

MINUTES OF A MEETING OF THE CABINET HELD HYBRID IN THE COUNCIL CHAMBER CIVIC OFFICES, ANGEL STREET, BRIDGEND, CF31 4WB / REMOTELY VIA MICROSOFT TEAMS ON WEDNESDAY, 22 FEBRUARY 2023 AT 14:30

Present

Councillor HJ David – Chairperson

JC Spanswick
HM Williams

N Farr
JPD Blundell

W R Goode

J Gebbie

Officers:

Alex Rawlin	Corporate Policy & Public Affairs Manager
Carys Lord	Chief Officer - Finance, Performance & Change
Claire Marchant	Corporate Director Social Services and Wellbeing
Janine Nightingale	Corporate Director - Communities
Kelly Watson	Chief Officer Legal, HR and Regulatory Services
Julie Ellams	Democratic Services Officer - Committees
Mark Shephard	Chief Executive
Mark Galvin	Senior Democratic Services Officer - Committees
Lindsay Harvey	Corporate Director Education and Family Support

139. DECLARATIONS OF INTEREST

Councillor JP Blundell declared a personal interest in the Capital Strategy report, as he had an interest in one of the items mentioned therein.

140. APPROVAL OF MINUTES

RESOLVED:

That the Minutes of a meeting of the Cabinet dated 17 January 2023, be approved as a true and accurate record.

141. CORPORATE PLAN 2023-28

The Chief Executive presented a report, the purpose of which, was to provide an update on the Council's Corporate Plan and seek endorsement from Cabinet for the Corporate Plan 2023-28, attached at Appendix 1 to the report, prior to submission to Council for approval on 1 March 2023.

He explained that the Council's Medium Term Financial Strategy (MTFS) 2023-2027 is being presented to Council for approval on 1 March 2023 alongside the updated Corporate Plan 2023-28. The two documents are aligned to each other, enabling the reader to make explicit links between the Council's well-being objectives and the resources directed to support them.

The Wellbeing of Future Generations (Wales) Act 2015 ("the Act") states that public bodies, including local authorities, must work to improve the economic, social, environmental and cultural well-being of Wales, with certain actions needing to be taken in order to achieve this.

Paragraph 3.3 of the report confirmed that there are 7 wellbeing goals for Wales, set out in the above Act and the Council were required to demonstrate its contribution to each of these goals. These wellbeing goals were listed in the report.

The Chief Executive confirmed that the Corporate Plan was the Council's main vehicle for demonstrating and communicating the priorities to local people and businesses. It was also an important part of the assurance framework for its regulators. Audit Wales intend to test approaches to developing the Corporate Plan (especially the well-being objectives) across Wales over the next 6 months, hence the importance of the Plan.

Research and early engagement feedback undertaken, had combined a set of draft principles and wellbeing objectives, which formed part of the annual budget consultation and the staff survey, and these were discussed with Cabinet Members, and political groups.

These principles and wellbeing objectives had been brought together in the draft Corporate Plan attached at Appendix 1 to the report.

The Chief Executive advised, that the draft Corporate Plan, was brief and accessible with simple language, wide use of infographics (although these will be developed by the designers following Council approval) and a focus on principles / ways of working as well as the well-being objectives. There is a focus throughout the report on the financial situation and need for change, putting residents first and improving responsiveness and communications as well as personal / community responsibility alongside Council services. In short, the Plan was better laid out; concise yet informative and was therefore easier to read and take in, than had been previous versions.

Detail of the objectives and performance indicators (or key results) arising from the Corporate Plan, would form part of the Corporate Plan Delivery Plan, to be developed alongside the Corporate Overview and Scrutiny Committee in March and April 2023.

The Chief Executive stated that since initial engagement with the Corporate Overview and Scrutiny Committee, significant changes have been made to the Corporate Plan to reflect the Committee's views, and the views of staff and residents. These were detailed in paragraph 4.6 of the report.

