City and County of Swansea

Notice of Meeting

You are invited to attend a Meeting of the

Scrutiny Performance Panel – Service Improvement & Finance

At: **Remotely via Teams**

On: **Monday, 8 March 2021**

Time: **10.00 am**

Convenor: **Councillor Chris Holley OBE**

Membership:
Councillors: P M Black, P Downing, P R Hood-Williams, L James, M H Jones, P K Jones, J W Jones, I E Mann, B J Rowlands and D W W Thomas

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Agenda

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1	**Apologies for Absence.**	
2	**Disclosure of Personal and Prejudicial Interests.** www.swansea.gov.uk/disclosuresofinterests	
3	**Prohibition of Whipped Votes and Declaration of Party Whips**	
4	**Minutes of previous meeting(s)** To receive the minutes of the previous meeting(s) and agree as an accurate record.	1 - 3
5	**Public Questions** Questions must be submitted in writing, no later than noon on the working day prior to the meeting. Questions must relate to items on the agenda. Questions will be dealt with in a 10-minute period.	
6	**Mid-Year Budget Statement 2020-21**	4 - 25
7	**Q3 Budget Monitoring 2020-21 - Further Update from Chief Finance Officer**	26 - 47
8	**Treasury Management Strategy Statement** *Ben Smith – Section 151 Officer and Chief Finance Officer* Treasury Management Strategy Statement, Prudential/Treasury Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement 2021/22	48 - 100

Next Meeting: Monday, 12 April 2021 at 10.00 am

Huw Evans

Huw Evans
Head of Democratic Services
Monday, 1 March 2021

Contact: Scrutiny Officer - emily-jayne.davies@swansea.gov.uk

City and County of Swansea

Minutes of the Scrutiny Performance Panel – Service Improvement & Finance

Remotely via Microsoft Teams

Wednesday, 17 February 2021 at 10.00 am

Present: Councillor C A Holley (Chair) Presided

Councillor(s)	Councillor(s)	Councillor(s)
P M Black	P Downing	P R Hood-Williams
L James	M H Jones	P K Jones
J W Jones	I E Mann	B J Rowlands
D W Thomas	W Thomas	L Jones
S Jones	M White	S Gallagher
W Fitzgerald		

Cabinet Members

Rob Stewart — Cabinet Member - Economy, Finance & Strategy (Leader)

Officer(s)

Emily-Jayne Davies	Scrutiny Officer
Michelle Roberts	Scrutiny Officer
Ben Smith	Chief Finance Officer & Section151 Officer

Apologies for Absence

D Helliwell and T Hennegan

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1 Disclosure of Personal and Prejudicial Interests.

No disclosures of interest were made.

2 Prohibition of Whipped Votes and Declaration of Party Whips

No declarations were made.

3 Minutes

The Panel considered letters and minutes from previous meetings and agreed the minutes of the meeting on 20th January 2021 as an accurate record of the meeting.

4 Public Questions

No questions were submitted by members of the public

5 Budget Proposals 2021/22 - 2023/24 - pre-decision scrutiny

The Service Improvement and Finance Scrutiny Performance Panel, including members of the Development and Regeneration Scrutiny Performance Panel, met to consider this year's Annual Budget Proposals. The Joint Social Services Scrutiny Performance Panel and the Education Scrutiny Performance Panel both met in the days running up to the meeting and their feedback was considered.

6 Summarising Views for Feedback to Cabinet

Joint Social Services

- The Panel feels it is vitally important we ensure there is sufficient money allocated in the budget to provide additional health and wellbeing support to staff following the pandemic. The Panel is keen to see a joint venture with the Health Board in terms of support for staff.
- Very pleased to see the budget situation for Social Services this year, with an increase in the overall budget and very little in terms of cuts. However, the Panel is aware that there is a great deal that needs to be achieved with this money.
- The Panel is concerned that it only sees the net budget. It would be useful to see details of the income streams as well as expenditure. Officers have agreed to work with Cabinet Members to provide this information.
- The Panel would like to support the budget process in any way it can and therefore intends to revisit the budget again later in the year to closely monitor progress.

Education

- We were satisfied overall with this year's budget as it relates to education matters.
- We welcome the capital spend and the 3.3% gross uplift in the delegated schools budget.
- We were pleased that Education continues to be one of the top priorities for Swansea Council.
- Is there provision in the budget to ensure the reimbursement of any expenses incurred by those schools that remained open throughout the Covid period?
- We asked what savings proposals there are in relation to School Transport. We were informed that the proposals that are for consultation will be put to Cabinet in March. Can they be circulated to the Education Scrutiny Panel, once they are available?
- Has the cost of the potential new footprint of ERW and the closing down of the existing ERW structure been factored into the budget moving forward?
- We would like to take this opportunity to thank Schools, Governors and the Education Department for their excellent work over the past year. Particularly how they have managed the challenges that this Covid period has brought.

