32	2,123.40	2,509.46	2,895.54	3,474.64	4,053.74
Wentlooge	1,170.41	1,365.47	1,560.54	1,755.61	2,145.75	2,535.88	2,926.02	3,511.22	4,096.42
All Other Parts of the City	1,136.44	1,325.83	1,515.24	1,704.65	2,083.47	2,462.27	2,841.09	3,409.30	3,977.51

APPENDIX 4 – Medium Term Financial Plan (MTFP)

	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Funding				
Base change in WG Revenue Support Grant (+8.8% in 23/24 and +3% thereafter)	(23,599)	(8,676)	(8,937)	**(41,212)**
Residual increased share of the total Revenue Support Grant due to data changes showing increased relative spending need	-	(1,012)	-	**(1,012)**
Estimated increase in NCC share of RSG due to population changes		(500)	(500)	**(1,000)**
Increase in tax base - C.Tax @ 22/23 rate	(161)	-	-	**(161)**
C. Tax @ 8.5% in 23/24 and 4% thereafter	(6,593)	(3,366)	(3,501)	**(13,460)**
Less consequential increase in benefits	1,081	539	560	**2,180**
Change in Income/Funding	**(29,272)**	**(13,015)**	**(12,378)**	**(54,665)**
Revenue Investments / Increased Costs				
Pricing - Pay Inflation & Increments (non schools)	7,187	2,651	2,521	**12,359**
Pricing - Contract/ Income Inflation (non schools)	18,416	12,530	11,050	**41,996**
Pricing - Pay Inflation & Increments (schools)	8,594	5,362	5,269	**19,225**
Pricing - Contract/ Income Inflation (schools)	3,941	3,463	1,745	**9,149**
Demand - Schools	785	1,133	1,077	**2,995**
Standstill/ 'committed' position	**38,923**	**25,139**	**21,662**	**85,724**
Demand - Social Care	1,968	451	1,465	**3,884**
Demand - Other	3,165	336	11	**3,512**
Policy change	32	574	205	**811**
Investments - Inc. Corporate Plan Promise	-	-	300	**300**
Capital Financing - other	-	208	-	**208**
Other	4,600	1,198	980	**6,778**
Total Pressures	**48,688**	**27,906**	**24,623**	**101,217**
General budget transfer to / (from) Reserves	119	279	165	**563**
Gap Before Cost Reduction Plans	**19,535**	**15,170**	**12,410**	**47,115**
Cost Reduction - Transformation / Change Programme				
Cost reduction - new savings	11,997	563	50	**12,610**
Schools contribution to budget gap	7,538	-	-	**7,538**
Cost reduction - previously agreed savings	-	-	-	**-**
Total Savings	**19,535**	**563**	**50**	**20,148**
Balance - @ WG +8.8% in 23/24 and +3% thereafter	**(0)**	**14,607**	**12,360**	**26,967**

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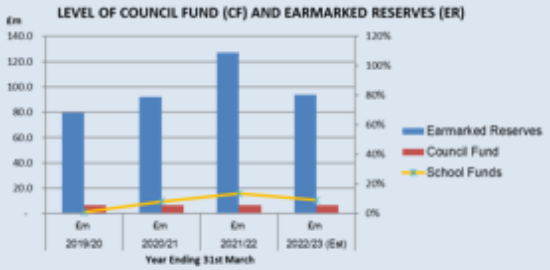
Appendix 5 - Financial Resilience

The following tables, charts and figures give an indication of the financial resilience of the Council as per the Statement of Accounts

Level of Council Fund (CF) and Earmarked Reserves (ER)



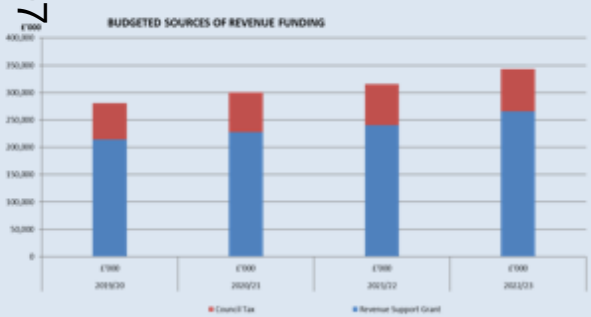
Level of Reserves

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 (Est) £m
Earmarked Reserves	79.5	92.2	127.2	93.9
Council Fund	6.5	6.5	6.5	6.5
School Funds	1.1	9.6	15.7	10.5

Budgeted Sources of Funding

Total Revenue Funding	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Revenue Support Grant	214,343	228,077	240,796	265,612
Council Tax	66,268	72,193	75,134	77,400

Budgeted Revenue Funding Split



Financial Performance and Ratios

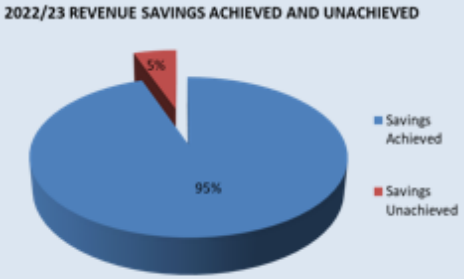
Ratio	2018/2019 £'000	2019/2020 £'000	2020/2021 £'000	2021/2022 £'000
Net Worth (Assets - Liabilities)	- 48,973	- 10,982	- 91,810	39,494
Net Worth (excPension Liab.)	351,614	340,845	383,304	442,696
Working Capital Ratio	1.08	1.03	1.56	1.77
Gearing Ratio	52.8%	51.9%	70.4%	104.1%

The figures below shows the 22/23 forecast position for both revenue and capital

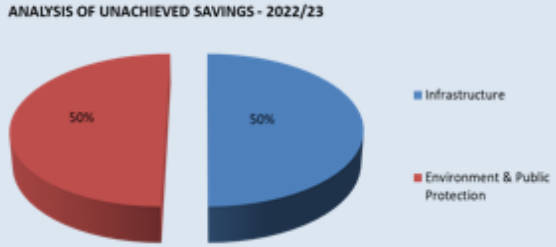
2022/23 Revenue Forecast Position - December

Directorate	Current Budget £'000	Budget Forecast £'000	Variance £'000	Variance %
Children Services	28,185	30,486	2,301	8.2
Adult Services	59,264	58,537	- 727	(1.2)
Prevention & Inclusion	925	758	- 167	(18.1)
Finance	5,155	5,044	- 111	(2.2)
People, Policy & Transformation	14,274	14,563	289	2.0
Law & Standards	4,612	4,709	97	2.1
Housing & Communities	4,688	6,582	1,894	40.4
Environment & Public Protection	15,060	15,460	400	2.7
Infrastructure	12,104	13,615	1,511	12.5
Regeneration & Economic Development	5,813	5,698	(115)	(2.0)
Education	16,871	16,545	(326)	(1.9)
Schools	122,267	127,552	5,285	4.3
Total Directorates	289,218	299,549	10,331	3.6
Capital Financing	23,571	21,290	(2,281)	(9.7)
Contingency/ Provisions	6,710	3,819	(2,891)	(43.1)
Levies / other	24,528	23,316	(1,212)	(4.9)
Reserves /Transfer	(1,015)	(6,298)	(5,283)	520.5
Total Budget	343,012	341,676	(1,336)	(0.4)
C Tax deficit	-	250	250	-
Projected Over/ (Under) spend	343,012	341,926	(1,086)	(0.3)

Revenue Savings Achieved and Unachieved (December 2022/23)



Analysis of Unachieved Savings



2022/23 Capital Forecast Position - December

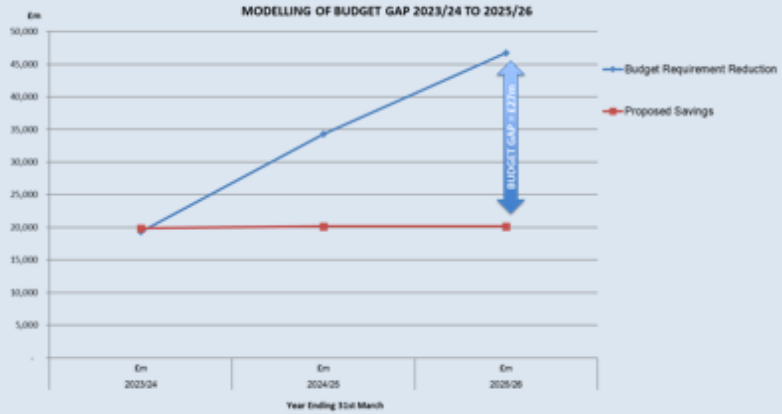
Directorate	Final Budget £'000	Budget Forecast £'000	Variance £'000	Slippage £'000	Variance (Under)/ Overspend £'000
Education	39,038	33,129	(5,909)	(5,909)	-
Environment & Public Protection	9,508	8,624	(884)	(756)	(128)
Housing & Communities	44	-	(44)	(44)	-
People, Policy & Transformation	3,866	3,796	(70)	(97)	27
Prevention & Inclusion	3,601	2,422	(1,179)	(669)	(510)
Regeneration & Economic Development	19,283	7,803	(11,480)	(10,664)	(816)
Adult Services	197	165	(32)	-	(32)
Children Services	970	982	12	(224)	236
Infrastructure	13,937	5,013	(8,924)	(8,685)	(239)
Total Budget	90,454	61,934	(28,516)	(27,048)	(1,462)

The tables below show the Medium Term Financial Plan (MTFP) and the risks facing the Council.

MTFP Scenario

	2023/24 £m	2024/25 £m	2025/26 £m
Financial Pressures	48,688	76,594	101,217
Technical adjustments	-	-	-
Financial Pressures	48,688	76,594	101,217
Funding reductions	- 29,272	- 42,287	- 54,665
Budget Requirement Reduction	19,416	34,307	46,552
Reserve transfers	119	398	563
Proposed Savings	19,535	20,098	20,148
Shortfall to requirement	- 0	14,607	26,967

Modelling of Budget Gap 2023/24 to 2025/26



Capital Expenditure & Need to borrow

Capital Expenditure	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Total capital expenditure	52.7	61.9	83.3	45.4
Capital Financing Requirement				
Investments or (new borrowing)	-	12.6	- 19.7	- 55.8
CFR	273.5	273.7	282.6	286.5

Appendix 5 – Projected earmarked reserves

Reserve	Balance at 31-Mar-22	Balance at 31-Mar-23	Balance at 31-Mar-24	Balance at 31-Mar-25
	£'000	£'000	£'000	£'000
Council Fund	(6,500)	(6,500)	(6,500)	(6,500)
Balances held by schools for future use	(15,737)	(10,449)	(10,449)	(10,449)
Earmarked Reserves:				
Music Service	(127)	(127)	(127)	(127)
Pay Reserve	(1,418)	(1,418)	(1,418)	(1,418)
Insurance Reserve	(1,162)	(1,162)	(1,162)	(1,162)
MMI Insurance Reserve	(602)	(602)	(602)	(602)
Education Achievement Service	(92)	(79)	(79)	(79)
Schools Redundancies	(1,098)	(1,226)	(1,226)	(1,226)
General Investment Risk Reserve *(see separate tab for detail)*	(2,631)	(2,759)	(2,495)	(2,231)
European Funding I2A & CFW	(1,398)	(1,464)	(1,464)	(1,464)
MTFP Reserve *(see separate tab for detail)*	(9,401)	(6,568)	(6,473)	(5,473)
GEMS Redundancies	(78)	(78)	(78)	(78)
Landfill (fines reserve)	(332)	(343)	(343)	(343)
COVID Risk Reserve	(1,820)	(910)	(910)	(910)
SUB TOTAL - RISK RESERVES	**(20,159)**	**(16,735)**	**(16,376)**	**(15,112)**
Capital Expenditure *(see separate tab for detail)*	(9,928)	(14,524)	(14,524)	(14,524)
Displacement Headroom	(10,279)	(1,812)	(1,812)	(1,812)
Capital Grants Unapplied	(3,210)	(3,210)	(3,210)	(3,210)
Transformation Plan Fund	(7,567)	(6,406)	(2,704)	(2,704)
Super Connected Cities	(170)	(42)	-	-
School Works	(27)	(27)	(27)	(27)
School Reserve Other	(929)	(457)	(5)	(5)
Schools ICT Sustainability	(50)	(100)	(150)	(200)
Feasibility Reserve	(54)	(51)	(51)	(51)
Chartist Tower	(256)	-	-	-
Usable Capital Receipts *(see separate tab for detail)*	(9,390)	(7,469)	(7,469)	(7,469)
Streetscene Manager Support	(11)	-	-	-
SUB TOTAL - ENABLING RESERVES	**(41,871)**	**(34,098)**	**(29,952)**	**(30,002)**
Municipal Elections	(180)	-	-	-
Local Development Plan	(515)	(547)	(273)	(144)
Strategic Development Plan	(110)	(165)	(220)	(275)
Glan Usk PFI	(1,607)	(1,607)	(1,607)	(1,607)
Southern Distributor Road PFI	(39,940)	(39,043)	(39,043)	(39,043)
Building Control	(124)	(124)	(124)	(124)
Loan modification technical reserve (IFRS 9)	(513)	(408)	(408)	(408)
Soft Loan interest equalisation reserve	(1,648)	(1,348)	(1,348)	(1,348)
Kingsway	(64)	-	-	-
SUB TOTAL - SMOOTHING RESERVES	**(44,701)**	**(43,242)**	**(43,023)**	**(42,949)**
Works of art	(21)	(21)	(21)	(21)
Theatre & Arts Centre	(232)	(232)	(232)	(232)
Environmental Health - Improve Air Quality	(49)	(49)	-	-
Apprenticeship Scheme	(7)	-	-	-
City Economic Development Reserve	(90)	(370)	(255)	(140)
Welsh Language Standards	(127)	(88)	(88)	(88)
Port Health	(20)	(20)	(20)	(20)

Reserve	Balance at 31-Mar-22	Balance at 31-Mar-23	Balance at 31-Mar-24	Balance at 31-Mar-25
	£'000	£'000	£'000	£'000
Financial System Upgrade	(600)	(331)	(203)	(35)
SS Covid recovery	(563)	-	-	-
Events	(275)	(312)	(312)	(312)
Voluntary Sector Grants	(27)	-	-	-
IT Development	(53)	-	-	-
Joint Committee City Deal Reserve	(662)	(662)	(662)	(662)
Civil Parking Enforcement	(193)	(129)	(129)	(129)
Community Covid Recovery Fund	(500)	(500)	-	-
City Services – refurbishment & cleansing of open spaces	(19)	-	-	-
Green Recovery Task Force	(1,000)	0	0	0
Business Support	(81)	-	-	-
Business Development Grants	(250)	-	-	-
Community Occupational Therapy	(53)	(0)	(0)	(0)
Directly Managed Community Centres Maintenance	(50)	-	-	-
IT Infrastructure *(see separate tab for detail)*	(647)	-	-	-
PSB Contribution	(40)	(40)	(20)	-
COVID Reserve *(see separate tab for detail)*	(426)	(351)	(220)	(120)
Homelessness Prevention	(327)	-	-	-
Chief Education Grant	(568)	(1,989)	(1,989)	(1,989)
Home to School Transport - St Andrews	(499)	(159)	(90)	24
Housing Supply review	(25)	(17)	(17)	(17)
Anniversary tree planting / green canopy	(3)	-	-	-
Cariad Casnewydd	(170)	(166)	(100)	-
Community Gardening Schemes	(180)	(180)	(90)	-
Market Arcade owner contributions	(51)	(51)	(51)	(51)
Parks & Open Spaces	(2,500)	(1,300)	(400)	-
Discretionary Rate Relief	(900)	(727)	(342)	-
Domiciliary Care Service Capacity	(500)	(34)	(34)	(34)
Social Services PPE Reserve	(212)	-	-	-
St. Andrews Primary	(305)	(157)	-	-
Communications Corporate Requirement	(232)	(232)	-	-
Decarbonisation Projects	(90)	-	-	-
Prior Year Underspend - 21/22	(7,895)	-	-	-
NEW - Growing space	-	(100)	(50)	-
NEW - Spring Gardens	-	(200)	-	-
NEW - Residential Care Home Equalisation Reserve	(940)	(940)	(940)	(940)
NEW - Cost of living Support Scheme Reserve	(1,503)	-	-	-
SUB TOTAL - OTHER RESERVES	**(22,885)**	**(9,357)**	**(6,265)**	**(4,766)**
RESERVES TOTAL	**(151,852)**	**(120,380)**	**(112,564)**	**(109,777)**

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Appendix 6

February 2023

Newport City Council

Reserves Policy

1.0 Introduction

1.1 This policy establishes a framework within which decisions will be made regarding the level of reserves held by the Council, the purposes for which they will be maintained and used in addition to their reporting requirements.

1.2 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 requires authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

1.3 There are also a range of safeguards in place that help prevent local authorities over committing themselves financially. These include:

- The balanced budget requirement;
- The statutory duty of the Head of Finance (S151 Officer) to report on the robustness of estimates and adequacy of reserves when the authority is considering its budget requirement (Section 25 of the Local Government Act 2003);
- The legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the Head of Finance has responsibility for the administration of those affairs as set out in Section 151 of the Local Government Act 1972;
- The requirements of the Prudential Code and the Treasury Management in Public Services Code of Practice.

1.4 The above requirements are reinforced by section 114 of the Local Government Finance Act 1988, which requires the Head of Finance to report to all the authority's councillors if there is, or is likely to be, unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have resources to meet its expenditure in a particular financial year.

1.5 This policy is based on a requirement that all reserves are corporate in nature and that individual departmental reserves are only to be permitted if agreed by Cabinet after taking the advice of the S151 Officer.

2.0 Definitions

2.1 Reserves are sums of money held by the Council to meet future expenditure (whilst managing risk) and should be held for a specific purpose.