Cabinet Members in turn commended the Corporate Plan, particularly in respect of the engagement on the provisions of the Plan with the young people in Bridgend, introducing classes such as Women's self-defence training, supporting unpaid Carers, publicising our public rights of way to promote exercise for health and wellbeing reasons, advocating climate change, improving children's play areas and looking to invest further in recycling. The also supported the engagement that had taken place with key stakeholders and residents within the Bridgend County Borough.

The Leader thanked partners of the Council for contributing to and shaping the Plan, including Members through the Authorities Overview and Scrutiny process.

The Chief Executive added, that a Delivery Plan would be presented to the Council's Overview and Scrutiny Committee, with the aim of monitoring and measuring the outcomes and objectives of the Corporate Plan's Action Plan

RESOLVED:

That Cabinet endorsed the Corporate Plan 2023-28 attached at Appendix 1 to the report and recommended it to Council for approval on 1 March 2023.

142. **MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2023-24 TO 2026-27**

The Chief Officer – Finance, Performance and Change submitted a report, in order to present to Cabinet the Medium Term Financial Strategy for the period 2023-24 to 2026-27. This included:

- A financial forecast for 2023 to 2027;
- A detailed revenue budget for the coming financial year; and
- the capital programme for the period 2022-2023 to 2032 – 2033

The Corporate Plan and Medium Term Financial Strategy identify the Council's service and resource priorities for the next four financial years, with particular focus on 2023-2024.

The MTFS outlined the principles and detailed assumptions which drive the Council's budget and spending decisions, it outlines the financial context within which the council is operating and attempts to mitigate any financial risks and pressures going forward whilst at the same time taking advantage of any opportunities arising.

The strategy focuses on how the council intends to respond to the increasing pressures on public sector services, which were exacerbated during the COVID-19 pandemic, and immediately following that, by the current cost of living crisis. It sets out the approaches and principles the council will follow to ensure it remains financially sustainable and delivers on the corporate well-being objectives

The Chief Officer – Finance, Performance and Change quarterly reports to Cabinet during this financial year on the projected revenue position for 2022/2023, outlined in detail the impact on the budget of the additional cost pressures faced by the Council throughout the year as a result of the worsening economic climate, rising inflation and interest rates. These have been reflected in rising prices, higher than anticipated pay increases and significant tender price increases for goods and services.

The final financial settlement for local government in Wales was not due to be announced until the end of this month. As a result, this budget is being proposed on the basis of the provisional settlement received in December 2022. Whilst we do not anticipate any significant change in funding between the provisional and final settlement, any changes will be reported back to Council at a later date.

The budget had been prepared following consultation with elected members, the school budget forum and service managers. Subject to the risks identified, the MTFS provided a firm basis for managing the Council's resources for the financial year 2023 / 2024 and beyond.

Annex 3 of the report contained the detailed Medium Term Financial Strategy.

Section one of the MTFS included a financial overview of the Council. The Chief Officer – Finance, Performance and Change, confirmed that Members will be aware that the Council has had to make budget reductions in previous years and Chart 1 in this part of the report, indicated that budget reductions of £73 million have been found since 2010 – 2011. These represented almost 23% of the Council's net budget in the current year.

The Council received the majority of its revenue funding from Welsh Government through the revenue support grant and a share of the non- domestic rates. It was important to note that Council tax will account for only 27% of the income received by the Council in the coming financial year.

For 2023 -2024, even more cost pressures were presenting themselves going forward than has been experienced in previous years and there are fewer opportunities to cut services in a climate that required more support for our older and more vulnerable members of society with substantial increase in demand being experienced for many services. In addition, there are higher expectations on the council to address homelessness more robustly and on a longer-term sustainable basis and more pressure to strengthen and support social care, which is experiencing increased demand and costs as well as more complex cases in both adults and children services

In section two of the MTFS further context is provided, detailing both financial and non-financial information which has shaped the financial position for the council. In real terms Welsh Government funding has fallen year on year since 2012-2013 with an increasing element of the budget having to be funded by the council tax.