Natural Environment
The recruitment into new posts, as an outcome of the Natural Environment Scrutiny Inquiry, should reflect the following recommendations:

- Planning Ecologist to be a full time role (rather than part-time as currently advertised)
- Biodiversity Officer to be a full time role (rather than part-time as currently advertised)
- Climate Action Officer should be 0.5 (rather than 0.2)

Development and Regeneration

- In terms of the risk associated with the City Deal, the Panel would like clarification on the level of borrowing and how this will affect revenue streams in the future.
- The Panel seek clarity over how many jobs will be created to reflect the amount of investment in the City Deal projects.
- The Panel would benefit from a more detailed breakdown on what money has been spent in relation to the City Deal and on what is planned currently.
- The Panel would like a clear understanding of risks around ongoing capital costs and the income from the new developments.

Service Improvement and Finance

- The Panel noted the Budget this year is unique and unprecedented. That it is very much a live document and it is the first time that a substantial part of the budget is based on what might happen. We thank officers and staff for their hard work and acknowledged the quick turnaround of funding distribution.
- The Panel would like a greater understanding of the risk register with regards to ongoing revenue costs, with the uncertainties around pay back from Welsh Government
- The Panel note that the Budget is a live document subject to change, and as such it has been difficult to scrutinise to full effect this year.
- We raised concerns about the financial and performance impact on Council finances of the future multiple joint committees that will be levied against the budget, and the risks of such committees to the Council Budget.

The meeting ended at 11.42 am

Report of the Section 151 Officer

Council – 28 January 2021

Treasury Management – Interim Year Review Report 2020/21

Purpose:	To receive and note the Treasury Management Interim Year Review Report 2020/21
Report Author:	Jeffrey Dong
Legal Officer:	Debbie Smith
Finance Officer:	Ben Smith
Access to Services Officer:	Rhian Millar
For Information	

1 Background

1.1 This report is presented in line with the recommendations contained within the The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management which requires an interim year review of Treasury Management operations to be presented to Council

1.2 Treasury Management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. " A glossary of terms is at Appendix 1.

1.3 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by this Council in February 2010.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead; a Mid-year Review Report and an Annual Report covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions.
5. Delegation by the Council of the role of scrutiny of Treasury Management strategy and policies to a specific named body.

This Interim Year Review Report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first half of 2020/21
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy
- A review of the Council's investment portfolio for 2020/21
- A review of the Council's borrowing strategy for 2020/21
- A review of any debt rescheduling undertaken during 2020/21
- A review of compliance with Treasury and Prudential Limits for 2020/21

2 Impact of Covid 19 Pandemic

2.1 The implementation of national lockdown measures in March 2020 had an adverse impact on a number of the usual Council income streams e.g. car park income, leisure income as well as putting additional pressure on Council services. Although Welsh Government implemented a programme of local government financial support totalling approximately £21m in respect of some of these streams, there was inevitably a time lag in claiming and receiving the cash which required careful treasury management to ensure normal Council financial business could be managed effectively.

2.2 In addition to the pressures above, the Council's Finance department was expected to manage, administer and distribute the Welsh Government programme of financial support to local businesses affected by the various Covid 19 lockdowns, which, again it was expected to distribute and then reclaim after the event which again placed pressure on the cashflows of the Authority. To date these sums total approximately £110m.

2.3 Also, as part of the regional response to the pandemic, Swansea Council was asked by The Swansea Bay Health Board and Welsh Government to design, build and construct the £24m 1,000 bed Covid Field Hospital on the site of the old Bay Studios site. Noting the expediency required, the Authority was required to fund the cost of construction pending the costs being signed off and approved by Welsh Government, again placing pressure on the cashflows of the Authority.

2.4 It can be seen the prudent, careful management of Council balances/reserves enables a nimble reactive treasury management function in times of crisis. The Council's Treasury Management function was able to address and meet all the demands above and continues to do so in the ongoing lockdown.

3 Economic Update

3.1

- **UK** As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

    - The fall in **GDP** in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
    - The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.
    - It forecast that there would be excess demand in the economy by Q3 2022 causing CPI **inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

- It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including QE and the use of forward guidance.
- The MPC expected the £300bn of **quantitative easing** purchases announced between its March and June meetings to continue until the "turn of the year". This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.
- In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the "medium-term projections were a less informative guide than usual" and the minutes had multiple references to **downside risks,** which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the

dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid September.

- Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.
- There will be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.
- One key addition to **the Bank's forward guidance** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate
- The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

3.2
- **US.** The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and

employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked **its inflation target** from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The Federal Open market Committee's (FOMC) updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

3.3

- **EU.** The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support

3.4

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

3.5

- **Japan.** There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.