3.0 Types of Reserve

3.1 As an integral part of the annual budget setting process, the Cabinet (via the Head of Finance) considers the establishment and maintenance of reserves. These will be held for three main purposes:

- A **working balance** to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A **contingency** to cushion the impact of unexpected events or emergencies;
- A means of building up funds - **earmarked reserves**, to meet known or predicted requirements. The authority categorises earmarked reserves into three categories: risk, enabling or smoothing to reflect the general purpose of each reserve. A detailed analysis of the authority's reserves can be found in Appendix 1.

The following table identifies the high-level categories of earmarked reserves held by the Council:

Category of Earmarked Reserve	**Rationale**
Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations	Where expenditure is planned in future years, it is prudent to set aside resources in advance, e.g., Local Development Plan, Glan Usk Private Finance Initiative (PFI).
Insurance reserves	Self-insurance is a mechanism used by most local authorities. In the absence of any statutory basis, sums held to meet potential and contingent liabilities are reported as earmarked reserves where these liabilities do not meet the definition of a provision under the requirements of the Code's adoption of IAS 37 Provisions, Contingent Assets and Liabilities.
Reserves of trading and business units	Surpluses arising from in-house trading may be retained to cover potential losses or re-organisation costs in future years, or to finance capital expenditure, e.g., Gwent Music service.

Reserves retained for service departmental use	Internal protocols permit year-end underspending at departmental level to be carried forward, where appropriate e.g., homelessness prevention.
Reserves for unspent revenue grants	Where revenue grants have no conditions or where the conditions are met and expenditure has yet to take place, surplus funds can be held in earmarked reserves for future use.
School's balances	These are unspent balances of budgets delegated to individual schools.

3.2 Paragraph 3.1 above articulates the categories of 'useable reserves' held by the Council, i.e., those reserves that are 'cash-backed'. On the technical accounting side, the Council also holds 'unusable reserves'. These reserves are not cash backed and arise out of the interaction of legislation and proper accounting process, either to:

a) Store revaluation gains (e.g., on property revaluations); or

b) As adjustment accounts to reconcile accounting requirements driven by reporting standards to statutory requirements (e.g., pension reserve).

The remainder of this report will focus on the Council's useable, and therefore, cash-backed reserves.

4.0 General Fund Reserves

4.1 In assessing the appropriate level of reserves the Council will ensure that the general reserves are not only adequate but also necessary and will be appropriate for the risk (both internal and external) to which it is exposed.

4.2 The risks faced by a local authority will, in many cases, be due to the specific local context and will need to be kept under review. In assessing its financial risk, the Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance on the factors that should be considered:

- Budget assumption for inflation and interest rates;
- Estimates of the level and timing of capital receipts;
- The treatment of demand led pressures;
- The authority's track record in budget and financial management;

- Treatment of planned efficiencies/savings;
- The financial risk inherent in any significant new funding partnerships, major outsourcing, and capital developments;
- The likely level of government support to deal with major unforeseen events;
- The adequacy of the authority's insurance arrangements;
- The authority's virement and end of year procedures in relation to budget under and overspends;
- The general financial climate and future funding assumptions.

4.3 The risk assessment to be carried out will be based on the guidance provided by CIPFA above and any further issues, which the Head of Finance feels are relevant. This will be reviewed annually.

4.4 The appropriate level of General Fund Reserves will be determined annually as part of the budget setting process and medium term financial strategy plus at other periodic intervals in-year and will be subject to approval by the Cabinet and full Council.

4.5 The Head of Finance, within the Council's Medium Term Financial Plan and financial strategy will set out the level of planned reserve balances, including financial arrangements for any replenishing of reserves. It will also confirm acceptable thresholds above and below the balance where appropriate / relevant. If the balance falls outside of these thresholds, a plan will be agreed by Cabinet to restore balances to the appropriate level.

5.0 Earmarked and Specific Reserves

5.1 These are required for specific purposes and are a means of building up funds to meet known or predicted liabilities. By nature, these reserve balances do not have minimum and maximum thresholds. Creation of such reserves must be approved by the Head of Finance.

5.2 Balances should be reasonable for the purpose held and must be used for the item for which they have been set aside. If circumstances arise to which the reserve is no longer required for its original purpose, or no longer required at its current level, they will transfer to other earmarked reserves or the General Fund reserve, as agreed and approved by Cabinet.

5.3 The authority follows best practice in that for each earmarked reserve, a clear protocol exists setting out:

- The reason for / purpose of the reserve;
- How and when the reserve can be used;
- Procedures for the reserve's management and control; and
- A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

5.4 **Setting up of reserves**

5.4.1 Where officers would like to request potential transfers to/from existing earmarked reserves, or the creation of a new reserve, discussions are to be had with the Assistant Head of Finance (AHoF) and the service area Senior Finance Business Partner (SFBP) to determine whether the assumption needs to be included within the in-year financial monitoring forecasts. Any decisions on whether these requests are authorised or not will, in the majority of cases, be made at year-end when the overall Council position is known and must be approved by Cabinet.

5.4.2 Reserve request forms will be circulated as part of the year-end closing process.

5.5 **Use of reserves**

5.5.1 Should there be an unplanned need to utilise general reserves there must be a clear plan setting out the intended route to replenish the reserves to the minimum balance recommended. This must clearly state how the shortfall will be met and by when.

5.5.2 Where there is a planned use of reserves, a reserve request form must be submitted to the Head of Finance to be considered at year-end as set out in 5.4 above.

6.0 Ring-fenced Reserves

6.1 Schools Reserves

6.1.1 Schools are able to carry forward surplus and deficit balances from one year to the next and utilise these balances for managing changes in pupil numbers and funding, or the funding of projects and future liabilities. The balances are held by individual schools and are not for general Council use. Guidance on the level of balances held is documented within Section D of Newport City Council Scheme for the Financing of Schools.

7.0 The Reporting Framework

7.1 The balances and movement of all reserves is required to be reported within the authority's Annual Statement of Accounts.

7.2 The balance held, and projected movement of useable reserves will be reported monthly/quarterly as part of the budget monitoring report to the Executive Board / Cabinet. This includes the level of reserves held against each category of reserve.

7.3 The S151 Officer has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

7.4 The level and utilisation of reserves will be determined formally by the Cabinet, informed by the advice and judgement of the S151 Officer. To enable the Cabinet to reach its decision, the S151 Officer should report the factors that influenced his or her judgement and ensure that the advice given is recorded formally. Where this advice is not accepted this should be reported formally in the minutes of the Cabinet meeting.

7.5 It is recommended that:

- The budget report to the Cabinet should include a statement showing the estimated opening general reserve fund balance for the year ahead, the addition to/withdrawal from balances, and the estimated end of year balance. Reference should be made as to the extent to which such reserves are to be used to finance recurring expenditure;
- This should be accompanied by a statement from the S151 Officer on the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the authority's medium term financial strategy;
- A statement reporting on the annual review of earmarked reserves (including schools' reserves) should also be made at the same time to the Council. The review itself should be undertaken as part of the budget preparation process. The statement should list the various earmarked reserves, the purposes for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions/withdrawals and the estimated closing balances.

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APPENDIX 1 – Analysis of Reserves with anticipated balances on 31st March 2023

Reserve	**Purpose/ Rationale for Reserve**
Council Fund	General Reserve
Schools Reserve	Balances held by schools for their future use
Earmarked Reserves:	
Risk Reserves:	
Music Service	This is a general reserve retained by the Gwent wide Music Service and a traded service and belongs to all trading partners. Newport holds the reserve as the hosting authority. The reserve is held as a balance to cater for years where trading income is below expenditure and/or one off costs for re-organisation are incurred.
Pay Reserve	To cover the risk of pay awards being higher than budgeted.
Insurance Reserve	To assist in management of the Council's insurance risks and provide funds, over and above existing insurance provisions for excessive levels of claims/costs in any year.
MMI Insurance Reserve	To assist in future funding requirements of MMI in line with the agreed 'Scheme of Arrangement'.
Education Achievement Service	Reserve held against Newport's share of any redundancy costs that may arise from a restructure of the service as a result of funding reductions from grant allocations. Newport is a partner in the service and has to take a share of any costs that may arise.
Schools Redundancies	Reserve has been created from contributions from Schools to cater for redundancy costs that arise through schools that face financial issues. The value has been negotiated with the schools as a contribution towards the costs that have to be met by the LA.
General Investment Risk Reserve	To cover the risk of the commercial estate and for the accounting requirement of this area.
European Funding I2A & CFW	To cover one off cost associated with the project. Newport is a partner with other Gwent Councils and so has to take a share of any costs that arise.

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GEMS Redundancies	Reserve created from service income levels over and above grant income to cater for anticipated redundancy costs anticipated from restructuring to cater for different language sets, and potential reduction in grant income.
MTFP Reserve	To support achievement of the corporate plan by managing key/ significant operational and budget risks.
Landfill (Fines reserve)	To cover landfill fines risk associated with achieving prescribed recycling targets.
COVID Risk	To provide mitigation against the revenue budget risks following the end of the WG Hardship Fund and beyond.
Enabling Reserves:	
Capital Expenditure	To fund capital investment.
Displacement Headroom	To support FSM, education maintenance and bus electrification.
Capital Grants Unapplied	Additional WG funding to maintain capital maintenance capacity.
Transformation Fund (previously Invest to Save)	To enable funding of specific change projects and the emerging transformation projects to achieve savings to the revenue budget.
Super Connected Cities	Funding for Community Safety Network over a seven-year period including project costs.
School Works	Reserve specifically for identified schoolworks - funded by schools themselves. Reserve allows schools to build up specific scheme reserves over a number of years, where required.
School Reserve Other	Reserves specifically identified for school schemes – funded by schools themselves.
Schools ICT Sustainability	Reserve specifically for identified school IT sustainability schemes - funded by schools themselves.

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Usable Capital Receipts	Holds proceeds from the sale of property, plant, and equipment, used to finance new capital expenditure. Currently reserved for Council contribution to 21C Schools programme.
Feasibility Reserve	To support feasibility work for capital projects.
Smoothing Reserves:	
Municipal Elections	Reserve used to smooth over significant differences in annual budget required over a cyclical period whilst keeping budget at a stable annual amount.
Local Development Plan/ Strategic Development Plan	Reserve used to smooth over significant differences in annual budget required over a cyclical period whilst keeping budget at a stable annual amount. Related to production and inspection of the LDP and SPG's
Glan Usk PFI	Established to smooth out funding differences that have arisen from funding available and payments to the contractor - reserve will balance over life of project
Southern Distributor Road PFI	Established to smooth out funding differences that have arisen from funding available and payments to the contractor - reserve will balance over life of project
Loan modification technical reserve (IFRS 9)	Technical reserve
Building Control	Funding to smooth losses and profits over the period to meet building control requirements
Soft loan interest equalisation reserve	Technical reserve
Kingsway	Maintenance reserve created for the Kingsway car park from an annual budget contribution.
Other Reserves:	
Works of art	To fund purchases for the collections.
Theatre & Arts Centre	Council agreed reserve as condition of Art's Council funding of the Riverfront Theatre.

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Environmental Health - Improve Air Quality	To undertake highways work in a specific area to improve air quality and reduce noise pollution.
Apprenticeship Scheme	To fund the cost of NCC apprentices.
City Economic Development Reserve	To support City economic development.
Welsh Language Standards	To fund specific one off costs for ensuring NCC complies with Welsh language standards.
Port Health	Port Health Authority reserve.
Financial System Upgrade	Implementation costs of an upgrade/ new financial system to secure future stability of the financial platform.
Social Services COVID Recovery MTRP	Created from in year underspend to support increased demand on adult learning disability budgets in 2022/23.
Events	To fund events throughout the City.
Voluntary Sector Grants	Funding for delayed implementation of previous proposal.
IT Development	To invest in the development of the use of IT.
Joint Committee City Deal reserve	To fund contribution to the City Deal project.
Civil Parking Enforcement	Established to support transport, including highways maintenance and environmental improvements.
Community COVID Recovery Fund	To provide support in the form of grants made available to the community.
Green Recovery Task Force	To develop projects in partnership with National Resources Wales.
Business Recovery Fund	Business development grants to assist recovery.
Business Development Grants	Administration of business development grants to assist recovery.

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Community Occupational Therapy	To fund fixed term resource to deal with the backlog of referrals due to covid.
Directly Managed Community Centres Maintenance	To carry out repairs and maintenance over and above the maintenance programme.
IT Infrastructure	To ease the capital pressures on the implementation of IT infrastructure.
PSB Contribution	Public services board contribution towards support role.
COVID Reserve	To provide support to deal with the volume of work linked to business development grants and council tax.
Homelessness Prevention	A minimum amount needs to be spent on homelessness prevention on an on-going basis. The revenue budget is continually under pressure of overspending due to the obligation placed on the Authority to house clients.
Chief Education Officer Grant	To provide temporary support to schools in deficit position to ensure that staffing structures and essential pupil provision is not disturbed.
Home to school transport – St. Andrews	To fund additional cost to transport St. Andrews pupils to alternative location.
Housing supply review	To undertake housing review and to establish accommodation requirement.
Cariad Casnewydd	To support the city in tackling fly tipping, improving communications and supporting community initiatives across the city.
Community gardening schemes	To support the city in tackling fly tipping, improving communications and supporting community initiatives across the city.
Market Arcade owner contributions	Market Arcade owner contributions
Parks & open spaces	To support one off investment in parks and open spaces as announced in Feb 2022 Cabinet.
Discretionary rate relief	Local discretionary relief for non-domestic rates.

Appendix 6

Domiciliary care service capacity	To respond to increasing domiciliary care support service capacity
Social services PPE reserve	Technical reserve.
St Andrews primary	To support the ongoing costs associated with the St Andrews primary relocation
Communications Corporate requirement	To fund necessary improvements to the Council website
Decarbonisation projects	To complete decarbonisation projects.
Prior year underspend	To be allocated by Cabinet.
Residential Care Home Equalisation Reserve	Technical reserve.
Cost of Living Support Scheme (grant) Reserve	To administer the support to households across Wales facing an unprecedented cost-of-living crisis.

Appendix 6

September 2022

Transformation Plan Fund

General guidance / requirements

Background

The 'Transformation Plan' Fund supersedes, in 2022/23, what was the 'Invest to Save' fund which had been operating since 2010.

Whilst the 'Invest to Save' fund required an absolute requirement to make cashable savings, the 'Transformation Plan' fund is focussed on the wider investments required to achieve the Council's approved Transformation Plan supporting delivery of Corporate Plan priorities.

In that the Transformation Plan is set within the wider financial context of the Council, there is a presumption that the fund will still have a focus, though not an absolute requirement, to be used to generate cashable savings or cost avoidance. Given the importance of this fund to meet the costs of delivering savings to the Council and the imperative of that in delivering a balanced budget and financial sustainability for Council services, a minimum level for the fund is set in order for it to meet that requirement in the short term.

Criteria

Transformation Plan fund is for **one off / time limited** investment aimed at supporting projects/expenditure, which satisfy **all** of the following criteria:

- Expenditure can only be considered if it does not reduce the overall fund below £3m, which includes already authorised/committed spend.
- Expenditure must be one-off or time limited.
- Expenditure must be directly linked to the achievement of the Council's agreed 'Transformation Plan'.
- Whilst not an absolute requirement, there is a presumption that in achieving the above, that expenditure funded from this reserve achieves cashable cost savings, increased income or cost avoidance at a level which achieves pay-back of 3 years to ensure Value For Money is achieved when used in this context.
- No base budget costs requirements are funded from this reserve.
- No capital expenditure are funded from this reserve. Transformation Plan requirements which require capital funds can be considered through the Capital Programme, ideally on a self-funded basis.

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The decision point for identifying and authorising resources from the Transformation Plan fund are:

- The Transformation Plan programme management which will identify the resources required to implement and provide for effective monitoring of the investment.
- The annual budget process which will identify expenditure required to generate savings, if not included in the Transformation Plan.
- Outside of the formal timetable for regular updates of the above, requests to put new projects/expenditure into the Transformation Plan along with associated enabling expenditure can be considered using the Councils 'Transformation Plan project/action' pro-forma.

Cabinet will therefore approve all uses from the Fund through the existing MTFP arrangements. The Council's Executive Board will review and approve all requirements as part of the development of the Transformation programme prior to Cabinet. The Council's Head of Finance/S151 is required to review/comment and advise the Executive Board and Cabinet/Council on the use and level of the Fund, including the achievement of the criteria above in its use.

Reporting

In year forecasts, as well as projected reserves, are reported to Cabinet on a quarterly basis and detailed transfers (into)/from reserves are included within the year-end outturn report for Cabinet's consideration and approval.

Report

Council

Part 1

Date: 28 February 2023

Subject **National Non-Domestic Rates: Discretionary Rate Relief Schemes 2023-24**

Purpose The purpose of this report is for Council to agree that Newport City Council adopts the Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme for 2023-24.

Author Head of Finance

Ward All

Summary To assist businesses in the current challenging trading conditions, the Welsh Government has made available grant funding for billing authorities to deliver in 2023-24, the Retail, Leisure and Hospitality Rate Relief Scheme to reduce the rates payable for qualifying ratepayers.

The Welsh Government has agreed to reimburse the Council in full for any awards made under the scheme and it is envisaged that up to 1,200 businesses could benefit from reduced rates by way of this relief.

The scheme will deliver:

1. 75% rate relief in 2023-24 for qualifying properties which are broadly used for retail, leisure of hospitality.

Full details of the Welsh Government scheme are contained in the appendix to this report.