As in previous years further efforts have been made to secure greater involvement of stakeholders in the development of this strategy and the corporate plan. This has included:

- A 5 week consultation with residents of Bridgend which was undertaken. The emphasis of this was to seek views on the priority areas for residents, in order to enable the Council to review and prioritise the budget. The outcome of this consultation process was detailed in Table 5 in the MTFS.
- Cabinet and corporate management board have been working with the Budget Research and Evaluation Panel (BREP) over the last six months to facilitate the budget planning process.
- The draft budget report approved by Cabinet in January 2023, had subsequently been scrutinised by the Council's overview and scrutiny committees resulting in a number of recommendations being made. Cabinet has considered these, which included recommendations from the Budget Research and Evaluation Panel, and a response to these was provided in Appendix A to the Medium Term Financial Strategy

The responses received from the public consultation and from discussions with, and recommendations from, BREP and Overview and Scrutiny, have been considered and the proposed budget is based on the comments and responses received.

In considering the financial position the following principles now underpin the final budget for the coming financial year :

- The Council will seek to protect the most vulnerable people in our communities;
- The Council will seek to limit service growth in the coming financial year;
- All budgets across the Council should be reviewed to identify savings for the coming year;
- Where possible back office services will be prioritised for service reductions;
- The Council should consider whether schools are able to contribute to the overall savings required in the coming year; and
- In setting the budget for 2023-2024 consideration needs to be given to the anticipated budget pressures in the following financial years

Taking into account the above, the proposed budget :

- Provides additional funding to support the most vulnerable in the BCBC areas by increasing funding to support social care and increasing funding to support the homeless;
- reduces the level of service reductions required in the coming year by £600,000

- reduces the proposed Council Tax increase from 6% to 4.9% in recognition of the impact of any rise on the residents of the County Borough.

In proposing this, schools have been tasked with finding budget reductions totalling 2% of their budget, to be found as far as possible from efficiency savings, in order to help balance the Council's budget. It should be noted that the council will fully fund the pay and price increases that schools will meet in the coming year and this would significantly outweigh this budget reduction. The risk on pay and prices will therefore rest with the Council during the coming year.

Details of the budgets for individual services were given in section 2.4 of the MTFS, while in section three of the MTFS, the current financial situation was outlined for Cabinet.

With regards to the provisional local government settlement the headline figure was an overall increase of 7.9% across Wales. The spread of the increase across Wales ranged from 6.5% to 9.3% and, for Bridgend, there was an increase of 7.7% for the coming financial year.

The settlement includes funding to enable local authorities to continue to meet the additional costs of paying the Real Living Wage to social care workers. Funding for free school meals during school holidays has ended, but there are allocations for the next two financial years to support the increased entitlement to free school meals for all primary age pupils.

The MTFS also models the financial position for the authority for the next four years, based on the latest information available from Welsh government. Welsh government has provided a provisional settlement for the coming financial year and then an indicative increase for the following financial year of 3.1%.

The Chief Officer – Finance, Performance and Change confirmed that the financial forecast for 2023 to 2027 was predicated on assumptions regarding demographic projections, inflationary uplift, the impact of new legislation and policies and increased staffing costs. In developing these estimates, the MTFS contains assumptions with regards to possible council tax increases going forward. Due to the pressures already outlined, it is proposed to increase council tax by 4.9% in 2023-2024. This is significantly below the current inflation rate in order to be able to support the citizens of Bridgend to deal with the rising cost of living, such as increased energy and food bills, other inflationary increases and mortgage interest rises. For planning purposes it has been assumed that the council tax will increase by 4.5% in 2024 – 2025 to 2026 - 2027. These figures are for planning purposes only and will be reviewed each time the Medium Term Financial Strategy is updated.