3.6 • **World growth.** Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

4 Review of the Treasury Management Strategy Statement and Investment Strategy

4.1 The Treasury Management Strategy Statement for 2020/21 was approved by Council in February 2020. The Council's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Council's investment priorities as follows in order of priority:

- Security of capital
- Liquidity
- Yield

4.2 The Council shall aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered only appropriate to invest with highly credit rated financial institutions, using our advisor's suggested creditworthiness appraisal approach, including sovereign credit rating and credit default swap (CDS) overlay information.

4.4 Borrowing rates and available investment interest rates have remained at historically low rates during 2020/21, with certain periods of extreme volatility, reflecting the political uncertainty prevailing each time. As planned by The S 151 Officer, no external borrowing has been undertaken during the interim period, pending the outcome of HM Treasury Consultation in 4.6 below.

4.5 As outlined in Section 3 above, there is still considerable uncertainty and volatility in financial and banking markets, both globally and particularly in the UK, during the onset of the pandemic and pending the full impact of the Brexit agreement. In this context, it is considered that the strategy approved in February 2020 is still appropriate in the current economic climate and has been reviewed whilst considering and formulating the strategy for 2021/22 as funding for capital and cashflow requirements dictate.

4.6 Public Works Loan Board (PWLB)
HM Treasury made a shock determination on the 9th October 2019 affecting all future borrowing from the Public Works Loan Board (PWLB) which would now be subject to an additional 1.00% 'premium' over and above existing margins above prevailing Gilt yields, primarily in response and to deter exponential growth in borrowing to fund speculative investment by a small number of local authorities in England. Strong representations were made via WLGA, and WG

about the negative impact this change would have on capital programmes in progress throughout local authorities in Wales.

4.7 Following the strength of representations, HM Treasury launched a consultation process on the PWLB borrowing process. The results of the consultation and accompanying guidance was issued in November 2020 when the 1.00% premium was removed. The accompanying guidance outlines what constitutes eligible expenditure for PWLB borrowing:

The guidance clearly <u>prohibits</u> 'investing primarily for yield' which it defines as:

Investment assets bought primarily for yield would usually have one or more of the following characteristics:

a. buying land or existing buildings to let out at market rate

b. buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification

c. buying land or existing buildings other than housing which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger such as the completion of land assembly

The guidance DOES allow borrowing for regenerative purposes, which it defines as:

Regeneration projects would usually have one or more of the following characteristics:

a. the project is addressing an economic or social market failure by providing services, facilities, or other amenities that are of value to local people and would not otherwise be provided by the private sector

b. the local authority is making a significant investment in the asset beyond the purchase price: developing the assets to improve them and/or change their use, or otherwise making a significant financial investment

c. the project involves or generates significant additional activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value

d. while some parts of the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather than being applied to wider services

Preventative action would have all of the following characteristics:

a. *the intervention prevents a negative outcome, such as by buying and conserving assets of community value that would otherwise fall into* *disrepair, or providing support to maintain economic activity that would otherwise cease*

b. there is no realistic prospect of support from a source other than the local authority

The guidance is also clear that PWLB borrowing cannot be used to replace other Council funds which are then used to finance the ‘primarily for yield’ investment.

4.8 It should be noted that this Council undertook £90m of borrowing, wholly fulfilling its then capital financing requirement in 2018/19 at historically low interest rates, materially bringing down the average cost of capital to the Council, ahead of the punitive change in 4.6 being implemented. No PWLB borrowing has been implemented since the implementation of the premium, pending resolution of the consultation. As outlined in the Treasury Management Strategy approved by Council, the primary borrowing strategy was to utilise internal balances where possible to reduce the cost of carry but shall externalise borrowing when value opportunities/ cashflow requirements dictate. It is planned to start externalising the remainder of the capital financing requirement now the premium has been removed in the forthcoming years when opportunities arise.

5 Review of Investment Portfolio 2020/21

5.1 In accordance with the Code, it is the Council’s priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council’s risk appetite

5.2 A full list of internally managed investments held as at 31st Dec 2020, is shown in Appendix 3. To 31st Dec 2020, the portfolio has returned 0.28% against a 7 day benchmark rate of 0.1%

6 Review of Borrowing 2020/21

6.1 The latest projected capital financing requirement (CFR) for 2020/21 is £655.574m. No additional borrowing has been undertaken in 2020/21 nor since the borrowing undertaken in 2018/19. Total external debt is currently £557.396m at an average interest rate of 4.06%.

7 Review of Debt Rescheduling 2020/21

7.1 Debt rescheduling opportunities are constantly evaluated but have been limited in the current economic climate and consequent structure of interest rates. No debt rescheduling has been undertaken in 2020/21 to date.

8 Review of Compliance with Treasury & Prudential Limits 2020/21

8.1 It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits”. The Council’s approved Treasury and Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy Statement.