Appendix 1 Welsh Government Retail, Hospitality & Leisure Scheme 2023-24 Guidance

Proposal It is proposed Council agrees to adopt the Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme for 2023-24 by making the appropriate determinations and decision, included within the report, as required by Sections 47(1)(a) and 47(3) of the Local Government Finance Act 1988.

Action by Head of Finance to implement the Scheme and make discretionary awards using delegated powers.

Timetable Effective from 1 April 2023

This report was prepared after consultation with:

- Head of Law & Regulation
- Head of People & Business Change
- Head of Regeneration, investment & Housing

Signed

Background

Welsh Government has made available funding for billing authorities to deliver in 2023-24, an all-Wales Retail, Leisure and Hospitality Rate Relief Scheme.

The Scheme is fully funded by Welsh Government and will enable those businesses that are in the retail, leisure or hospitality sector to benefit from reduced business rates in 2023-24.

The scheme covers all businesses that occupy business premises operating in the retail, leisure or hospitality sector.

The means of making the awards of Retail, Leisure and Hospitality Rate Relief is the Council's discretionary powers under section 47 of the Local Government Finance Act 1988.

The Council is required to make a formal determination (Section 47(1)(a)) and decision (Section 47(3)) to adopt the scheme so that this discretionary power may be exercised by the Head of Finance under delegated powers. The formal determination is shown below.

The Council will be reimbursed for the rates income foregone as a result of the Scheme by way of a direct grant.

The relief will operate in a similar way to previous schemes and businesses will be required to apply for the rate relief. This year the award will be increased to 75% of the rates payable.

The scheme has a limit of £110,000 as the total amount of relief that any ratepayer can claim across Wales, this will mean that some ratepayers with multiple properties across Wales will not be able to claim the rate relief in every area, local councils will have to carry out additional checks to ensure that the limit is not exceeded.

If the scheme is adopted, it is estimated that up to 1,200 businesses could benefit from reduced rates in 2023-24, although the scheme limit of £110,000 may see less than this number actually qualifying. Once an application has been made and determined the rate relief will be applied directly to the rate bill and future instalments reduced accordingly.

As the scheme is fully funded by Welsh Government there are no risks to the Council in adopting the scheme, there would however be risks to businesses that operate in the sectors covered by the scheme if the scheme was not adopted.

Welsh Government Retail, Leisure and Hospitality Rate Relief Scheme Resolution

(a) The Council determines that, unless hereditaments are excepted under (b) below, Section 47(1)(a) (discretionary relief) of the Local Government Finance Act 1988 will apply as regards the hereditaments described in ‘The Scheme’ in accordance with the rules described in relation to those hereditaments.

It is reasonable for the Council to make this decision having regard to the interests of persons liable to pay council tax set by the Council.

(b) Relief is not available under this resolution in respect of any hereditament which is occupied by -
- the Welsh Ministers, a Minister of the Crown or government department,

- any public authority (including any local authority),
- the holder of any public office, or
- the Crown

(c) The Council decides, under Section 47(3) of the Local Government Finance Act 1988, that during the billing year 2023-24 'The Scheme' shall apply to the hereditaments described, and that the Head of Finance use his delegated powers to apply the relief.

The Scheme to be Adopted

Introduction

The relief is intended to be a temporary measure for 2023-24 only, aimed at businesses operating in the retail, leisure and hospitality sector in Wales, for example shops, pubs, restaurants and cafes.

The Welsh Government will provide rate relief for eligible businesses occupying commercial premises in the financial year 2023-24.

Properties that will benefit from this relief will be occupied properties such as shops, hotels, restaurants, cafes and drinking establishments.

Level of Support

Eligible ratepayers must be occupying commercial business premises in the financial year 2023-24 and meet the criteria set out by Welsh Government, see **Appendix 1** for full details.

Ratepayers that qualify under the scheme will benefit from a reduction of 75% in the rates they would be due to pay in 2023-24.

The total amount of relief available is £110,000 across all properties occupied by the same business across Wales. All businesses are required to make a declaration that the amount of relief they are seeking across Wales does not exceed this cap.

State Aid

Following the end of the transition period for the United Kingdom leaving the European Union on 31 December 2020, EU State Aid regulations only apply in limited circumstances. As the relief is not funded by EU residual funds, EU State Aid regulations no longer apply for this scheme. As of 1 January 2021, the UK Subsidy Regime came into force. The scheme is considered by the Welsh Government to be outside the scope of any international trade agreements as measures are focused locally within Wales.

Links with the 'Newport City Council local city centre rates relief scheme'

Members will remember that the Council introduced its own rates relief scheme for 2022/23 and 2023/24 where those eligible for the WG scheme in 2022/23 were also given an additional 25% rate relief, funded by the Council, in the city centre, as defined by the 'Business Improvement District'. In this case, those businesses will now get 100% total rates relief, where eligible, in 2023/24. This additional local scheme is awarded automatically where businesses are awarded

the WG rate relief and does not require any additional work other than applying for the WG scheme.

Financial Summary

Financial Summary (Capital and Revenue)

There are no direct financial implications to the Council in adopting the Welsh Government Retail Hospitality and Leisure rate relief scheme.

The full value of discretionary awards is reimbursed by the Welsh Government. Staff resources will be prioritised appropriately within the revenues team to meet the administration requirements of the scheme.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Failure to implement the scheme will result in Newport ratepayers being financially disadvantaged	H	L	Adoption of the scheme will allow relief awards to be awarded and rate bills reduced to zero.	Head of Finance

Links to Council Policies and Priorities

The adoption of the schemes fits with the Council's aims to improve the local economy, and the well-being of its citizens

Options Available and considered

- Adopt the Wales Retail, Leisure and Hospitality Rate Relief Scheme 2023-24
- Decide not to adopt the Scheme

Preferred Option and Why

Adopt the Scheme so that as many businesses as possible may benefit from a reduction in the amount of business rates they are due to pay in 2023-24

Comments of Chief Financial Officer

This is a 'procedural report' which is required to enable the Council to make use of the WG support for eligible businesses in the retail, leisure and hospitality industries. As it involves the use of delegated powers under section 47 of the Local Government Finance Act 1988, it requires full Council to make the decision to use these powers for this purpose. It will provide much needed financial support to this sector and the scheme is fully funded by Welsh Government. It will be administered and applied by the Council's Revenues Department within the Finance service.

It also dovetails well with the Council's local scheme which is targeted to the same businesses within the city centre, as defined by the 'Business Improvement District' and in this case, those businesses will get 100% rates relief, where eligible, in 2023/24.

Comments of Monitoring Officer

The proposed Retail, Leisure and Hospitality Rate Relief Scheme for 2023-24 is in accordance with the Council's statutory powers under the Local Government Finance Act 1988 to grant discretionary business rates relief. This is a national scheme, which is fully funded by Welsh Government and enables the Council to grant rate relief for qualifying businesses in the retail, leisure or hospitality sector. Full Council is required to make a formal determination under Section 47(1) (a) of the 1988 Act and a formal decision under Section 47(3) to adopt this scheme. The power to make awards of discretionary rate relief in accordance with the scheme is then delegated to the Head of Finance under the officer scheme of delegation.

Comments of Head of People, Policy and Transformation

There are no HR related issues arising directly from this report.

Continuing to adopt the rate relief scheme is in line with the Council's new Corporate Plan objective to make Newport "… a thriving and sustainable city supported by inclusive economic growth and will also support the "Newport Offer" intervention within the Well-being Plan, which is expected to be carried forward in the forthcoming One Newport Local Action Plan.

The Scheme is fully funded by Welsh Government and will enable businesses that are in the retail, hospitality or leisure sector to manage their costs and the unprecedented inflationary pressures. These sectors are of major importance to the local economy and labour market and adopting the available support would be in the Council's interests. Whilst this is a one-year funding package, this assistance could help prevent immediate business failures in doing so increasing longer term resilience.

Scrutiny Committees
n/a

Fairness and Equality Impact Assessment:

A FEIA has not been carried out due to fact that once adopted, the Council is obliged to comply with the Welsh Government's rules in applying the Scheme. These are detailed in **Appendix 1**.

Wellbeing of Future Generations Act

The proposed scheme covers all businesses that occupy businesses operating in the retail, leisure or hospitality sector, as a means to support them with reduced rate payments.

Long term - this scheme provides short term finance help to businesses and to support them through the current challenging trading conditions, which should assist these businesses to remain viable in the long term.

Prevention – retail, leisure and hospitality businesses are already in decline so the additional financial assistance provided by this scheme should help to prevent businesses from closing and the city losing a valuable source of employment.

Integration – this scheme helps to sustain the viability of the eligible businesses and supports employment opportunities across a number of sectors.

Collaboration – this is a fully funded Welsh Government Scheme and we will work with Welsh Government and ratepayers to encourage take-up and deliver the scheme across the city. Occupiers of qualifying businesses will be issued with an application form with their rate bills for 2023-24 and invited to apply.

Involvement – businesses that meet the qualifying will have to apply for the rate relief and be encouraged to apply for the scheme.

Consultation
n/a

Background Papers

The Welsh Government's Guidance on the Retail, Leisure and Hospitality Rate Relief Scheme 2023-24 is available here:

Non-Domestic Rates – Retail, Leisure and Hospitality Rates Relief in Wales – 2023-24 | Business Wales (gov.wales)

Dated: 28 February 2023

APPENDIX 1

Non-Domestic Rates – Retail, Leisure and Hospitality Rates Relief in Wales 2023-24

Guidance

About this guidance

This guidance is intended to support county and county borough councils ('local authorities') in administering the Retail, Leisure and Hospitality Rates Relief scheme ('the relief').

This guidance applies to Wales only.

This guidance sets out the criteria which the Welsh Government will use to determine the funding for local authorities for relief provided to retail, leisure and hospitality properties. The guidance does not replace any existing non-domestic rates legislation or any other relief.

Enquiries about the scheme should be sent to: localtaxationpolicy@gov.wales

The relief is being offered from 1 April 2023 and will be available until 31 March 2024.

Introduction

This relief is aimed at businesses and other ratepayers in Wales in the retail, leisure and hospitality sectors, for example shops, pubs and restaurants, gyms, performance venues and hotels.

The Welsh Government will provide grant funding to all 22 local authorities in Wales to provide the Retail, Leisure and Hospitality Rates Relief scheme to eligible businesses for 2023-24. The scheme aims to provide support for eligible occupied properties by offering a discount of 75% on non-domestic rates bills for such properties.

The scheme will apply to all eligible businesses, however the relief will be subject to a cap in the amount each business can claim across Wales. The total amount of relief available is £110,000 across all properties occupied by the same business. All businesses are required to make a declaration that the amount of relief they are seeking across Wales does not exceed this cap, when applying to individual local authorities.

The Welsh Government will provide grant funding to the 22 local authorities in Wales to provide the Retail, Leisure and Hospitality Rates Relief scheme to eligible ratepayers for 2023-24. The scheme aims to provide support for eligible occupied properties by offering a discount of 100% on the non-domestic rates bill for a property, to all eligible premises. The scheme will apply to all eligible ratepayers with a rateable value of £500,000 or less.

This document provides guidance on the operation and delivery of the scheme.

Retail, Leisure and Hospitality Rates Relief

How will the relief be provided?

As this is a temporary measure, we are providing the relief by reimbursing local authorities that use their discretionary relief powers under section 47 of the Local Government Finance Act 1988. It will be for individual local authorities to adopt a scheme and decide in each individual case when to grant relief under section 47. The Welsh Government will reimburse local authorities for the relief that is provided.

in line with this guidance via a grant under section 31 of the Local Government Act 2003 and section 58A of the Government of Wales Act 2006.

How will the scheme be administered?

It will be for local authorities to determine how they wish to administer the scheme to maximise take-up and minimise the administrative burden for ratepayers and for local authority staff.

Local authorities are responsible for providing ratepayers with clear and accessible information on the details and administration of the scheme. If, for any reason, an authority is unable to provide this relief to eligible ratepayers from 1 April 2022, consideration should be given to notifying eligible ratepayers that they qualify for the relief and that their bills will be recalculated.

Which properties will benefit from relief?

Properties that will benefit from this relief will be occupied retail, leisure and hospitality properties – such as shops, pubs and restaurants, gyms, performance venues and hotels across Wales. More detailed eligibility criteria and exceptions to the relief are set out below.

Relief should be granted to each eligible business as a reduction to its rates bill based on occupation between 1 April 2022 and 31 March 2023. It is recognised that there may be some instances where a local authority is retrospectively notified of a change of occupier. In such cases, if it is clear that the ratepayer was in occupation on or after the 1 April 2023, the local authority may use its discretion in awarding relief.

It is intended that, for the purposes of this scheme, retail properties such as, ‘shops, restaurants, cafes and drinking establishments’ will mean the following (subject to the other criteria in this guidance).

Hereditaments that are being used for the sale of goods to visiting members of the public

- Shops (such as florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off-licences, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Pharmacies
- Post offices
- Furnishing shops or display rooms (such as carpet shops, double-glazing, garage doors)
- Car or caravan showrooms
- Second hard car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale or hire)

Hereditaments that are being used for the provision of the following services to visiting members of the public

- Hair and beauty services
- Shoe repairs or key cutting
- Travel agents
- Ticket offices, eg. for theatre
- Dry cleaners
- Launderettes
- PC, TV or domestic appliance repair
- Funeral directors
- Photo processing
- DVD or video rentals
- Tool hire
- Car hire
- Estate and letting agents

Hereditaments that are being used for the sale of food and / or drink to visiting members of the public

- Restaurants
- Drive-through or drive-in restaurants
- Takeaways
- Sandwich shops
- Cafés
- Coffee shops
- Pubs
- Bars or Wine Bars

We consider assembly and leisure to mean the following.

Hereditaments that are being used for the provision of sport, leisure and facilities to visiting members of the public (including for the viewing of such activities) and for the assembly of visiting members of the public

- Sports grounds and clubs
- Sport and leisure facilities
- Gyms
- Tourist attractions
- Museums and art galleries
- Stately homes and historic houses
- Theatres
- Live Music Venues
- Cinemas
- Nightclubs

Hereditaments that are being used for the assembly of visiting members of the public

- Public halls

- Clubhouses, clubs and institutions

We consider hotels, guest & boarding premises and self-catering accommodation to mean the following.

Hereditaments where the non-domestic part is being used for the provision of living accommodation as a business

- Hotels, Guest and Boarding Houses,
- Holiday homes,
- Caravan parks and sites

Other considerations

To qualify for the relief, the hereditament should be wholly or mainly used for the qualifying purposes. In a similar way to other reliefs, this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief. For the avoidance of doubt, hereditaments which closed temporarily due to the government's advice on Covid-19 should be treated as occupied for the purposes of this relief.

The above list is not intended to be exhaustive as it would be impossible to list all the many and varied retail, leisure and hospitality uses that exist. There will also be mixed uses. However, it is intended to be a guide for local authorities as to the types of uses that the Welsh Government considers for this purpose to be eligible for relief. Local authorities should determine for themselves whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those listed above should not be eligible for the relief.

As the grant of the relief is discretionary, local authorities may choose not to grant the relief if they consider that appropriate, for example where granting the relief would go against the local authority's wider objectives for the local area.

Businesses may view that they have been able to continue trading at a substantial level during Coronavirus restrictions and as such may be inclined to not apply for the relief.

Types of hereditaments that are not considered to be eligible for Retail, Leisure and Hospitality Rates Relief

The following list sets out the types of uses that the Welsh Government does not consider to be retail, leisure or hospitality use for the purpose of this relief and which would not be deemed eligible for the relief. However, it will be for local authorities to determine if hereditaments are similar in nature to those listed and if they would not be eligible for relief under the scheme.

Hereditaments that are being used wholly or mainly for the provision of the following services to visiting members of the public

- Financial services (eg. banks, building societies, cash points, ATMs, bureaux de change, payday lenders, betting shops, pawnbrokers)
- Medical services (eg. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (eg. solicitors, accountants, insurance agents, financial advisers, tutors)

- Post Office sorting offices
- Day nurseries
- Kennels and catteries
- Casinos and gambling clubs
- Show homes and marketing suites
- Employment agencies

Hereditaments that are not reasonably accessible to visiting members of the public
If a hereditament is not usually reasonably accessible to visiting members of the public, it will be ineligible for relief under the scheme even if there is ancillary use of the hereditament that might be considered to fall within the descriptions listed under *Which properties will benefit from relief?*

Hereditaments that are not occupied
Properties that are not occupied on 1 April 2023 should be excluded from this relief. However, under the mandatory Empty Property Rates Relief, empty properties will receive a 100% reduction in rates for the first three months (and in certain cases, six months) of being empty.

Hereditaments that are owned, rented or managed by a local authority
Hereditaments owned, rented or managed by a local authority, such as visitor centres, tourist information shops and council-run coffee shops or gift shops attached to historic buildings, are exempt from this scheme.

How much relief will be available?

The total amount of government funded relief available for each property under this scheme for 2023-24 is 75% of the relevant bill. This is subject to a cap of £110,000 per business across all their properties in Wales. The relief should be applied to the net bill remaining after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied (excluding those where local authorities have used their wider discretionary relief powers introduced by the Localism Act 2011, which are not funded by section 31 grants).

Businesses who occupy more than one property will be entitled to Retail, Leisure and Hospitality Rates Relief for each of their eligible properties, within the cap of £110,000 per business across Wales.

A business with a single property with a remaining liability (after reliefs) greater than £220,000 can use the entire allocation of relief. No other properties owned by that business will be eligible for the scheme.

Retail, leisure and hospitality properties which are excluded from Small Business Rates Relief due to the multiple occupation rule are eligible for this relief scheme, subject to the cap being applied

Changes to existing hereditaments, including change in occupier

Empty properties becoming occupied after 1 April 2023 will qualify for this relief from the time of occupation.