Together with the indicative funding from Welsh Government, it is estimated that there will be a net budget requirement of £17 million to be met over this period. These scenarios were detailed at Table 7 within the MTFS

Section 4 of the MTFS outlined in more detail the budget position for 2023/2024. The net budget requirement for next year is detailed at Table 10 of this report which shows a net budget of £342m.

In summary the key points to note include :

Financial pressures of over £25m are funded for the coming year, which include:

- £14m to meet pay and price inflation

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- £2.4m to fund the increase in the RLW for social care workers
- £8.6m of inescapable service cost pressures which included :
 - o Increased funding to meet additional pressures in adult social Services, including an increase for services and support for older people;
 - o Increased demand for mental health and learning disability services due to the long-term impact of the Covid-19 pandemic;
 - o Additional capacity to support children services to ensure the service can meet the requirements to safeguard children;
 - o Increased costs of commissioned services in the social care sector;
 - o Increasing numbers of households and individuals presenting as homeless.

Inevitably additional pressures will arise during the year as a result of new legislative changes or unanticipated events. A provisional allocation of £1.3m has been set aside for these, whilst further work is undertaken. Funding will be allocated in-year subject to business case approval where necessary.

Since the draft budget proposals were considered by Cabinet and Scrutiny Committees in January, the changes in the pressures have been :

- Increased allocation to meet possible pay increases ;
- Increased allocation to meet non pay prices increases ; and
- An increase to the Council wide allocation to meet emerging pressures

The Chief Officer – Finance, Performance and Change advised that it should be noted, that it has not been possible to fund all of the pressures identified by services for the coming year in balancing this budget. Of the £20m identified, only £11m were funded in the proposed budget.

Members can find further details regarding the cost pressures in Appendix C of the MTFS.

In order to balance the budget, reductions have been identified which total £2.6m. Members can find these detailed in Appendix D of the MTFS. These have been changed since the proposals were considered by Cabinet and Overview and Scrutiny Committees in January, with the savings required to be met, having been reduced by £648,000.

Members were aware that South Wales Fire and Rescue authority is funded by raising a levy on its constituent councils, based on population. Within the MTFS reference to is made to this at paragraph 4.1.21 of the report. The levy payable for the coming financial year was £8.5m. This is an increase of £698,000 or 9.25% above the 2022 – 2023 figure.

The Council raised income via fees and charges and these are reviewed on an annual basis. New charges or charges that have been included in the 2023-24 budget and are above the general increase, were shown in Appendix E to the report.

As well as the Revenue budget, the MTFS also dealt with the proposed Capital Programme for the period 2022-23 to 2032 - 2033. This 10 year programme has been revised during this financial year to bring it up to date and to take into account new capital schemes as they have been developed.

Within the Welsh Government provisional settlement for the coming financial year, £8.008 million was being made available to support capital expenditure.

Due to the limited capital finances available, the Chief Officer – Finance, Performance and Change confirmed that services have not been asked to submit bids for funding at this stage, although it was recognised there are a number of capital pressures that will need financing going forward, including regeneration, decarbonisation, homelessness and digitalisation. In addition, there are also financial pressures arising as a result of the impact of the war in Ukraine and cost of living crisis, which are being seen in existing tender prices and will continue to do so for some time going forward, placing pressure on the Capital Programme overall.

The Capital Programme contained a number of annual allocations that are met from the total general capital funding for the Council. The proposed allocation of these for 2023 – 2024, were shown at table 13 of the report.

Within today's report, some changes were proposed to the current Capital Programme including new schemes to be funded, such as highways refurbishment, children's playground refurbishment and an ICT data centre. The report also outlined some proposed amendments to existing schemes within the programme, as well as including newly approved grant funded schemes.

Any further new proposals for capital funding would be considered in light of, and in line with, the proposed Capital Strategy for the period to 2032 - 2033 and will be brought back to Council for approval at a later date.