If there is a change in occupier part way through the financial year, after relief has already been provided to the hereditament, the new occupier will qualify for the relief if they operate in the retail, leisure or hospitality sectors, on a pro-rata basis. This will be calculated based on the remaining days of occupation using the formula used in the section titled *How much relief will be available?*
The discount should be applied on a day-to-day basis using the formula set out above. A new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the discount on that day

State Aid / Subsidy Control Regime

Following the end of the transition period for the United Kingdom leaving the European Union on 31 December 2020, EU State Aid regulations only apply in limited circumstances. As the relief is not funded by EU residual funds, EU State Aid regulations no longer apply for this scheme. As of 1 January 2021, the UK Subsidy Regime came into force. The scheme is considered by the Welsh Government to be outside the scope of any international trade agreements as measures are focused locally within Wales.

Report

Council

Part 1

Date: 28 February 2023

Subject **Gwent Well-being Plan 2023-28**

Purpose To update Council on progress in developing the Gwent Well-being Plan 2023-28

Author Policy and Partnership Manager

Ward All wards

Summary In accordance with the Well-Being of Future Generations Act, the regional Gwent Public Services Board (PSB) has carried out a Regional Assessment of the Social, Economic, Environment and Cultural Well-being of Gwent. This was supported by the creation of Local Well-being Assessments for each of the five areas.

Following this, the Gwent Well-being Plan has been finalised following a period of consultation. The Plan is presented for approval and adoption by Council before final sign off by the Gwent PSB in mid-April.

Alongside this, One Newport is developing a Local Action Plan which will both support the achievement of the Regional Objectives and allow Newport partners to continue its focus on key areas of importance for Newport.

This report outlines the progress of the Local Action Plan and presents the Gwent Well-Being Plan for approval.

Proposal Council is requested:

a) To review and accept the Gwent Well-Being Plan or propose amendments

Action by Council

Timetable Immediate

This report was prepared after consultation with:

- Head of People, Policy and Transformation
- Head of Finance
- Head of Law and Regulation

Signed

Background

The Well-being of Future Generations (Wales) Act 2015 came into force in April 2016 and is about improving the social, economic, environmental, and cultural well-being of Wales. It is 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. As one of the 44 bodies named in the Act, the council must consider the Act in everything it does.

The Act mandated the creation of Public Service Boards (PSBs) for each Local Authority area in Wales. Each public services board must improve the economic, social, environmental, and cultural well-being of its area by contributing to the achievement of the 7 National Well-being goals:

1) A prosperous Wales
2) A resilient Wales
3) A healthier Wales
4) A more equal Wales
5) A Wales of cohesive communities
6) A Wales of vibrant culture and thriving Welsh Language
7) A globally responsible Wales

The PSB achieves this through assessing the state of economic, social, environmental, and cultural well-being in its area and setting objectives that are designed to maximise its contribution to achieving these goals. These objectives must be presented as part of a Well-being Plan which must be published within one year of Local Authority Elections being held. This means that a new Plan must be published by May 2023.

Gwent PSB

In June 2021 Newport moved from a Newport PSB to a Gwent PSB alongside Caerphilly, Torfaen, Blaenau Gwent, and Monmouthshire. Discussions had been ongoing for several years about the advantages of taking a regional approach to the requirements of the Well-being of Future Generations Act within Gwent. The One Newport Partnership (formerly the Newport PSB) continues its valuable work in supporting the delivery of the current Wellbeing plan and will retain responsibility from June 2023 for the achievement of the Local Action Plans detailed below.

Well-being Assessment

The Gwent PSB carried out a Regional Assessment of the Social, Economic, Environment and Cultural Well-being of Gwent in late 2021/early 2022. This was supported by the creation of Local Well-being Assessments for each of the five areas. The Regional and Local Well-being Assessments were published in May 2022 and are linked to in the background papers section below.

Well-being Plan

The Regional Well-being assessments led to the creation of potential focus areas for the Well-being objectives. These were initially assessed by members of the officer Gwent Strategic Well-being Assessment Group (GSWAG) which sits underneath the PSB and contains representatives of organisations that constitute the PSB. Following this assessment, the PSB identified 3 areas of focus for the Well-being Plan:

- Environment (Climate and Nature emergencies)
- Health and Well-being/Inequalities
- Community Cohesion (including Community Safety and Substance Misuse)

A detailed analysis of these 3 areas was carried out by suitable Partner organisations and this informed the development of draft Objectives and 'Steps' which provide the framework for how these objectives will be achieved. These were presented at Scrutiny and Cabinet and feedback provided as part of the consultation period.

Following feedback gained from the consultation from both stakeholders and members of the public, the Plan was amended to reduce the number of objectives and steps. The interconnecting Well-being Objectives Steps in the final plan are as follows, with the full plan attached in background papers:

Well-being Objectives

- We want to create a fairer, more equitable and inclusive Gwent for all
- We want a climate-ready Gwent, where our environment is valued and protected, benefitting our well-being now and for future generations.

Steps

- Take action to reduce the cost-of-living crisis in the longer term
- Provide and enable the supply of good quality, affordable, appropriate homes
- Taking action to reduce our carbon emissions, help Gwent adapt to climate change, and protect and restore our natural environment
- Take action to address inequities, particularly in relation to health, through the framework of the Marmot Principles
- Enable and support people, neighbourhoods, and communities to be resilient, connected, thriving and safe

Please could members note the following when considering the plan –

- The Communications report is still to be completed. It's a factual, supporting document and therefore doesn't affect the nature, objectives, steps or outcomes of the plan.
- The IHE report won't be ready until June, so appendix 2 is a place holder.
- All hyperlinks will be added to the final document.

All other partner organisations will also need to sign off the Plan and final sign-off from the Gwent PSB is planned for April 2023. The report will then be finalised and translated before publication in May 2023; with the new objectives coming into effect from June 2023.

Local Action Plans

To ensure that the move to a regional PSB did not detrimentally impact on the local nature of well-being delivery that has been built up since the inception of the Act, the decision was made by the Gwent PSB to have the regional Plan underpinned by Local Action Plans for each of the 5 Gwent Regions. These Local Action Plans will serve two purposes – to identify specific actions which will contribute at a local level to the achievement of the Regional Well-being Objectives and Steps; and to identify priorities and actions which are applicable to Newport which may be relevant at a regional level. Workshops took place in December 2022 involving Council Officers and representatives of Partner organisations within Newport. The results from these workshops are being used to develop a draft plan in collaboration with representatives from partnership organisations. This draft plan is due to be signed off by One Newport in March 2023 before a period of public consultation. The final version will then be signed off by One Newport in May 2023.

Financial Summary

There are no costs to Newport associated with developing the Well-being Plan. All work is being carried out with existing resource and within core budgets.

Risks

Risk Title / Description	Risk Impact score of Risk if it occurs* (H/M/L)	Risk Probability of risk occurring (H/M/L)	Risk Mitigation Action(s) What is the Council doing or what has it done to avoid the risk or reduce its effect?	Risk Owner Officer(s) responsible for dealing with the risk?
Gwent Well-being Plan is not signed off by all Partners and the Gwent PSB in time for publication in May 2023	M	L	The timeline for the development and sign off of the Regional Well-being Plan has been amended to allow the maximum possible time for Partner sign off	Officers within Caerphilly Borough Council who own the creation of the Plan
The needs of Newport are not taken into account in the Plan development.	M	L	Officers across the region are working on the proposals, supported by the members of the OneNewport partnership.	Policy and Partnership Manager

*Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The development of the Gwent Well-Plan and associated Newport Local Action Plan will draw on a number of Council Policies, including (but not limited to) the Corporate Plan 2023-28 (which includes Newport Council's individual Well-being Objectives), the Climate Change Plan 2022-27, The Sustainable Travel Strategy and the Adopted Local Development Plan 2011-26.

Options Available and considered

1) To note the progress made and accept the Well-being Plan as set out in this report.

2) To note the progress made as set out in this report and propose amendments to the Well-being Plan.

Recommendations.

Preferred Option and Why

Option 1 is preferred, ensuring the needs of Newport residents, communities and businesses are represented and to meet statutory requirements for adoption and publication.

Comments of Chief Financial Officer

There is no adverse budgetary impact linked to the development of the Gwent Wellbeing Plan, all work on the plan has been carried out using existing budgets. All actions identified in the plan will need to be met from core budgets or grant funding and will be monitored closely as part of well-established and ongoing budget monitoring arrangements with any potential future budget pressures being identified in the Medium-Term Financial Plan.

Comments of Monitoring Officer

There are no specific legal issues arising from the Report. The final version of Gwent Well-Being Plan has been developed following a 12-week public consultation process, the results of which have been taken into account when finalising the Plan as set out in this report. Council is required to agree the final version of the Plan prior to its presentation to the Gwent PSB in April 2023, alongside the other Gwent Authorities.

Comments of Head of People, Policy and Transformation

From an HR perspective, there are no direct staffing implications to this report.

The Council is a statutory member of the Gwent PSB, which is required to publish a Well-being Plan under the Wellbeing of Future Generations (Wales) Act. The development of the regional wellbeing plan by the Gwent PSB has been informed by Gwent and Newport residents and will ensure a continued focus on improving the wellbeing of our residents. Delivery of the Gwent Well-being Plan in Newport will be through the One Newport Partnership of which the Council is also a member.

Scrutiny Comments

Partnership Scrutiny Committee has been consulted on progress regarding the Gwent PSB arrangements, and the development of the Gwent Well-Being Plan, at their meeting on the 30 November 2022. Feedback from scrutiny members was included in the Newport City Council response and will support future work.

A copy of Scrutiny comments follows below -

The Committee wished to thank the Officers for their attendance and the detailed presentation, which provided a good understanding about how the Gwent Public Service Board will work. Members of the Committee explored the benefits of the partnership arrangement in terms of outcomes and sharing resources and best practice and sought clarification from Officers on the funding arrangements underpinning this and hopes that it will be fair and transparent. The Committee also asked if examples of sharing good practice could be provided in future to evidence this positive output of partnership working.

Whilst appreciating that the Wellbeing Plan has been created based on a Needs Assessment for Newport and the other areas, Members commented that Newport has different demographics and geography when compared with the other areas in the Board, and that Newport's requirements must be adequately and fairly represented. The Committee conveyed their expectation that the Council needs to maintain a local level of planning and scrutiny through governance arrangements.

In Objective 2 of the Plan, the Committee felt that more emphasis on tackling antisocial behaviour would be welcome, including how the Gwent Public Services Board will measure and monitor improvements and progress made.

In Objective 3, although the report references the impacts of a changing climate including more extreme weather events, the Committee felt that there should be more mention of flood risk and response to this kind of emergency event as this is an area which would particularly affect Newport and suggested an additional step of "Ensure that the lives of the people of the region are protected by physical measures taken to alleviate the threat of flooding and storm-induced land slips, because global warming continues to increase sea and ocean levels and increase flood-risk over large areas of the south of the region while severe weather events threaten coal-tip slippages and flash-flooding further north. Physical barriers to ensure the safety of the population of the region are an urgent necessity."

The Committee were pleased to hear about the level of consultation that the Partnership Team undertake with the residents of Newport. Members wished to promote consultation that is inclusive of all Newport residents. The report gave a questionnaire as an example of the consultation process, and Members prompted Officers to clarify the other channels through which views and feedback were sought. Members felt that some groups may be more difficult to engage and less likely to complete an online questionnaire Members wished to emphasise the need for inclusive consultation that seeks to actively engage with residents who may be less heard in digital engagement.

The Committee noted the content of the survey and confirmed they were happy with the objectives and steps.

Cabinet Comments

A version of this report was also presented to Cabinet at their meeting on December 14th. Cabinet highlighted the importance of data sharing between partnership organisations to achieve the objectives. Cabinet also acknowledged the work of the partnership organisations to date and stated that the proposed objectives were ambitious but achievable.

Fairness and Equality Impact Assessment:

- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

This is an information-only report, so a full FEIA is not required. The Well-being of Future Generations (Wales) Act 2015 is the focus of this report. All actions which are proposed to support the achievement of the Regional Well-being objectives will be assessed to make sure that they are in line with the Equality Act 2010 and the council's Socio-economic duty. All of the documentation relating to the development of the Plan (assessments, the Plan itself, consultation content) has been presented in Welsh as well as English.

Consultation

As noted in the background section, consultation has taken place on the Gwent Well-being Plan with public sector organisations, the third sector and residents. Workshops with partners have taken place to support the to support the development of the Local Action Plan with public consultation planned for later in the year.

Background Papers

Well-being Plan for Gwent 2023-28

WBP 2023 16_02_23.docx

Regional and Local Wellbeing Assessments
Well-being of Future Generations (Wales) Act 2015

Dated: 28 February 2023

Bwrdd Gwasanaethau Cyhoeddus Gwent Public Services Board

Well-being Plan for Gwent
16/02/2023

Bwrdd Gwasanaethau Cyhoeddus Gwent Public Services Board

Contents

Introduction

Welcome to the first Well-being Plan for Gwent, setting out how we are working together to respond to some of the key issues identified in our most recent Well-being Assessment. As part of planning for the next 25 years, and beyond, this five year plan sets out what we will be doing to improve well-being across the region, now and for future generations. Many of the issues we know that affect the well-being of a region will take more than a few months or even years to solve, so the plan has tried to look for longer term solutions which may take a bit longer to show results. There will, of course, be things we can do in the short term, but those will need to help deliver benefits in the years to come.

The Well-being of Future Generations (Wales) Act established Public Services Boards, more commonly known as PSBs, for each local authority area to work together to improve well-being in their area. PSBs are made up of senior leaders from the Local Authority, the Health Board, the Fire and Rescue Service and Natural Resources Wales. A number of other organisations are also invited to join the PSB, such as the Police Service, the Police and Crime Commissioner and the voluntary sector.

In September 2021 the five PSBs in Blaenau Gwent, Caerphilly, Newport, Monmouthshire, and Torfaen came together to form the Gwent PSB, working across the region, and locally. This decision was made to simplify and strengthen the existing partnership arrangements by bringing all the public services together. The move to a regional PSB, with collective responsibility for improving well-being, makes it easier for partners to actively get involved, to add value and avoid doing the same thing several times.

The Well-being Assessment for Gwent, published last year, showed that inequality and deprivation in our communities and the need to take action on the climate and nature emergencies were having an impact on well-being. This Well-being Plan outlines how we, the PSB, will work together to tackle the social, economic, environmental and cultural issues which can affect well-being in Gwent.

Public Services Board Membership

How our plan was developed

We used the new Well-being Assessment to identify the issues which had the most effect on well-being, and where we could achieve more by working together than working alone and making better use of the resources we have. This is often known as ‘added value’. We identified these issues:

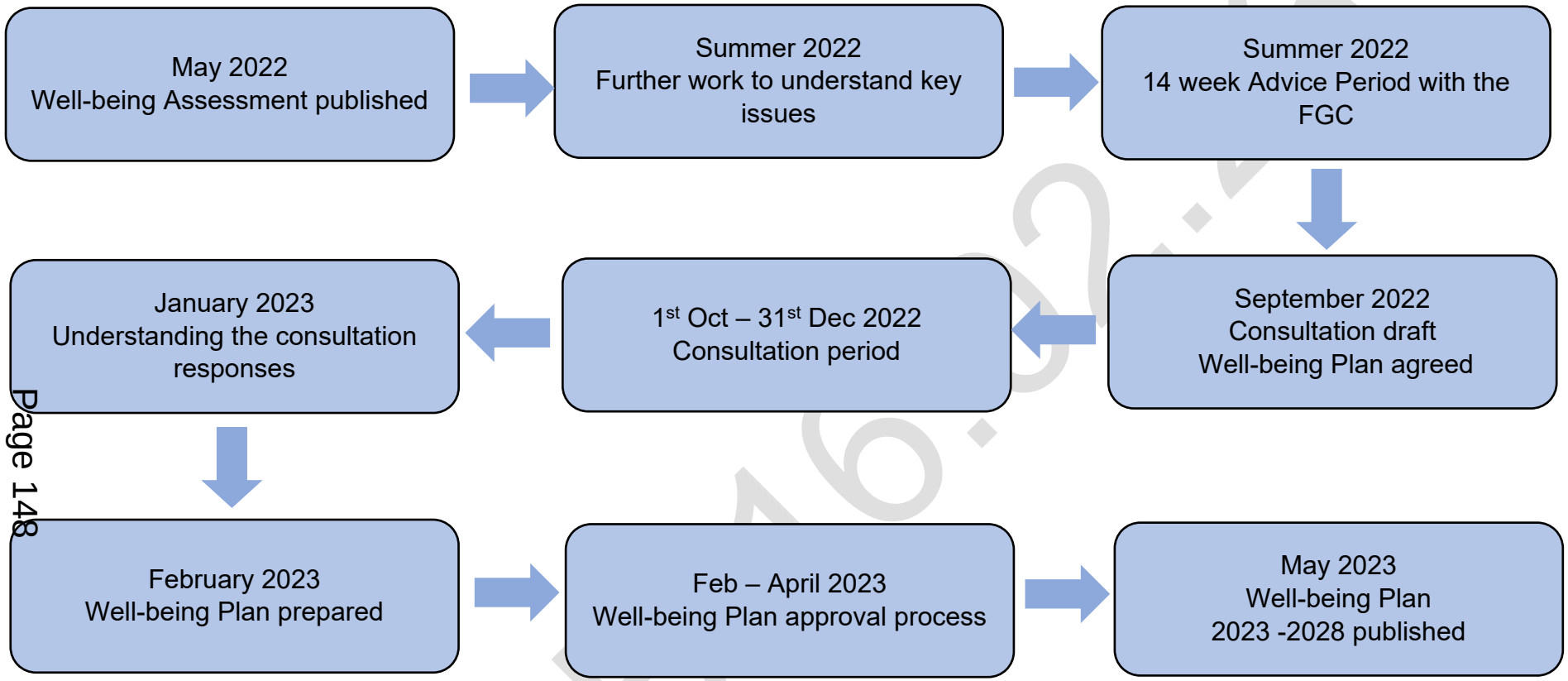
- Health inequalities and well-being (including housing)
- Community cohesion (including community safety and substance misuse)
- Environment (including climate and nature emergencies)

Over the summer of 2022 more work was done to get a better understanding of these issues and how they affected our communities. This involved pulling on a wide range of knowledge and experience, including from the Future Generations Commissioner’s office, learning from others and examples of good practice from across Wales and beyond. The Future Generations Report was another source of information about what the future might mean for things like jobs or flooding.