The revised Capital Programme was shown at Appendix G of the report.

An overview of the Council's reserves was undertaken at the end of December 2022 in accordance with the Council's reserves and balances protocol. A breakdown of the movement on the reserves at that time was at Appendix H of the report. Further movements are already anticipated in the final quarter of this financial year and these were shown at 4.3.2 of the MTFS document.

In line with the reserves protocol, a further review will be undertaken at the end of the current financial year and transfers will be made at this point taking account of the overall financial position of the Council, including the final outturn, actual accrued council tax income, earmarked reserve levels, the Council Fund level and any new pressures or risks that need to be provided for.

With regards to Council Tax, the proposed budget of £342.047m shown in table 10 of the Medium Term Financial Strategy, can be balanced with an increase in the council tax of 4.9% for 2023 -2024. This increase is lower than the rate of inflation but is required to enable the Council to meet the significant and unprecedented budget pressures that it is facing including higher than anticipated pay, price and service pressures. It does take into account the better than anticipated settlement, but is mindful of the ongoing pressures still facing the Authority.

The Chief Officer – Finance, Performance and Change concluded her submission, by stating that the final section of the MTFS, provided information on the Council's longer term financial outlook. This was not intended to be a 10 year Budget Strategy due to the number of variables that impact on BCBC's financial position. However, it did provide financial framework to reference against when preparing both annual and longer term financial plans.

The Cabinet Member – Resources commended the MTFS proposals and extended his thanks to the Chief Officer – Finance, Performance and Change and her Finance Officers for all the hard work they had committed, in order to provide a balanced budget. This had been in the face of years of ongoing financial restraints brought on by Brexit,

Covid and the Cost of Living crisis, amongst others. This in itself came with an expediential increase in inflation of 10%. He added that, the Council Tax Reduction Scheme was available to residents on low income if they found that they were having difficulty in paying their Council Tax bills. He further added that the MTFS had carefully been put together for the last 12 months during which time, the Council had lobbied Welsh Government for increased funding at every opportunity. The Council had also looked at best practices in other Authorities he added.

The Leader commended the input from residents on the budget during the consultation period. He pointed out the pressures the Council faced from pay and inflation growth that were unavoidable as they were set nationally and had to be met. He acknowledged the cross-party contributions that had been made, through the likes of Overview and Scrutiny Committees and BREP, including Cabinet having taken on board some of the recommendations of the Corporate Overview and Scrutiny Committee. Unfortunately, it had not been possible to accommodate all of these recommendations he added, as this would have resulted in the budget not remaining balanced. No less than £68m had been allocated to the Council's School Modernisation Programme as well as £2.4m in order to deliver the Real Living Wage for our carers, to protect recruitment and retention of staff in these very important jobs.

The Deputy Leader acknowledged the financial support given to Social Services, something that had been highlighted by residents, ie continued essential support for older residents. She added that the budget needed to be considered when bearing in mind the cuts local authorities had continued facing since 2012, which was some considerable time ago. She assured that any further support that could be provided for schools, would be carefully looked at through any funding opportunities and/or the Council's Capital Programme.

Other Cabinet Members in turn, commended support in the budget to the following key service areas:-

- Waste enforcement;
- Highway resurfacing
- Improving play areas
- Net Zero Carbon agenda
- Regeneration opportunities
- RNLI
- Support for the homeless
- Libraries
- Leisure Centres (promoting health and wellbeing)
- Increased housing
- School improvements

RESOLVED:

That Cabinet approved the MTFS 2023-24 to 2026-27, including the 2023-24 revenue budget and the Capital Programme 2022-23 to 2032-33 and recommended these to Council for adoption. It also approved that the following specific elements be forwarded to Council for approval:

- The MTFS 2023-24 to 2026-27 (Annex 3 of the report).
- The Net Budget Requirement of £342,047,227 in 2023-24.
- A Band D Council Tax for Bridgend County Borough Council of £1,675.26 for 2023-24 (Table 15 of the MTFS).