The draft Well-being Plan for Gwent went out for consultation in October 2022. It had three objectives, each with several supporting steps. Full details of the consultation process can be found in Appendix 1. (To come)

Following the consultation the responses were assessed and analysed. The responses came from five sources: the survey, community events, stakeholder events, statutory consultee responses and individual written responses. To understand what the most important issues were for people the issues raised in the consultation were then ranked according to how many of the response sources commented on each one. These became the objectives and steps in this Well-being Plan. We will continue to use the information from the consultation as we develop each step’s delivery plan in the Plan as well as continuing to engage communities and groups in our work going forward.

Timeline



Five Ways of Working

Just as when we were preparing the Well-being Assessment, we have used the five ways of working, collaboration, integration, involvement, long-term, and prevention, to guide our work. This means that while considering how to improve well-being in our communities now, we've also looked at how well-being could be affected in the future and how we can prevent issues becoming worse. We will need to work together to see what we're each doing in a community and how this affects what we do, individually and in partnership. Finally, but most importantly, we want our communities, professionals, businesses, and others to identify the issues which are most important to them. As we develop how we will be delivering the Objectives and Steps (regional and local delivery plans) we will continue to use these principles to guide our work.

Figure 1: The 5 ways of working from the Well-being of Future Generations Act

Seven Well-being Goals

The actions in this Well-being Plan must contribute to the Well-being Goals for Wales. Together they show the Wales we'd like for the future and cover all aspects of well-being. Each of the goals are as important as each other, although this plan may do more for one goal than for another.

Figure 2: The 7 Well-being Goals from the Well-being of Future Generations Act

The Marmot Principles – Building a Fairer Gwent

Recognising the inequality that exists in our communities, identified in the Well-being Assessment, the Gwent Public Services Board has agreed to become a 'Marmot region' using this collaborative approach to undertake evidence-based action to reduce inequalities in Gwent.
The Marmot Principles provide a framework to inform the actions to respond to the challenges faced across Gwent. This will re-focus and accelerate progress towards reducing the root causes of health and related inequalities across Gwent. As part of this, the PSB will use the eight Marmot Principles, alongside the Objectives and Steps, to shape the delivery of this Well-being Plan.

Eight Marmot Principles

1. Give every child the best start in life
2. Enable all children, young people, and adults to maximise their capabilities and have control over their lives
3. Create fair employment and good work for all
4. Ensure a healthy standard of living for all
5. Create and develop healthy and sustainable places and communities
6. Strengthen the role and impact of ill-health prevention
7. Tackle racism, discrimination, and their outcomes
8. Pursue environmental sustainability and health equity together

The Institute of Health Equity is producing a report for the PSB detailing the actions needed to tackle inequity across Gwent. As the delivery plans are developed this report will help to guide our work. The report, Appendix 2, is due to be published in June 2023.

BUILDING A FAIRER GWENT
TEG I BAWB

Overarching principles

As a new PSB we have agreed that there are some things that we would all want to sign up to. These aren't Objectives or Steps but they are the things that will make us work more effectively together and make the positive changes we want for Gwent. They are our Overarching Principles, our ways of working, and reflect the five ways of working in the Well-being of Future Generations Act.

Effectively working together

Public Services Boards were established to promote better joined up working and a better understanding of how the different organisations contribute to the well-being of an area. We must make sure that what we do isn't making it more difficult for others to do what they need to. We should be sharing knowledge, expertise, and resources whenever possible and avoid doing the same thing many times over. There will be things that are best done by one or two partners, but where working together is the best option, we will do this. This Well-being Plan is about the things we can do better together, the 'added value'.

Communication and Engagement

While we have been developing the Well-being Assessment and Plan we have tried to engage with people and communities. We know we haven't always been as successful as we would have liked to be, and the Covid-19 restrictions have made it even harder to meet you. As we continue to develop and deliver this plan we want to keep talking with you, to understand your concerns and ideas. We also want to work with our communities, when we can, to create local solutions that contribute to the regional ones.
A full report about the Plan's consultation is available here [hyperlink]. If you'd like to be involved in the future, either just to be kept informed, or to be more involved where possible, please contact: GwentPSB@caerphilly.gov.uk

Welsh language and culture

A Wales of Vibrant Culture and Thriving Welsh Language is one of the goals in the Well-being of Future Generations Act. Each of the seven well-being goals describes an aspect of the Wales we want for the future, and they are all interlinked. The Welsh language forms a part of, and plays a part in all aspects of employment, education, culture, health and social care, community cohesion, the economy and more.

Being able to use the Welsh language is a valuable skill in all parts of life across Wales. It is also a key part of Wales' cultural heritage. Each of the PSB members have a statutory duty to promote the Welsh language, but together we will encourage the increase in the use Welsh by; using it more with each other, consulting more in Welsh and producing more of our information bilingually, rather than just our main documents.

The PSB organisations are major employers and together we can promote opportunities for our staff and workforce to learn and use the language. Schemes like ‘Helo Blod,’ can be used by the PSB to promote the Welsh language together as members. The Welsh language is also a central part of the community services such as health, social and primary care. ‘More than Just Words’ aims to improve the service for social services, health, and social care. The PSB will continue to use media and social media through both languages and look at how else it can encourage the use of the Welsh language in all its activities.

Performance management

We need to know whether what we’re doing is making a difference. We have agreed to have a single ‘performance management’ process, which will show us how well-being is improving. The indicators will be included in the Step Delivery Plans to make sure that we’re looking at the right things. The annual reports will include how much progress we’ve made against these key measures. The PSB will need to take responsibility for ensuring that we’re making the progress we’ve agreed we need to make.

Because the PSB is all about partnership working, we will also need to share the information we each have around issues. Each of our organisations is collecting data all the time, and there’s also research and information coming from universities, Government agencies, the Census and a range of other places. All this information will be useful to the PSB, and the individual member organisations and we need to find a way of being able to share that safely and efficiently.

Our Well-being Objectives

Using the evidence in the Well-being Assessment, the PSB has identified two interconnecting objectives (what we want to achieve). These will set the direction for our work for the next five years and beyond.

We want to create a fairer, more equitable and inclusive Gwent for all.

The latest Well-being Assessment showed that although our communities are strong with many people feeling connected to their neighbourhoods and proud of their surroundings, the inequalities that exists in our communities have the potential to impact on all aspects of well-being both at a personal and community level. There are also a range of challenges that could potentially widen these inequalities in the future and impact negatively on well-being. People who live in more deprived communities have fewer years of life that are free from ill health and are more likely to have shorter lives. Children from deprived households get poorer school results; limiting their opportunities and increasing the risk that poverty will be passed from one generation to the next. Some people in our communities are experiencing in-work poverty with the amount of spare money they have after paying their bills making it difficult to afford food, transport, energy and to be digitally connected – especially as costs increase.

Many people still feel unsafe, lonely or alone. Widening economic, health, well-being and other inequalities have affected community cohesion, safety and empowerment. The assessment tells us that home ownership is already unaffordable for many low-income households, and as house prices rise more pressure is put on our social housing stock. Future Gwent will also need more housing stock that meets the needs of an ageing population and changing family structures and is resilient to a changing climate.

The Covid-19 pandemic, the cost of living crisis, the UK's exit from the EU, the war in Ukraine, and the increasing impacts of climate change, make the lives, livelihoods, health, safety and well-being of the people of Gwent even more challenging. If action isn't taken, this will lead to poorer health and well-being because of increased deprivation, substance misuse, mental health problems, civil disorder and crime, and antisocial behaviour. Evidence is already showing this will impact the health and well-being of already disadvantaged people and communities the most, who will need additional focus and support.

We want a climate-ready Gwent, where our environment is valued and protected, benefitting our well-being now and for future generations.

The latest Well-being Assessment showed that Gwent's countryside, coastline, rivers and urban greenspaces are not all in good condition, Many of our plants and animals are in decline. This drop is, in turn, making it more difficult to deal with challenges such as climate change, poverty and inequality. The 'green economy' could provide jobs in the industries of the future such as renewables, energy efficiency and decarbonisation and supporting good health. Many of the unsustainable approaches that are putting pressure on our natural resources are also causing the climate to change. We need Gwent's natural resources to be resilient to the impacts of a changing climate including more extreme weather events. There will also be challenges associated with transitioning to a low carbon future, and we will need to consider the whole energy system – heat, power and transport. Whilst projections of milder winters associated with a changing climate may help to reduce fuel poverty, we know that much of our housing stock has poor thermal efficiency and will be challenging to retrofit.

For us to enjoy the benefits that nature can provide, our natural areas must be healthy and able to withstand threats and disturbance, such as climate change, urban development and pollution. This will require us all to work differently and really understand how we interact with our environment and the impacts we're having.

To do this we need to change our food, energy and transport systems so they work better for nature and for us, reducing climate change and protecting the resources our future generations will rely on. Developing the 'green economy' could provide local jobs in the industries of the future such as renewables, energy efficient housing and decarbonisation. Increasing the supply of locally grown food is better for nature, our health and reduces pollution. If we change how we travel around Gwent we can reduce carbon emissions, benefit local wildlife and our well-being.

Steps

We have identified five steps that will help us to achieve our two well-being objectives. Delivery plans for each step explaining what will be done in the short, medium and longer term, who will do it and by when, will be developed during the first year of the plan using the five ways of working as a framework. These will be published as part of the first annual report. Work may begin on delivering some steps before the delivery plans are completed if it can be, especially if we already have the information we need to take action. The delivery plans will be complemented by local action plans at a county level. These will be written by Local Delivery Groups, which mirror the membership of the PSB but at a more local level.

Take action to reduce the cost of living crisis in the longer term

Although the cost of living crisis began after the Well-being Assessment was completed, we know that it is likely to make the poverty, deprivation and inequity in our communities worse and can increase crime and antisocial behaviour. Voluntary and community groups, councils and others are already providing support to many and will continue to do what they can.

While dealing with the immediate issues we must make sure that what we do now doesn't make things even harder in the future. The right training and skills will enable people to get decent work with pay that helps them to provide for their families. The growth in local renewable energy production and use, could provide better jobs, a cleaner environment and potentially cheaper energy for everyone. The need to make our homes and businesses more energy efficient and better insulated, will offer opportunities for local social enterprises and traditional businesses.

Technological changes will mean that services can be provided differently, as we saw during the pandemic, with services provided virtually or closer to home, offering alternative travel options and reducing pollution. We will need to make sure that any changes in the way people access services is designed around their needs and uses new technology to support those. Local food production will help people be able to eat healthy, more affordable food as well as providing opportunities to share their knowledge, and failures, with others. More local food production also helps to reduce the impact on the environment and is less prone to supply disruption.

Links to the other steps

Homes Environment Health Communities

Contribution to the national Well-being Goals

Prosperous	Resilient	Healthier	Equal	Cohesive	Culture & Language	Global

Provide and enable the supply of good quality, affordable, appropriate homes

Having a home is central to a person's well-being. It means they can get a job, an education, the help and support they may need and allows them to feel part of a community or neighbourhood. Homes can be owned by the person living in them, rented from the council, a housing association, or a private landlord. How many homes are rented or owned is different across the region, as are the costs of buying or renting a home. The Well-being Assessment showed that the average house price in Monmouthshire is around three times that in Blaenau Gwent. Being able to afford to pay the rent or mortgage is only part of the story.

The cost of living in that home has also been increasing and many homes could be much more energy efficient, tackling both climate change and fuel poverty. As Wales moves towards being carbon neutral the need to make homes more energy efficient and better insulated is becoming more important. Insulating homes should help people to stay healthier for longer, help to reduce energy use and therefore costs, provide good quality local jobs as well as helping to protect the natural environment around the world.

Homes need to be in the right place to support individuals and the community, with access to local shops, workplaces, schools, health care, cultural and leisure activities, and transport. We know that as the climate changes there are likely to be more floods, storms, heatwaves and other weather events and homes need to be able to cope with those. Communities are changing, with more blended families, older people and people living alone, so housing needs to be adaptable and suitable for those changes.

The consultation showed that having good quality, affordable housing was an important issue for our communities. How housing is provided is very different across the region. The PSB wants to work together to improve the quality of homes in Gwent, but it will take some time to identify work we can do together because of the different rules and funding available to the different organisations.

Links to other steps


Cost of living


Environment


Health


Communities

Contribution to the national Well-being Goals

Prosperous	Resilient	Healthier	Equal	Cohesive	Culture & Language	Global

Taking action to reduce our carbon emissions, help Gwent adapt to climate change, and protect and restore our natural environment

Protecting the environment for future generations is one of the greatest challenges of our time. The land, air, water, trees, plants, animals, and insects provide us with everything we need to live. However, our need for new homes and workplaces, renewable energy, recreation, and food production are putting nature under pressure. Without a healthy environment across Gwent there can be no well-being benefits for our communities.

The effects of climate change are being felt in our communities through flooding and heat waves. The Welsh public sector is committed to become carbon neutral by 2030. We must reduce Gwent's carbon emissions by increasing our use of renewable and sustainable energy sources, increasing availability of local food, reducing waste, and changing how we travel around Gwent. We want to support our communities to adapt to the impacts of climate change, recognising that some communities are more exposed to floods, heatwaves, air pollution and other climate risks to health.

We need to better manage the demands on Gwent's natural environment and protect, connect and restore nature. We'll support community green/blue space initiatives which bring communities together, especially in areas of Gwent which have least access to local, quality outdoor spaces for health and well-being. Whilst focusing on the immediate needs across Gwent, we'll also ensure our decisions consider future trends, and don't make things even harder for future generations.

Links to other steps

Cost of living Health Homes Communities

Contribution to the national Well-being Goals

Prosperous	Resilient	Healthier	Equal	Cohesive	Culture & Language	Global

Take action to address inequities, particularly in relation to health, through the framework of the Marmot Principles

People's health and well-being is affected by many things, clean air, water, and food, being able to get decent work, a suitable home, having local shops, access to culture and leisure activities, a quality education, good transport and social networks as well as health information and care. Where someone lives and how much money they have impacts on their health and happiness, it can lead to poorer health and less opportunity to thrive in life.

The Gwent PSB has agreed to use the framework of the eight Marmot Principles, developed by Prof. Sir Michael Marmot and his team at the Institute of Health Equity, which focus on the central issues that affect fairness, health and well-being. This approach will help to identify how to address the root causes of poor health and inequity across Gwent. The Institute of Health Equity is writing a report, using the evidence from the Well-being Assessment, the consultation responses, and their experience of working in other areas across the UK, to make recommendations for how the Gwent PSB and other regional partnerships, can take action to reduce inequities across Gwent. This report will form the basis of the action plan for this step.

Links to other steps

Cost of living Environment Homes Communities

Contribution to the national Well-being Goals

Prosperous	Resilient	Healthier	Equal	Cohesive	Culture & Language	Global

Enable and support people, neighbourhoods, and communities to be resilient, connected, thriving and safe

During the Covid-19 pandemic, communities across Gwent pulled together to support each other in times of need. But the cost of living crisis and the war in Ukraine have made existing inequities and poverty worse, with crime and antisocial behaviour increasing as people find life harder. We also know that there are some people, or communities, living in the region that don't feel as welcome, safe, or supported as they should. This could be because they are old, sick, at risk from flooding, domestic violence, drug misuse or racism. Many of these issues have been there for decades, with poor housing, health, and jobs, making it harder for people to improve their well-being.

Thriving communities need safe, affordable, suitable homes, access to sports, leisure, and cultural activities, with opportunities to get involved through paid work or volunteering, and in the language of their choice. There are historical buildings and areas across Gwent that could be used as community resources for local arts programmes and other activities, providing an opportunity to promote and share knowledge about the local heritage, history, and culture.

Communities need decent, reliable transport that enables people to access services, get to decent work, attend events, or visit family and friends, safely, cheaply and in a low carbon way. The beautiful countryside provides the space for exercise and recreation for people of all ages, benefiting their physical and mental health and providing opportunities to reduce the effects of extreme weather events, caused by a changing climate.

Links to other steps

Cost of living Environment Health Homes

Contribution to the national Well-being Goals

Prosperous	Resilient	Healthier	Equal	Cohesive	Culture & Language	Global

What happens next?

During the first year of this Plan we will be preparing detailed delivery plans at a regional and local level. Working with our Local Delivery Groups, other partnerships, communities, Community Councils, voluntary groups, and others, we will get a better understanding of what needs to be done and how best to do it. These delivery plans will form the basis of the first annual report, along with updates. There may be things we can do in the short term, such as finding out more about how something similar has been done before or declaring a nature emergency or promoting fair pay within our organisations. But we must make sure that these support our long-term objectives and the steps we have identified.