- The 2023-24 budgets as allocated in accordance with Table 10 in paragraph 4.1.3 of the MTFS.
- The Capital Programme 2022-23 to 2032-33, attached at Appendix G of the MTFS.

143. **CAPITAL STRATEGY 2023-24 ONWARDS**

The Chief Officer – Finance, Performance and Change presented a report, that presented Cabinet with the Treasury Management Strategy 2023-24 (at Appendix A of the report), which included the Prudential Indicators, and the Annual Minimum Revenue Provision Statement 2023-24 (Section 7 of Appendix A), before submitting to Council for approval.

By way of background, she confirmed that local authorities are required to determine a Capital Strategy which demonstrates 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 when making these decisions.

The Strategy sets out the Council's plan for capital expenditure, and how that is to be funded, over the coming 10 years. In developing long term investment decisions, it is crucial that decisions are based on clear information, including a long term plan of management plans. Where capital investment is needed to deliver the council's priorities, the Strategy is the framework that the Council can rely on to develop a clear, consistent and informed process in undertaking capital investment decisions.

The document is an integral part of the Council's budget and policy framework and linked with the Corporate Plan, Treasury Management Strategy, the Medium Term Financial Strategy and the Council's Asset Management Plan

There were 13 principles which drive the budget and spending decisions of this Council, three of which refer specifically to the Capital Programme.

These were :

- capital investment decisions are in alignment with the council's capital strategy and mitigate any statutory risks taking account of return on investment and sound options appraisals;
- prudential borrowing is only used to support the capital programme where it is affordable and sustainable within the councils overall borrowing limits and the revenue budget over the long term;
- decisions on the treatment of surplus assets are based on an assessment of the potential contribution to the revenue budget and the capital programme.

The Capital Strategy was also based on the following principles, added the Chief Officer – Finance, Performance and Change :

- capital investment is focused on the delivery of the Councils well being objectives and priorities.
- ensure strong governance over decision making.
- ensure capital plans are affordable, sustainable and prudent
- maximise and promote the best use of available funds.

The Plan detailed how any proposed investments in land and buildings will require the completion of a full feasibility study to evaluate the practicality of the capital project, and to assess its deliverability before the Council invests time and money into that project.

The Strategy noted that there are a number of significant areas that will need financing going forward, including economic recovery, decarbonisation and homelessness, digitalisation and coastal defences. As reported to Council throughout this year there are also other financial pressures arising as a result of the pandemic and Brexit, which are being seen in existing schemes, and it is anticipated this will continue for some time going forward. The pressures include supply chain difficulties leading to higher prices and delays in schemes being completed.

The Strategy also refers to the changes with regards to the ability to borrow from the public works loan board in relation to borrowing to invest primarily for financial return. When seeking to borrow from the PWLB, authorities will be asked to confirm that there is no intention to buy investment assets primarily for yield in the current or the next two financial years. Whilst this did not preclude the Council investing in commercial activities, investing in assets solely for yield would prevent the authority from accessing PWLB borrowing. As the Council will need to borrow to support the 21st century schools band B programme and the wider capital programme, this will prevent it investing in land or property, purely to achieve a financial return.

In section three of the Strategy, details are contained which outline the robust process in place to approve, manage and monitor capital projects. As Cabinet is aware, quarterly capital monitoring reports are prepared for both Cabinet and Council, which include details of any variances between projects as well as projections of likely year end spend.

The Chief Officer – Finance, Performance and Change, confirmed that in 2023 - 2024 the Council was planning capital expenditure of £69 million and this was summarised at Table Two within the Capital Strategy. The main capital projects to be undertaken in that period, were detailed within the Strategy, with the detailed proposed 10 year capital programme shown at its Appendix 2.