How the Marmot Principles link to the steps

	Cost of living	Housing	Environment	Health equity	Community
Give every child the best start in life	✓	✓	✓	✓	✓
Enable all children, young people, and adults to maximise their capabilities and have control over their lives	✓			✓	✓
Create fair employment and good work for all	✓	✓	✓	✓	✓
Ensure a healthy standard of living for all	✓	✓	✓	✓	
Create and develop healthy and sustainable places and communities	✓	✓	✓	✓	✓
Strengthen the role and impact of ill-health prevention	✓	✓		✓	✓
Tackle racism, discrimination, and their outcomes					✓
Pursue environmental sustainability and health equity together	✓	✓	✓		

Connections with other Partnerships and Plans

Across the Gwent region, and beyond, there are a number of other partnerships and initiatives which will make a difference to people and rather than repeat what these groups are doing, the Gwent PSB will look to work with them to deliver its objectives for Gwent.

Local Delivery Groups

In each of the local authority areas which make up the Gwent region, Local Delivery Groups (LDGs) have been set up to deliver the PSB's objectives at the local level. Their membership is similar to that of the PSB, with additional local representation. Activity to deliver the objectives may look different in different areas and the LDGs will be able to better connect with and draw on local expertise and groups to provide a local flavour. In time these groups may want to deliver their own action plans creating a link between local and regional priorities and action.

Regional Partnership Board (RPB)

The Gwent RPB brings together the health board, local authorities and the voluntary sector to ensure effective services, and care and support is in place to best meet the needs of the people of Gwent. The priority areas they need to work on are services for: older people with complex needs and long-term conditions, including dementia; people with learning disabilities; carers, including young carers; Integrated Family Support Services; children with complex needs due to disability or illness. The RPB must write a Population Needs Assessment and an Area Plan. These complement the Well-being Assessment and this Well-being Plan. The PSB will support the work of the RPB, and they will support our work, but we will make sure that we're not duplicating each other's work.

Building a Fairer Gwent – a Marmot Region

A Marmot Region is a network of local stakeholders committed to tackling inequity through action on the social determinants of health – the social and economic conditions which shape our health with action framed within eight principles. Becoming a Marmot Region demonstrates that we want to work together at a senior level to improve equity across Gwent, and improve the lives of all our communities.

Community Safety Partnership

To come

Cardiff Capital Region

The Cardiff Capital Region (CCR) is a collaborative partnership comprising the ten Local Authorities that make up South East Wales and represents almost half the population of Wales. The CCR delivers a wide range of regeneration and investment projects, managed by a dedicated team and a ring-fenced £1.2bn investment fund, through the Cardiff Capital Region City Deal, which aims to deliver 25,000 new jobs and generate an additional £4bn of private sector investment by 2036. The CCR's high-profile projects include: the £50m Innovation Investment

Capital fund, supporting business to scale up; the £50m Sites and Premises Fund, developing new sites to support the delivery of their Industrial and Economic Plan; the £10m Challenge Fund, supporting Local Authority innovation to accelerate decarbonisation and transform communities; the Homes for the Region programme to deliver 2,800 new homes; and several Metro projects transforming public transport infrastructure across the region.

Strategic Corporate Plans

These are the plans each of the organisations that make up the PSB have for what they are going to do over the next 3 – 5 years. These have difference names in different organisations but they all set the high level direction for that organisation including their own Well-being Objectives which need to align to those of the PSB.

Area Statements

The South East Wales Area Statement (SEAS) informs internal and external planning across Gwent and helps stakeholders (including the PSB) consider different ways of working together.

The Area Statement process helps explore and shape aspirational ways of working. It has 4 themes: Linking Our Landscapes, Climate Ready Gwent, Healthy Active Connected and Ways of Working. The collaborative actions identified under each theme are underpinned by best available evidence, local knowledge and understanding gathered throughout the development of the SEAS. The outcomes under each of the four strategic themes will deliver the Area Statement vision for South East. This vision has been developed collaboratively over the course of the Area Statement process and is underpinned by what specialists and wider stakeholders want to see in Gwent.

Participatory budgeting

Funding has been made available to the five Gwent Local Authorities to lead participatory budgeting programmes in their areas. The authorities are currently at different stages of development and with differing levels of investment. Some local authorities have now completed one or more programmes. Initial feedback has suggested participatory budgeting is effective in distributing funding to community groups, can help achieve wellbeing objectives, can generate high levels of participation, and is well received. Public Health Wales are leading a review of participatory budgeting undertaken across Gwent, to inform and improve future use of this approach.

Third Sector Partnership Agreement

To come

Appendices

Appendix 1 Consultation and engagement – chapter

Appendix 2 Marmot Report

Appendix 3 RPB Area Plan

Appendix 4 PSBs in Gwent's Well-being Objectives 2018 – 2023

Appendix 4
PSBs in Gwent's Well-being Objectives 2018 – 2023

Blaenau Gwent PSB	Caerphilly PSB	Newport PSB	Monmouthshire PSB	Torfaen PSB
Blaenau Gwent wants to forge new pathways to prosperity	Positive Change -a shared commitment to improving the way we work together	People feel part of their community and have a sense of belonging	Respond to the challenges associated with demographic change.	Develop a functional, connected network of natural areas that support the current and future well-being needs of local populations
Blaenau Gwent wants everyone to have the best start to life.	Positive Start- giving our future generations the best start in life	Provide children and young people with the best possible start in life	Provide Children and young people with the best start in life.	Provide children and young people with the best possible start in life.
Blaenau Gwent wants safe and friendly communities.	Positive People- empowering and enabling all our residents to achieve their own potential.	Ensuring people feel safe in their communities.		Create safe, confident communities and promote community cohesion
Blaenau Gwent wants to encourage and enable people to make healthy lifestyle choices in places that they live, learn, work and play.	Positive Places- enabling our communities to be resilient and sustainable	Long and healthy lives for all		Support healthy lifestyles and enable people to age well.
Blaenau Gwent wants to look after and protect its natural environment.		Newport has a clean and safe environment for people to use and enjoy.	Protect and enhance resilience of our natural environment whilst mitigating and adapting to the impact of climate change.	Develop mitigation and adaptation responses to the impacts of climate change
		Improve the perceptions of Newport		Tackle the intergenerational patterns

		as a place to live, work, visit and invest		of poverty and develop economic resilience.
		Drive up skill levels for economic and social well-being.	Develop opportunities for communities and businesses to be part of an economically thriving and well-connected county.	Improve local skills through work-force planning, training, apprenticeships, and volunteering opportunities.
		People feel part of their community and have a sense of belonging		
		Participation in arts, heritage and history is important for people's well-being		
		Improve air quality across the city		
		Communities are resilient to climate change		
		Participation in sports and physical activity is important for people's well-being		
		People have access to stable homes in a sustainable supportive community		

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Report

Council

Part 1

Date: 28 February 2023

Subject **Participation Strategy: Ward Meetings**

Purpose To consider the role of ward meetings under the Participation Strategy which was implemented by the Council in May 2022 and agree a new framework setting out frequency, agenda items and provision of support.

Author Democratic and Electoral Services Manager

Ward City wide

Summary

Under the Local Government and Elections (Wales) Act 2021 Local Authorities are required to publish a Participation Strategy that supports residents to become more involved in decision-making and to encourage more diversity in decision-makers.

Democratic Services Committee supported the development of the Strategy, which was adopted by the Council in May 2022.

Key objectives under this strategy include;

(a) ways of promoting awareness among local people of the principal council's functions;
(b) ways of facilitating access for local people to information about decisions made, or to be made, by the principal council;
(c) ways of promoting and facilitating processes by which local people may make representations to the principal council about a decision before, and after, it is made;

Feedback from residents regarding the Strategy indicated that indicate that respondents felt that there was room to improve in terms of citizen engagement and involvement in the democratic process. Ward meetings are one of many ways that the Council is able to support public involvement in decision-making; defining an agreed framework for the ward meetings, including the support available for ward councillors will promote consistency and equality in line with the principle aims of the Participation Strategy.

The reinstatement of ward meetings also offers the opportunity for residents to raise items for discussion, supporting the aims of the Participation Strategy in listening to residents and empowering citizen's and communities to have their say on what matters for their local area.

Proposal **Council is asked to receive the report and approve the proposed framework for adoption, as listed in the report**

Action by Democratic and Electoral Services Manager

Timetable Implementation in 2023/2024

This report was prepared after consultation with:

- Chief Executive
- Head of Law and Standards
- Directors
- Heads of Service

Signed

Background

In line with The Local Government and Elections (Wales) Act 2021 the Council published a Participation Strategy in May 2022. The Council already has experience in participation, engagement, consultation and co-production. The expectation is that the Strategy will support the organisation to build on this experience and move towards greater participation over time.

The Act states that a public participation strategy must, in particular, address:

(a) ways of promoting awareness among local people of the principal council's functions;
(b) ways of facilitating access for local people to information about decisions made, or to be made, by the principal council;
(c) ways of promoting and facilitating processes by which local people may make representations to the principal council about a decision before, and after, it is made;

The Strategy aims to be open and responsive to the needs of citizens and communities. This includes engaging local people in participative processes, by which residents can influence and shape policy and services.

Participation is about sharing decisions with those affected by them and must be an integral part of the Council's work. Whilst participation is not about giving groups or individuals whatever they ask for, residents should always have a degree of decision-making power so that they feel listened to and understood.

Participation supports residents to be 'actively involved with policy makers and service planners from an early stage of policy and service planning and review' (Participation Cymru, 2012). Participation should include a wide range of different methods and techniques. Feedback from the consultation on the Participation Strategy indicated that the public would like the Council to be visible to residents, to explore alternative methods of consultation and to ask residents what matters to them.

The Strategy requires the Council to openly share information with residents about the Council's functions, not just when the public are being asked to make a decision. Regular updates and discussions help to make sure people living in Newport have the opportunity to digest and explore information before they may be asked to give their opinion or recommendations.

As public participation is a challenging aspect of council business, it is expected that this strategy will evolve and improve over time as the benefit of experience and good practice becomes evident.

Ward meetings

The 'Practitioners' Manual for Public Engagement' (Participation Cymru, 2012) defines consultation as '*a formal process by which policy makers and service providers ask for the views of interested groups and individuals'.* Ward meetings clearly meet the definition of participation under this standard.

Ward meetings were previously held within communities, at the request of elected members, with senior officer and administrative support. Ward meetings did not have a standard framework and ran on an ad-hoc basis, with varied agendas.

Whilst ward meetings offer a valuable opportunity to engage with residents, the inconsistent approach to their content meant that the exchange of information varied depending on location. Adopting a standard framework to support ward meetings will establish a consistent and holistic approach to engaging with communities under the public participation strategy,

while making the best use of limited resources. This approach will support the aims of the Participation Strategy by sharing key information about the Council and council service provision, and by engaging with residents on key decisions that will impact their communities in a timely manner.

Through discussion with the Democratic Services Committee in 2022, the feedback from elected members highlighted the key features that they considered to be an essential part of the arrangements for ward meetings. The Committee agreed that it was important to have the option to hold ward meetings on a regular basis to provide the opportunity to engage with residents. Members felt that retaining the option to hold three meetings per year would be beneficial, and that support in promoting the meetings beforehand would promote wider awareness in the community. However, Committee Members also recognised the resource required to support ward meetings must be balanced against the economic challenges facing all local authorities. The Committee welcomed the opportunity to develop and strengthen participative engagement with the community on important conversations, including setting the budget and reflecting on performance, but emphasised the requirement for communities to set their own agenda for discussion. The Committee requested that the proposed framework and support be reconsidered with this feedback in mind.

Framework and Support

Formalising the approach to ward meetings will ensure a consistent and equitable approach to the dialogue for residents in all wards, supporting the aims of the participation strategy. Over the cycle of the municipal year, there are key corporate decisions such as budget setting and the medium term financial plan that the Council routinely engages with citizens on. Methods of engagement include consultation that can be accessed online, and as a gateway to the public Wi-Fi available across the City. Utilising one of the regular ward meetings to focus on budget setting and supporting residents to engage with this process on a face-to-face basis will encourage rich and meaningful feedback that shapes the outcome of the decisions being made. The budget setting cycle would require the ward meeting to take place in January to support the collection of meaningful feedback to inform the decision making process. Nonetheless, it is recognised that providing the opportunity for residents to set points for discussion is important, so the agenda would include the budget setting process, and topics raised for discussion by the community through their elected representatives.

In addition, a second supported ward meeting approximately six months after the budget setting ward meeting would provide a further opportunity to promote awareness of the Council's functions including a summary of progress against key objectives and projects. Again, the agenda would also include items raised by residents for discussion.
Two ward meetings per ward on an annual basis would potentially be forty-two in total that would be supported by officers. Based on feedback from Democratic Services Committee, Members would have the option of holding a third meeting but there would be limitations on the officer support due to the volume of meetings involved and the investment of officer time this represents.

Administrative support to schedule and arrange up to three ward meetings per year will be provided via Democratic Services. Further administrative support will be provided by officers from across the Council at two meetings per year, to ensure that feedback from residents is recorded and collated centrally to support consultation and feed into the decision-making process. Support from Senior Officers will also be provided to ward members at two ward meetings per year. This will be on a pre-planned, rostered basis so that there is appropriate assistance whilst continuing to support the work-life balance of officers when working outside of usual office hours. Where Members wish to hold a third meeting, administrative support would be provided for booking suitable venues within communities for ward meetings, but there would be no officer support at the meetings.

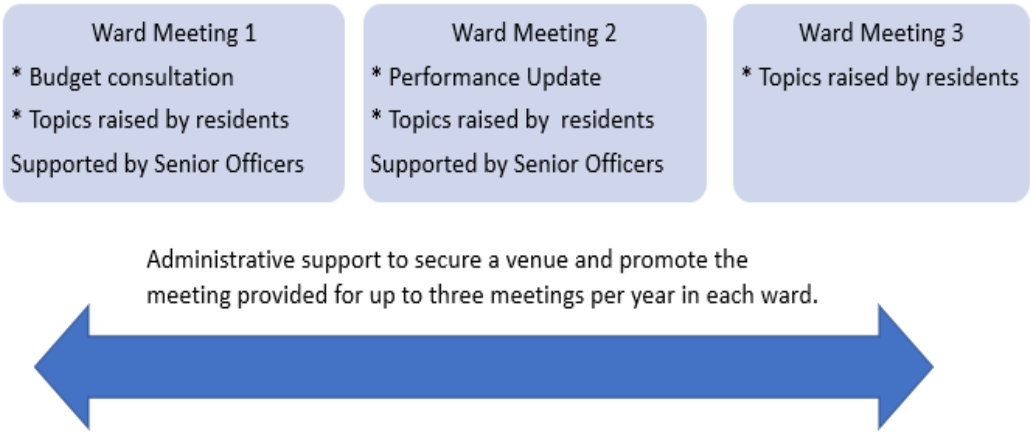
Support in promoting up to three ward meetings would be provided, to include promotion via social media accounts, Newport Matters and limited amounts of posters produced to a set template.

Whilst the proposed framework would support meetings in each ward if required, it would remain within the remit of the ward member/s to determine whether the ward meetings are held in their own community. Members may prefer to communicate with their residents in a different way, and in this case are not obliged to hold ward meeting. However, for those wards who want the meetings, then this is a consistent way of organising and structuring the meetings.

Ad-hoc meetings concerning specific issues arising affecting communities would be considered on a case-by-case basis.

The Ward Meeting framework does not replace other methods of engagement with communities that are open to Councillors, such as ward surgeries, casework, emails or social media, for example.

This framework will support the development of more participative decision making with the community whilst balancing the resource requirements needed to provide appropriate support. The proposed framework balances the aims of the Participation Strategy in engaging citizens in important conversations and empowering them to set part of the agenda themselves.



Consultation

Statutory consultation concerning the Participation Strategy was open for 30 days in February and March 2022.

The feedback received as part of the consultation supported the actions outlined in the strategy to encourage participation. The full response to the consultation can be found in Appendix B. The responses to questions and comments feedback indicates that residents are interested in the decisions that the Council makes, and would welcome having more of a voice as part of the decision making process. The feedback gathered as additional comments in the responses indicate that respondents felt that there was room to improve in terms of citizen engagement and involvement in the democratic process. The respondents felt that the actions outlined in the strategy would help residents to become more involved in decision making. The insights gained through the additional comments indicate that residents would like engagement to focus on more varied and alternative methods of communication, particularly with potentially harder to reach groups.

Financial Summary

There are no direct financial implications associated with the proposed framework.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of Risk occurring	What is the Council doing or what has it done to avoid the risk or reduce it's effect	Who is responsible for dealing with the Risk?
Failure to meet the legislative requirements set out in the Local Government and Elections (Wales) Act 2021 to support residents to be actively involved in democratic processes	H	L	Participation Strategy has been adopted by the Council and this will be developed to increase transparency and engagement with residents	Democratic and Electoral Services Manager
Failure to support residents to participate via ward meetings in a fair and equitable way	H	L	Framework in place to support consistent approach to ward meetings	Democratic and Electoral Services Manager

*Taking account of proposed mitigation measures.

Links to Council Policies and Priorities

The Participation Strategy is embedded as part of the Corporate Plan 2022-2027. This is reflected throughout the strategic plans, right down to the service plans in each area.

Other Council strategies and plans that link closely to this work are The Strategic Equality Plan 2020-24 and the Newport Well-being Plan 2017-22. The commonality with the Equality Plan is involving local people in the decisions that affect them, considering diverse needs when developing services and helping people to feel connected to the place that they live. The goals that the Strategy shares with the Newport Well-being Plan relate to Sustainable Development principles under the Wellbeing and Future Generations (Wales) Act 2015. Specifically, Involving People and developing solutions in partnership with local people and communities, and ensuring they are involved in decisions that affect them. The aim under the Well-being Plan is that people and communities are friendly, confident and empowered to improve their well-being. This plan is currently under revision but will continue to support the principles of the Wellbeing and Future Generations (Wales) Act 2015.

Options Available and Considered

1. Approve the framework and endorse it for implementation.
2. Do not approve the framework or endorse it for implementation.

Preferred Option and Why

Option 1. The Council is asked to note the report, and approve the ward meeting framework for adoption.

Comments of Chief Financial Officer

There will be no adverse budgetary impact as a result of these proposals, the proposed framework to support ward meetings will be fully funded through existing budgets. Any further development to this level of support would require additional budget or grant to be identified so that the support remains fully funded.

Comments of Monitoring Officer

The proposed action is in accordance with the Council's statutory duty under section 39 of the Local Government & Elections (Wales) Act 2021 to encourage local people to participate in decision-making. The proposed framework for ward meetings is also consistent with the Council's Participation Strategy, under section 40 of the Act, and the promotion of increased public engagement and consultation.

Neighbourhood Committees were originally introduced by the Council in the 1990's and, at the time, this was an innovative approach to engaging with the public in the local ward areas. The meetings were formal in nature and organised on traditional committee lines, with the senior ward member chairing the meeting and published agendas and minutes. However, they were never decision-making bodies and therefore not strictly Council "committees". Over time, the role of the Neighbourhood Committees changed significantly, particularly with the development of Executive governance arrangements and advancements in technology, with more effective ways of communicating and engaging with much larger numbers of local residents. Following a review in 2011, the structured arrangements for quarterly Neighbourhood Committee meetings in each ward were changed to a more flexible approach to ward meetings. The meetings were held at times and at venues agreed with the ward Councillors, supported by senior officers, who also set the topics for discussion at the public meetings. There were no longer any formal agendas reports or minutes and the ward meetings were conducted on a more informal basis, as a means of engagement and communication with the public. Although there was a limit of three ward meetings in any calendar year, it was left to the discretion of the members in each ward as to how and when any meetings were arranged, if at all.

Prior to the suspension of ward meetings during the Covid-19 lock-down period, some wards held ward meetings on a regular basis, others only held meetings in response to specific issues, for example as part of a consultation exercise. Some wards did not use ward meetings at all, as they found that other communication methods with their residents were more effective.

This proposal would involve the reintroduction of discretionary ward meetings, but on a more structured basis and in accordance with the new Participation Strategy. Where ward members wish to hold ward meetings, then they will focus on key areas of consultation and participatory decision making, namely the budget and delivery of the corporate plan and well-being objectives, but with the opportunity for residents to add items to the agenda for discussion. However, the ward meetings are only one of a number of tools available to elected members and the Council to engage with residents and, where other methods of consultation are considered to be more effective, then residents in those areas will receive the same information and opportunities to respond. Therefore, ward members will still have the choice of whether or not to hold these consultation meetings in their wards.

Head of People, Policy and Transformation

The Council's Participation Strategy aims to strengthen engagement with residents, increase their involvement in decision making and their understanding of the democratic process. The particular focus is the relationship between Ward members, the Council as a democratic body and local people. This report outlines a framework for consistent and supported Ward meetings across the local authority area. It also sets out a focus for Ward Meetings, centred around the budget setting process which had previously only engaged with a relatively small proportion of the population in a centralised manner. The introduction of face-to-face ward meetings will complement the increasing use of electronic forms of public engagement helping ensure the Council is inclusive of more societal and equalities groups and avoiding digital exclusion.

There are no direct staffing implications as a result of this report. Council officers will continue to support as they did so previously.

Local Issues

Not applicable.

Equalities Impact Assessment and the Equalities Act 2010

A fairness and equalities impact assessment has been drafted and will be updated following further consultation.

Wellbeing of Future Generations (Wales) Act 2015

The support framework supports the development of A More Equal Wales; achieving more diversity and inclusion in the voices that are heard in decision-making will help to reduce inequalities. The Strategy does not adversely affect any of the other Well-being Goals for Wales.

The Strategy supports The Well-being Plan 2018-23 objective;

3) People and communities are friendly, confident and empowered to improve their well-being

This will be supported through working with residents and communities to develop solutions and empowering the community as part of the decision making process.

The Strategy supports the Equality Plan 2020-2024 objectives;

1. Leadership, Governance and Involvement.
2. Community Cohesion

By supporting residents to be involved in making the decisions that affect them, considering diverse needs when developing services and helping people to feel connected to the place that they live.

The framework supports the long-term development of better engagement and involvement of residents over time so that it continues to meet the changing needs of local people.

Consultation

Full details of public consultation are outlined in an earlier section of this report.
The recommendations of the Democratic Services Committee have been considered and referenced as part of this report.

Background Papers

- https://www.newport.gov.uk/documents/Council-and-Democracy/Participation-Strategy-Final-Format.pdf
- The Strategic Equality Plan 2020-2024
- Well-being Plan 2018-2023

Appendices

Appendix A

Responses to Consultation

Consultation Results Participatior

Dated: 22 February 2023

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Report

Council

Part 1

Date: 28 February 2023

Subject **Scrutiny Annual Report 2021-22**

Purpose To present the Scrutiny Annual Report 2021-22

Author Scrutiny and Governance Manager

Ward All

Summary The Scrutiny Committees are required by the constitution to submit an Annual Report each year to Council, to review how Scrutiny has operated in the last 12 months.

It is difficult to measure the impact of Scrutiny using traditional performance measures, which count the outputs from the Scrutiny Committees but do not measure the outcomes of our work, or show whether improvements have been made as a result. The Annual Report is a more useful tool in reviewing the effectiveness of Scrutiny, providing an opportunity to reflect properly on how Scrutiny has operated in the last year, and to identify upcoming challenges against which future performance can be judged.

Proposal **To agree the content of the annual report as a basis for the work of the Scrutiny Committees in the coming year.**

Action by Leanne Rowlands, Democratic and Electoral Services Manager

Timetable Immediate

This report was prepared after consultation with:

- Overview and Scrutiny Management Committee
- Head of Law and Standards
- Head of People, Policy and Transformation
- Head of Finance

Signed

Background

1 The Scrutiny Committees are required by the constitution to submit an Annual Report each year to Council, to review how Overview and Scrutiny has operated in the last 12 months.

Reviewing Scrutiny's Performance

2 The Annual Report is a key part of the performance management cycle for Scrutiny. It is difficult to measure the impact of Scrutiny using traditional performance measures, which count the outputs from the Scrutiny Committees but do not measure the outcomes of our work, or show whether improvements have been made as a result. The Annual Report is a more useful tool in reviewing the effectiveness of Scrutiny, providing an opportunity to reflect properly on how Scrutiny has operated in the last year, and to identify upcoming challenges against which future performance can be judged.

3 As well as providing a commentary on scrutiny activity in the past year, the report is structured to review performance on the targets set last September, and agree priorities for the next 12 months (which will be used as the basis of our performance review next year).

Financial Summary

4 There are no specific costs to the adoption of this report. Support for Overview and Scrutiny is undertaken within the budget allocation.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
An ineffective scrutiny function could undermine the Council's corporate governance arrangements and lead to poor quality decision making	M	L	The Annual Report informs the Council of the efforts made to strengthen the role of scrutiny in Newport and how the Committees will work to help develop policies and hold the executive to account in an open and transparent manner.	Democratic and Electoral Services Manager
Lack of progress in enhancing the role of scrutiny will impact on its effectiveness and esteem within the Council	H	L	The Chairs of Scrutiny are working together to oversee the development and progress of scrutiny in Newport; sharing best practice and driving forward the programme for improvement. Regular meetings are also held with senior members of the Executive to help develop that relationship and strengthen the position of scrutiny within the authority.	Democratic and Electoral Services Manager

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

6 The Scrutiny function has an important role in helping the Council to achieve its expressed aims under the Corporate Plan 2017-2022 in place during the reporting period:

- To make our city a better place to live for all our citizens
- To be good at what we do
- To work hard to provide what our citizens tell us they need

Options Available

7 The Council's constitution requires the production of an Overview and Scrutiny Annual Report. Submission of this report is required in order to meet this requirement. The Council may accept the report, reject it, or ask for further work to be undertaken.

Preferred Option and Why

8 The report provides a summary of progress last year and a plan of action for improvements this year. It is recommended that the report is adopted.

Comments of Chief Financial Officer

There are no financial implications arising from this report, with the activities of Scrutiny committees and the actions contained within the report being funded from within existing budgets.

Comments of Monitoring Officer

The Council is required to establish arrangements for effective overview and scrutiny in accordance with Section 21 of the Local Government Act 2000 and the Local Government Measure 2011. In accordance with the reporting arrangements set out in the Constitution, an Annual Report is presented to full Council regarding the way in which the Overview and Scrutiny arrangements have operated during the preceding 12 months. The Annual report itself raises no legal issues. Each report to and from the Committees during the year has included Monitoring Officer comments on any legal implications. The Annual Report shows that good progress has been made in delivering the targets and objectives set out in last year's Report. This work will continue throughout the current year, with a view to further strengthening scrutiny arrangements.

Comments of Head of People. Policy and Transformation

The report notes the emphasis of scrutiny on ensuring that the Council acts in accordance with the Well-being of Future Generations Act. Scrutiny members continue to have training to develop their understanding and consideration of the Act when undertaking scrutiny activity.

The report also notes that the Council's scrutiny function is also responsible for scrutinising the performance of OneNewport. This function is performed by the Scrutiny Performance Committee – Partnerships and feedback is also considered by the partnership.

There are no direct HR implications arising from the report.

Local issues

N/A

Scrutiny Committees

The Overview and Scrutiny Management Committee reviewed the Scrutiny Annual Report 2021/22 before it was presented to Council.

Fairness and Equalities Impact Assessment:
N/A

Wellbeing of Future Generations (Wales) Act 2015

The Wellbeing of Future Generations Act (2015) empowers scrutiny to analyse how joint leadership behaviours affect joint delivery.

In this reporting period, the Performance Scrutiny Committee – Partnerships has scrutiny of the Public Services Board (PSB) and One Newport Partnership within its remit, which considers the effectiveness of the Partnership and its associated plans. This is reflected within the Annual Report in the summary of the Committee's work this year.

The report also shows the new emphasis of scrutiny on ensuring that the Council acts in accordance with the Well-being of Future Generations Act.

Equality Act 2010 and Socio-economic Duty
N/A

- **Welsh Language (Wales) Measure 2011**

In this reporting period, the Performance Scrutiny Committee – Partnerships has scrutiny of the Public Services Board (PSB) and One Newport Partnership within its remit, which considers the effectiveness of the Partnership and its associated plans. This is reflected within the Annual Report in the summary of the Committee's work this year, showing continued work with a wide range of partners to raise the profile of the Welsh language in Newport and particularly of the work the Council delivers with One Newport stakeholders.

Consultation
N/A

Background Papers
Agenda and minutes of the Scrutiny Committees 2020/21

Newport City Council - Committee details - Overview and Scrutiny Management Committee
Newport City Council - Committee details - Performance Scrutiny Committee - Partnerships
Newport City Council - Committee details - Performance Scrutiny Committee - People
Newport City Council - Committee details - Performance Scrutiny Committee - Place and Corporate

Dated: 22 February 2023

NEWPORT
CITY COUNCIL
CYNGOR DINAS
CASNEWYDD

Scrutiny Annual Report 2021-22

scrutiny

www.newport.gov.uk/scrutiny

This document is available in welsh / Mae's ffurflen hon ar gael yn Gymraeg

For further information on any of the information contained within this report, or on the Scrutiny process in Newport please contact:

Democratic Services
Newport City Council
Civic Centre
Newport
NP20 4UR

Tel: 01633 656656

democratic.services@newport.gov.uk

www.newport.gov.uk/scrutiny

This document is available in welsh / Mae's ffurflen hon ar gael yn Gymraeg

Introduction

What is Overview and Scrutiny?

Scrutiny is the term given to the non-political process within the Council, whereby the decision makers (the Cabinet) are held to account for the decisions taken, whether they have been implemented effectively and whether they have resulted in improved services for people of Newport.

The Cabinet (also known as the executive) has the power to make the decisions needed to action the policies agreed by the Council. The remaining Councillors (non-executive) then form the scrutiny element, whose role is to challenge the performance of the Cabinet and hold them to account for the decisions taken. Scrutiny Committees can make recommendations and scrutinise the policies, decisions and performance of the Cabinet. The Cabinet, in turn, consults with, and responds to, Scrutiny Committee recommendations.

The underlying principle of Scrutiny arrangements is to ensure that the decision-making process is open, accountable and transparent.

Scrutiny has the following roles:

- Hold the Cabinet to account for the decisions it makes;
- Ensure that the Cabinet and Officers perform effectively and that the Council is delivering what it said it would.
- Listens to the views of the public and make sure the public voice is heard;
- Develops and reviews policy to ensure that it is fit for purpose and provides the best outcomes for the people of Newport.

Scrutiny Committees do not have decision-making powers. In all cases, the role of the Scrutiny Committee is to examine available options or consider how effectively an area is performing and then to make recommendations to the decision making body whether that is the Council; the Cabinet, an Individual Cabinet Member or external partners**.**

Scrutiny Committees are usually conducted in public, and the Committees are live-streamed on the internet. Recordings of the meetings are also available online for the public to access after the event.

The Scrutiny Committee can operate in a number of ways, depending on the issue that they are looking into. The most common approaches are either to consider issues via a report at Committee meetings, or to set up a working group to look at an in-depth issue.

Since the introduction of the Wellbeing of Future Generation Act, Scrutiny has had a statutory role to scrutinise the work of the Public Service Boards. PSB's are accountable to Scrutiny Committees in respect of how they work jointly to improve the economic, social, environmental and cultural well-being of their area by contributing the achievement of the wellbeing goals in accordance with the sustainable development principle.

Under the Act, Scrutiny has the power to:

- Review or scrutinise the decisions made or actions taken by the PSB;

- Reviewing or scrutinise the governance arrangements of the PSB;
- Acting as a consultee on key documents;
- Monitoring progress on the PSBs implementation for the wellbeing plan and assessing the delivery of objectives.

In carrying out these roles, the Scrutiny Committee can require any statutory member of the Board to give evidence, the capacity in which they do so must relate to the exercise of joint functions conferred on them as a statutory member of the board.

How can the public get involved in the Scrutiny Process?

Scrutiny Committee meetings are normally open to the public and the agendas are published one week in advance of the meeting, on the Council's website. Members of the public are usually welcome to attend any Committee meeting to observe proceedings, but Scrutiny meetings have been held virtually since April 2020 in order to meet the social distancing requirements under Covid restrictions. The public have been able to watch the Committees live using a live stream service on the Council's website, or to view recordings of the meetings after the event.

Agendas, reports and minutes of meetings can be found on the Council's website.

Members of the public can suggest items for the Scrutiny Committee to look into by writing, emailing or phoning the Democratic Services Team:

Democratic Services Team
Newport City Council
Civic Centre
Newport
NP20 4UR

Tel: 01633 656656
Email: democratic.services@newport.gov.uk

What is the purpose of this Annual Report?

Each year the Council produces a Scrutiny Annual Report, which is intended to give an overview of the work undertaken by each of the Overview and Scrutiny Committees over the previous 12 months. This report also sets out the planned actions for the next 12 months, summarised in Section 9, within the Action Plan for 2022/23.

This report looks at the work of the Scrutiny Committees from May 2021 to April 2022. The Annual Report is an essential tool for measuring the performance of Scrutiny, evaluating the progress made against previous targets and setting priorities for the coming year.

Key Developments

The current Committee structure was adopted by the Council in May 2017. Since then, the Committees work has been focussed on the Council's scrutiny function relating to the roles below:

Performance Monitoring	Holding the executive to account
Policy Review and Development	Including consultation on decisions before they are made (pre-decision Scrutiny)
Performance of partnerships	in particular the PSB and One Newport (but also NORSE, EAS, SRS, Newport LIVE).
Scrutiny of Corporate Strategies /Plans – Coordination / management	Such as the Corporate Plan, Improvement Objectives. of work programmes - including referrals, policy review groups, recommendations monitoring and setting processes for looking at Corporate issues such as the budget, public engagement, the Corporate Assessment)

Scrutiny's function has made a greater impact by devoting three of the four Committees to performance-based work, becoming more outcomes based and linking to the Cabinet work programme, creating a cohesive approach to improve performance within the Council.

The four Committees;

- Overview and Scrutiny Management Committee
- Performance Scrutiny Committee – People
- Performance Scrutiny Committee - Place and Corporate
- Performance Scrutiny Committee – Partnerships

A training course facilitated by Academi Wales on Constructive Conversations was offered to all Scrutiny Chairs in July 2021, and the Chair of Overview and Scrutiny Management Committee took up the opportunity. The course focussed on the principles of constructive challenge, and the necessary skills to make a difference through questions and suggestions. The four week course aimed to provide attendees with tools and frameworks that supported achieving an effective level challenge, and making progress and impact in committee meetings.

Officers supporting Scrutiny received training from Public Governance Wales during the reporting period. The training focussed on the principles and methodology underpinning strong and effective scrutiny.

Below is a summary of the major developments and achievements this year.

1.1 Performance Scrutiny Committee – Place and Corporate
Performance Scrutiny Committee – People

The Performance Scrutiny Committee for People met seven times during the period, and the Performance Scrutiny Committee for Place and Corporate met on six occasions during this time. During this period, there was a restructure which meant that the structure of the Council changed, however this did not have a material impact on the service areas scrutinised by each Committee.