The Council had several funding streams available to support capital investment and these were detailed in Appendix one of the Capital Strategy. Funding was received from Welsh Government towards the cost of capital and this funding is prioritised towards investment that is required to meet health and safety requirements.

There were two main types of borrowing to pay for capital investment and these are:

- Supported borrowing - the costs of servicing the debt are included within the annual revenue support grant that we receive from most government, and
- unsupported borrowing - the cost of which must be met from the Council's revenue budget

Finally, the Chief Officer – Finance, Performance and Change stated, that each year the Council must set aside a provision for repaying external debt. This is known as the minimum revenue provision. The MRP needs to be approved by Council before the start of each financial year and the policy statement with regards to this, was shown at Section 7 of the Capital Strategy.

When agreeing the Councils Capital Programme, Members needed to be aware of the revenue budget impact of capital schemes which would include:

- The costs of operating or maintaining a new asset;
- the capital financing costs of servicing any borrowing required to pay for investment;
- the revenue costs of preparing and delivering projects

The Chief Officer – Finance, Performance and Change concluded by confirming that the percentage of the Councils revenue budget that is committed to capital financing costs is increasing in the long term period given the pressure on revenue budgets. This limited the affordability of other priorities in future years and should be a factor considered by Cabinet when determining the Capital Programme.

The Cabinet Member – Resources advised that a report on the Capital Strategy had been considered through the Council’s Overview and Scrutiny process. He welcomed the evaluation of projects going forward and asked, if the Authority would be required to borrow money for any of the Council’s pending capital projects.

The Chief Officer – Finance, Performance and Change confirmed that it was likely that the Council may have to borrow in order to support some projects over the next 3 year period, though the extent of this, was dependent on the Programme being delivered within structured timelines. The level of any borrowing however, would be closely monitored and such borrowing would not be pursued unless there was a need to do so.

The Cabinet Member – Education emphasised the level of expenditure that was being committed to the Council’s 21st Century Schools programme which was significant. He felt that the programme was wellbeing based and one which supported the less fortunate in society.

The Cabinet Member – Communities acknowledged the work being planned that will allow access for play for all children in playgrounds/areas and the prioritisation of highway structural works.

The Leader commended the Council’s approach to feasibility studies carried out in relation to major capital expenditure projects as a positive form of forward planning for schemes undertaken in advance. He also acknowledged that the Council needed to consider ‘any lessons learnt’ from previous experiences when it came to developing future capital projects.

RESOLVED: That Cabinet considered the report and recommended that the Capital Strategy 2023-24 to 2032-33 including the Prudential Indicators 2023-24 to 2025-26 and the Annual Minimum Revenue Provision (MRP) Statement 2023-24 at Appendix A, be presented to Council for approval.

144. **TREASURY MANAGEMENT STRATEGY 2023-24**

The Chief Officer – Finance, Performance and Change presented a report, the purpose of which, was to present to Cabinet the Treasury Management Strategy 2023-24 (Appendix A to the report), which included the Treasury Management Indicators, before submitting these to Council for approval.

She explained that the Treasury Management functions of the Council are regulated by the Local Government Act 2003. This provided authorities with the powers to borrow and invest as well as providing controls and limits on this activity.

In accordance with the Chartered Institute of Public Finance’s Prudential Code for Capital Finance the Council must approve a Treasury Management Strategy before the start of each financial year, which sets out both its and the Chief Financial Officer’s responsibilities, delegation and reporting arrangements.

The proposed Strategy for the coming financial year was attached at Appendix A to the report. The Council undertook its treasury management activities in accordance with the Chartered Institute of Public Finance's prudential code, which has been updated to reflect changes in an increasingly complex environment and to complement changes to regulations. The code required that formal and comprehensive objectives, policies and practices, strategies and reporting arrangements are in place for the effective management and control of treasury management activities and that the effective management and control of 'risk' are the prime objectives of these activities.

The Chief Officer – Finance, Performance and Change added that, the Council has an integrated Treasury Management Strategy where borrowing and investments are managed in accordance with best professional practise. The Council will look to borrow money if needed to either meet short term cash flow needs, or to fund capital schemes approved within the capital programme. Therefore, any actual loans taken were not generally associated with particular items of expenditure or assets.

The Council was exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk, is therefore central to our Treasury Management Strategy. Should anything change significantly, a revised Strategy would be presented to Council for approval.

The ongoing impact on the UK of 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 Council's Treasury Management Strategy for 2023-2024.

As at the 31st of December 2022, the Council held £99.8 million of borrowing and £94.05 million of investments. The external debt and investment position was shown in Table 1 within the Treasury Management Strategy.

The Strategy highlighted that it is anticipated that the Council may need to borrow during the next three years. However, this position can change should capital schemes not progress as anticipated, or conversely further schemes are added to the Capital Programme that are not fully funded by grant or revenue contributions, or new schemes added which require additional debt financing.

The requirement to borrow will need to be monitored on an ongoing basis and any new borrowing will be considered alongside any changes in the Capital Programme that may affect the level of borrowing required. When borrowing money, the Council's primary objective 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 Strategy outlined that the major objectives for the Council with regards to borrowing in 2023-24 will include:

- To minimise the revenue costs of debt;
- To manage the council's debt maturity profile;
- To reschedule debt if appropriate;
- To optimise the use of all capital resources including borrowing, usable capital receipts, revenue contributions to capital and grants and contributions

The Chief Officer – Finance, Performance and Change reminded Cabinet that in November 2020, the treasury issued revised lending terms for public works loan board borrowing by local authorities. The public works loan board would be the major source of any borrowing that the Council undertakes. Under these new requirements, the Section 151 Officer would be required to confirm the capital expenditure plans do not include an intention by the authority to borrow to invest primarily for financial return. The Chief

Officer – Finance, Performance and Change (as Section 151 Officer) confirmed that the Council does not intend to invest in this way.

As outlined earlier, at the end of December 2022 the Council had £94.05m of investments. The Council's main objective when investing money was to strike an appropriate balance between risk and return, to minimise the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council may invest its surplus funds with approved counterparties and these were detailed at Table six of the Treasury Management Strategy. The table also detailed the time limits and upper financial limits that will apply to each of those counterparties.

The Chief Officer – Finance, Performance and Change concluded by confirming that during 2023-24, Council receive reports as required in line with the requirements of the code of practice. These include an annual Treasury Management Strategy which Members have had today, a mid-year monitoring report and an annual treasury outturn report.

The Cabinet Member – Resources commended the report.

The Cabinet Member – Regeneration noted that interest rates were unpredictable at the moment though rising. She asked what impact this was having on the Council's finances.

The Chief Officer – Finance, Performance and Change confirmed that interest rates impact in two ways, in that if the Council invests money elsewhere then with interest rates presently rising, this meant more in the way of returns for the local authority. However conversely, when borrowing the cost of the debt would increase for the Council in a similar manner.

The Leader stated that there were significant changes in terms of limits of investments for balances as reflected in the report. He asked if there were any other changes such as, for example, the Governance and Audit Committee now having a crucial role in monitoring periodically the Council's Treasury Management function.

The Chief Officer – Finance, Performance and Change, stated that the above Committee receives Treasury Management update reports on a regular basis and where Members of that body consider it to be appropriate, they give feedback on these reports. She added also that recently, Treasury Management training was arranged for all Members to attend 10 days or so ago, and Governance and Audit Committee lay members were in attendance at this session, in order for all to have a better understanding of this area of financial control.

RESOLVED:

That Cabinet considered the report and recommended that the Treasury Management Strategy at Appendix A be presented to Council for approval.

145. **URGENT ITEMS**

None.

The meeting closed at 16:00