In June the Committees received end of year updates on Service Plans 2020-21 for each of the Service areas considered under their Terms of Reference, and have used this evidence base to scrutinise performance in a wider context. The Service plans have included financial information, links with corporate goals, Wellbeing goals and work towards goals set externally to the Council. These end of year updates also included details on how the Council have adapted and responded to the challenges faced by services and communities due to the pandemic. The Committees reflected on the response to the crisis, and also scrutinised the Council's Covid Recovery Aims that aim to ensure an effective response to the immediate and future needs of Newport's communities and businesses. The Committees thanked Officers for their work towards achieving the objectives, and for producing the comprehensive updates. A number of recommendations were made to Cabinet commending the quality of the updates, and to promote key achievements within Newport so that residents had an update on how the Council had taken actions to provide support during and subsequently to the pandemic. Committees also requested that information sharing seminars on a number of topics across the service areas were organised for all elected members in future to help with information sharing, for example, the Local Energy Plan.

Following on, in November 2021 the Committees considered mid-year updates on progress against objectives set for 2021-22 as part of the performance review cycle. The Committees reflected on the information regarding progress and challenges set out in the reports, and questioned officers during committees to draw out further information and context. The Committees requested further all-member seminar sessions on topics relevant to the updates, for example, the Burns Report. The People Committee also requested a visit to some of the key projects being delivered in Newport, such as Windmill Farm.

Outside of the cycle of performance review, the People Committee also scrutinised a report on In-House Residential Care and the Director of Social Services Annual Report. The Committee reviewed the current and planned developments in Children's Residential Care aimed at increasing the local provision available for looked after children, and the progress against the service area's objectives. The Committee were satisfied with progress made, and the model of provision that the Council was endeavouring to deliver.

The Director of Social Services presented the annual report concerning the delivery, performance, risks and planned improvements of the Social Services function in the Council. The Committee were asked to consider the report and their comments were added to the covering report when considered firstly by Cabinet, then Council. The Committee noted the report and requested some further statistics as a follow up to support the contextualisation of the report.

Staff Support during Covid-19
The Committee for Place and Corporate also considered reports setting out Staff Support during Covid-19 and an update on the Council's Economic Recovery Strategy. The report outlined the situation prior to the first lockdown of March 2020 and the subsequent actions taken by the Council, focussing specifically on the Health and Safety measures and support for employee well-being and communications. The Committee considered the actions taken to mitigate against staff welfare issues and consider if there were any further opportunities to support the workforce. The Committee Members were satisfied with the support provided to staff throughout the Covid-19 pandemic set out in the report.

Economic Recovery Strategy
The Council considered the Economic Recovery Strategy and presentation on the progress against the key objectives of the plan supporting Newport businesses and investment. The Committee noted the commitment and resilience shown by Officers and the wider Council during the challenging period and subsequent issues caused by the pandemic. The Committee made recommendations to Cabinet that the effective relationships and communication developed with local businesses and other parts of the community continue to be developed.

Both of these Committees also considered Draft Budget proposals relevant to their respective service areas as part of the Council's budget setting consultation process. The Committee's assessments of the proposals and considerations in taking the decisions were shared with Cabinet. The Committee's feedback on the budget process and public engagement were shared with Overview and Scrutiny Management Committee.

2.2 Overview and Management Scrutiny

The Committee convened on eight occasions during this period.

New Normal
The Committee considered the potential opportunities, disadvantages and considerations with regard to potential changes to the Council's operating model under the Council's New Normal strategy. The Committee helped to shape the approach to staff welfare, and recommended that residents can continue to access the services they need in the most appropriate way. Members explored the barriers and opportunities these changes posed in terms of active travel, using available technology, and potential outcomes regarding the Council's estate.

Annual Safeguarding Report
The Committee considered the Annual Safeguarding Report, which retrospectively summarised the challenges faced during and post-lockdowns, which had impacted on all service areas. The Committee noted the consistent increase of referrals to the Safeguarding team, and explored the Council's capacity to respond to these complex issues effectively, considering structure, resource and capacity.

Annual Information Risk Report 2021/ Annual Digital Report 2020-21
The Committee appraised the Annual Information Risk Report 2021 as part of the Council's best practice approach to information management and security, The report provided the Committee with an overview of arrangements in place and highlighted the importance of information governance. The Committee sought further information and clarification through their line of questioning, and were satisfied with the comprehensive responses received. In the same meeting, the Committee went on to evaluate the Annual Digital Report 2020-21 which had some similarities in content to the Information Risk Report, due to the interwoven nature of the work in these areas. The Committee noted the key role that technology played in the Council's response to the pandemic during this period, and how this had been supported through Digital Services. The Committee noted this achievement and asked questions concerning the future development of technology and digital services for staff and residents, and the funding arrangements underpinning this.

Public Spaces Protection Orders
In July 2021, the Committee considered two papers concerning Public Spaces Protection Orders (PSPO). Firstly, the Committee helped to shape the consultation and engagement for the Public Spaces Protection (dog control) Order 2021, which sought to improve the local community's quality of life and public health through new restrictions on how people may use specified areas. This order covered issues such as the control of dogs on public sites including dog fouling, keeping dogs on leads and excluding dogs from specified zones or sites. Secondly, the Committee considered the extension of the City Centre PSPO, and again made recommendations concerning the public consultation, as well as the terms of the PSPO itself.

Later in the reporting period, the Committee considered and reviewed the outcome of the consultation for both PSPO's following completion, and approved the Orders to be considered at Full Council.

Corporate Annual Report and Director of Social Services Report
The Committee were presented with the 4th Corporate Annual Progress Report 2020-21 on the Council's progress against the Corporate Plan 2017-22, alongside the annual reports from the Director of Social Services. The reports reflected on the previous year, assessing the progress and improvements made, and the plans for development in the remainder of the term. Whilst detailed performance updates for each of the service areas were considered by Performance Scrutiny Committees in earlier meetings, the Corporate Annual Report summarised the Council's overall delivery against service plans and statutory requirements for the Committee's consideration. It was noted that there had been some significant changes in national and local measures during this time due to the wide-reaching impacts of the pandemic, and these had been considered in detail in the Performance Scrutiny Committees, before the over-arching report was brought to Overview and Scrutiny Committee. The Committee deliberated the context and challenges contained in the reports through their lines of questioning, and thanked officers for their efforts during the challenge period

Climate Change Strategy
The Committee were presented with a draft report on Climate Change Strategy, and were asked for their comments and recommendations prior to a period of consultation with residents. The Committee made recommendations concerning the methods of consultation, and commented on the draft strategy. The Committee requested further information regarding statistics and costs, and recommended that the report include more Welsh language content prior to moving to Full Council.

Welsh 5 Year Strategy
The Committee were presented with the Council's five-year strategy setting out how the Council will promote and facilitate the use of Welsh for staff and residents. The Committee were asked to consider whether the Strategy reflects the Council's ongoing commitment to the Welsh language effectively.

2022/23 Budget and Medium Term Financial Plan (MTFP)
In accordance with the Council's Constitution, the Committee was engaged as part of the consultation process Cabinet is required to conduct regarding the proposals, before recommending an overall budget and required council tax to the Council for approval. The

Committee was asked to consider the process undertaken for the draft budget proposals, the public engagement undertaken and to make any comments on the budget process or the public engagement to the Cabinet. The Committee were also asked to endorse the comments made by the Performance Scrutiny Committees to be forwarded to the Cabinet. The Committee asked questions regarding the report content, the process of consultation and the recommendations from the Scrutiny Committees.

The Committee noted that receiving consultation data sooner would enable them to be more constructive in their recommendations and comments, however, the Committee noted the challenges in the budget setting timetable, particularly as the budget draft settlement had been received later than usual in this year. The Committee submitted their comments and recommendations as part of the consultation process.

2.3 Performance Scrutiny Committee- Partnerships

The Committee met on eight occasions during this period to scrutinise performance of Partnerships

Regional Public Services Board
The Committee considered the arrangements for the formation of the Regional Public Services Board (PSB), and what this could entail for the Council as a result. The report took Members through the formation of the Regional Gwent Services Board and the Regional Public Services Board in every area in Newport, such as One Newport which was established by the Wellbeing Future Generations Act. The Members line of questioning explored the administration and terms of the arrangement, and the opportunities and challenges that the Regional PSB offers. The Committee raised a number of queries that they wished to be part of the considerations; they recognised that the Board arrangements were still being developed, and requested to be kept appraised of progress.

Public Services Board Well-being Plan Annual Report 2020-21
The Committee considered the Wellbeing Plan Annual Report presented by the Public Services Board (PSB), and submitted their comments to be shared with the PSB. Partners were invited to be part of the meeting and updated the Committee on progress made against the four Wellbeing objectives of the plan. The Committee welcomed the detailed update, and the responses to their queries. The Committee felt that the report and update reflected the strength of the partnership arrangements, both in the significant achievements made, but also in the transparency around the issues and challenges being addressed.

Norse Joint Venture Partnership
In November 2021, the Council's partnership with Norse was scrutinised by the Committee. The Committee considered the comprehensive report shared, and considered the content and partnership arrangements through their line of questioning. Following up on the content of the Committee explored the performance and financial performance through their queries with the officers present. Members noted the value of the opportunity to appraise the partnership, and recommended that the performance update come to the Committee on an annual basis.

Education Assessment Service – Value for Money 2021-22 / Education Achievement Service Business Plan 2022-25

The Committee also considered the externally commissioned Education Achievement Service (EAS) Regional Value for Money (VfM) report 2020-21 and presentation. The Committee appraised the progress being made since the previous report update, and how well the consortium was working together to deliver value for money. The Committee were satisfied with the report, and shared their summary comments to the Cabinet Member and the EAS.

Later in the reporting cycle, the Committee scrutinised the EAS Business Plan 2022-25 as part of the wider consultation process. The Committee considered the updated plan, and made recommendations to Cabinet that commended the clarity of the information set out in the report.

Shared Resource Services (SRS) Update
In December 2021, the Scrutiny Committee considered an update report on the Shared Resource Service's arrangements for IT service delivery. The SRS has provided a number of updates to Scrutiny since Newport City Council joined the partnership in April 2017, but due to the impact of the Covid-19 pandemic and the development of a new work programme there had been a delay in returning to Committee to following up on previous recommendations. The Committee assessed the update upon the SRS's progress to date, particularly focussing on the information regarding delivering the Investment Objectives. The Members noted the content of the report and reflected on the challenges posed by the pandemic, which had been overcome through the deployment of additional IT kit and functionality to officers and schools. The Committee noted the progress made and put forward a number of comments to the SRS and officers.

Unaccompanied Asylum Seeking Children
Committee Members were appraised on the contribution of Newport City Council in supporting Unaccompanied Asylum Seeking Children (UASC) entering care, following being dispersed in line with the National Transfer Scheme (NTS). Members considered the information set out in the report, and followed this up with their line of questioning to understand the collaborative approach to this complex issue. The Committee presented some recommendations, and requested an annual update on this topic to include further cases studies and where there had been positive outcomes for the children supported through the Council's services.

Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV)
Officers presented an update on Gwent Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV) strategy 2018 – 2023, which was approved by each of the Gwent Public Services Boards in 2018. prior to publication in May 2018. The report described the progress made against the six strategic priorities of the Strategy in 2020/21. The Committee considered the report and the progress of the key strategic priority work plans for VAWDASV within the corporate arrangements for the whole Council. The Committee noted the positive work of the partnership and committed to member training, and promoting awareness of programmes and support available within their communities. The Committee recommended developing the partnership further in Newport with additional organisations, and requested anonymised and redacted case studies be included in future reports where appropriate.

Gwent Local Assessment of Wellbeing Consultation
The Committee scrutinised the consultation draft concerning the Assessment and submitted their comments to the Public Services Board for consideration. The Wellbeing of Future Generations (Wales) Act 2015 statutory guidance 'Shared Purpose – Shared Future' sets out a requirement for each Public Services Board (PSB) to prepare and publish an assessment of the state of economic, social, environmental and cultural well-being in its area no later than a year before it publishes its local well-being plan. Following establishment of the Gwent PSB the first Gwent Well-Being Assessment was scheduled to be published by 5th May 2022, and this was an opportunity for the Committee to discuss the draft and comment on the consultation process. The Committee noted the work that had produced the draft consultation, and requested that they would be appraised of progress and provided with additional data in further updates.

One Newport Wellbeing Plan 2021-22 Q2 Performance
In February 2021, partners such including Anuerin Bevan Health Board, Natural Resources Wales and GAVO presented Scrutiny with an update on the progress made against the key steps of the five objectives set out in the well-being plan as agreed by the partners. The update reflected the collaborative work that was carried out through the partnership arrangements rather than in individual agencies or organisations. The Committee noted the performance updates, and thanked the partners for attending to provide updates and answer queries. The Committee requested further information on developments and initiatives and suggested further opportunities to progress towards the intended outcomes set out in the plan.

Newport Barnardo's Strategic Partnership
Social Services and Barnardo's updated the Committee on the longstanding partnership between the organisations. Members were asked to review the work of the Barnardo's Partnership in providing effective family support services for children and families in Newport, and to consider for proposals for continued work and developments in 2022/23. The Committee praised the partnership for the detailed presentation and report, and the regional recognition of the collaborative approach. Members endorsed the aim to increase accessibility of services in all communities and requested further information regarding some of the challenges faced by residents.

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9. Actions 2021-22 Update

Ref	Proposal for Improvement	Intended Outcome	Status	Update
1	Develop a structured programme for member training and development to improve members' scrutiny skills and improve their understanding of their scrutiny role as part of the induction programme for new members following the May 2022 local elections.	Members understanding of their Overview and Scrutiny Role increases	Completed	A full induction curriculum has been developed to support Members induction for the first 12 months following local elections in May 2022. This includes training for Scrutiny Committee Members and Chairs.
2	Providing further training for scrutiny members on the new socio-economic duty under the Equality Act to improve their understanding and consideration of the duty when undertaking scrutiny activity. Develop revised report templates for scrutiny, to include specific reference to the socio-economic duty.	The principles of the socio-economic duty are more familiar to members and those are applied during scrutiny processes	Completed	Training on the socio-economic duties under the Equality Act was presented to Members in 2021, and training on the Equality Act is part of the planned induction curriculum for rollout post-local elections. Revised report templates were rolled out in May 2021
3	Effectively holding Cabinet members to account for service performance when invited to scrutiny meetings.	Ensure that the Council has arrangements to enable scrutiny to hold Cabinet members to account more effectively and ensure Cabinet Members are equipped and prepared to be held accountable for the roles they hold.	Completed	During this period Cabinet Members attended Performance Scrutiny Committees as part of the reporting cycle and responding to questions from Committee Members on agenda items. Performance Scrutiny. This has supported accountability for service delivery through the performance management and service planning process.

4	Reviewing the role of Scrutiny Committees in the light of the new corporate performance self-assessment process, the arrangements for regional PSB's and the development of CJC's	Ensure that the Scrutiny arrangements meet the requirements of the Local Government & Elections (Wales) Act 2021 and continue to operate effectively in the light of the legislative changes.	Ongoing	In March 2022, Governance and Audit Committee recommended integrating the self-assessment into the Council's annual Corporate Well-being Report (Annual Report) to assess the overall performance and governance of the organisation. The Council will also update its Planning, Performance and Risk Management Framework and its supporting Planning and Performance Policy to incorporate the new requirements of the legislation. The revised framework and policies will be presented in 2022/23. Discussions at the Gwent wide leadership group 'G10' and at each PSB about the merger of the Gwent PSBs to form a single regional PSB took place during this time, however, no decision was made to agree the proposal during the period. Discussions with Partnerships Scrutiny will be ongoing and continue, to ensure the development of effective local Scrutiny for Newport partnership arrangements. This will include a range of work including community safety and the ongoing monitoring of the current Well-being Plan.
5	Develop and publish a Public Engagement Strategy to ensure arrangements are put in place to support public involvement and	Ensure that the Scrutiny arrangements meet the requirements of the Local Government & Elections	Completed	A Participation Strategy was developed through Democratic Services Committee and in consultation with residents. The Strategy was adopted by Full Council in May 2022.

	participation. To include: - Utilising social media to promote Committee work. - Encourage public participation and involvement. - Improving the public's engagement with the scrutiny function by using a wider range of engagement methods	(Wales) Act 2021 in terms of public engagement and participation.		The key objectives in the strategy aim to; • Promote awareness of the functions the council carries out to local residents, businesses and visitors. • Share information about how to go about becoming an elected Member, or Councillor, and what the role of Councillor involves. • Provide greater access to information about decisions that have been made, or that will be made by the council. • Provide and promote opportunities for residents to provide feedback to the council, including comments, complaints and other types of representations. Promote awareness of the benefits of using social media to communicate with residents to Councillors.

9. Actions 2022-2023

Ref	Proposal for Improvement	Intended Outcome	Completion Date	Responsible Officer
1	Review membership of committees, including Chairs, following local elections in May 2022	The scrutiny structure will meet legislative requirements and reflect the proportionality of political groups elected to Council, as per the Council's Constitution.	May 2022	Democratic and Electoral Services Manager and elected members
2	Deliver a structured programme for member training and development to improve members' scrutiny skills and improve their understanding of their scrutiny role as part of the induction programme for new members following the May 2022 local elections.	Members understanding of their Overview and Scrutiny Role increases	May 2023	Democratic and Electoral Services Manager
3	Reviewing the role of Scrutiny Committees in the light of the new corporate performance self-assessment process, the arrangements for regional PSB's.	Ensure that the Scrutiny arrangements meet the requirements of the Local Government & Elections (Wales) Act 2021 and continue to operate effectively in the light of the legislative changes.	March 2023	Democratic and Electoral Services Manager and Scrutiny Advisors
4	The end to end Scrutiny process of support for Scrutiny will be reviewed in collaboration with Officers and Chairs as part of the continuous improvement cycle.	Opportunities to strengthen scrutiny arrangements will be identified and implemented	May 2023	Democratic and Electoral Services Manager, Scrutiny Chairs, Scrutiny Advisers and Senior Leadership Team

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