8.2 During the financial year to date the Council has operated within the Treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. Compliance with the Prudential and Treasury Indicators are shown in Appendix 4.

9 Financial Implications

9.1 The financial implications associated with this report have been reported at Council in February 2020 in the Revenue and Capital Budget Reports 2020/21

10 Legal Implications

10.1 There are no direct legal implications associated with this report

11 Equality and Engagement Implications

11.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment (EIA) process ensures that we have paid due regard to the above. We have undertaken an EIA screening which demonstrates there are no equality impact implications arising directly from this report (Appendix 5)

Background papers: The revised CIPFA Treasury Management Code of Practice 2009
The revised CIPFA Prudential Code for Capital Finance in Local Authorities 2013
The revised CIPFA Prudential Code for Capital Finance in Local Authorities 2017

Appendices
Appendix 1 – Glossary of Terms
Appendix 2 –Interest Rate Forecast
Appendix 3 – Schedule of investments
Appendix 4 - Prudential Indicators
Appendix 5 – Equality Impact Assessment

Appendix 1

Treasury Management – Glossary of Terms

Annualised Rate of Return	Represents the average return which was achieved each year.
Authorised Limit	The authorised limit must be set to establish the outer boundary of the local authority's borrowing based on a realistic assessment of risks. The authorised limit is not a limit that a Council will expect to borrow up to on a regular basis. It is crucial that it is not treated as an upper limit for borrowing for capital expenditure alone since it must also encompass borrowing for temporary purposes. It is the expected maximum borrowing need, with some headroom for unexpected requirements.
Bank Rate	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short term interest rates in the money markets.
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Borrowing	In the Code, borrowing refers to external borrowing. Borrowing is defined as both:- • Borrowing repayable with a period in excess of 12months • Borrowing repayable on demand or within 12months
Capital Expenditure	The definition of capital expenditure starts with all those items which can be capitalised in accordance with the Statement of Recommended Practice (SORP). To this must be added any items that have/will be capitalised in accordance with legislation that otherwise would not be capitalised. Prudential indicators for current and future years are calculated in a manner consistent with this definition.
Capital Financing Charges	These are the net costs of financing capital i.e. interest and principal, premia less interest discounts received.
Capital Financing Requirement	The Capital Financing Requirement is capital expenditure, which needs to financed from borrowing.

	It is essentially a measure of the Council's underlying borrowing need.
CIPFA	The Chartered Institute of Public Finance and Accountancy. One of the leading professional accountancy bodies in the UK and the only one which specialises in the public services.
Counterparty	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
CPI (Consumer Price Index)	The consumer price index (CPI) is a measure of the average price of consumer goods and services purchased by households. It is one of several price indices calculated by national statistical agencies. The percent change in the CPI is a measure of inflation.
Credit Rating	This is a scoring system that lenders use to determine how credit worthy borrowers are. The Credit Rating components are as follows: 1. The AAA ratings through to C/D are long-term rating definitions and generally cover maturities of up to five years, with the emphasis on the ongoing stability of the institution's prospective financial condition. AAA are the most highly rated, C/D are the lowest. This Council does not invest with institutions lower than AA - for investments over 364 days 2. F1/A1/P1 are short-term rating definitions used by Moody's, S&P and Fitch Ratings for banks and building societies based on their individual opinion on an institution's capacity to repay punctually its short-term debt obligations (which do not exceed one year). This Council does not invest with institutions lower than F1/A1/P1 for investments under 364 days.
Debt	For the purposes of the Code, debt refers to the sum of borrowing (see above) and other long-term liabilities (see below). It should be noted that the term borrowing used in the Act includes both borrowing as defined for the balance sheet and other long terms liabilities defined as credit arrangements through legislation.

Debt Management Office (DMO)	Government Agency responsible for the issuance of government borrowing and lending.
De- leveraging	Paying back borrowed sums of money
Discounts	Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.
Financing Costs	The financing costs are an estimate of the aggregate of the following:- • Interest payable with respect to borrowing • Interest payable under other long-term liabilities • Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount to be met from government grants and local taxpayers (premiums and discounts) • Interest earned and investment income • Amounts required in respect of the minimum revenue provision plus any additional voluntary contributions plus any other amounts for depreciation/impairment that are charged to the amount to be met from government grants and local taxpayers
Financial Reporting Statements (FRSs)	These are standards set by governing bodies on how the financial statements should look.
Gilts	Gilts are bonds issued by the UK government. The term is of British origin, and refers to the securities certificates issued by the Bank of England, which had a gilt (or gilded) edge.
Investments	Investments are the aggregate of:- • Long term investments • Short term investments (within current assets) • Cash and bank balances including overdrawn balances
IMF	International Monetary Fund
Leverage	Borrowed sums of money

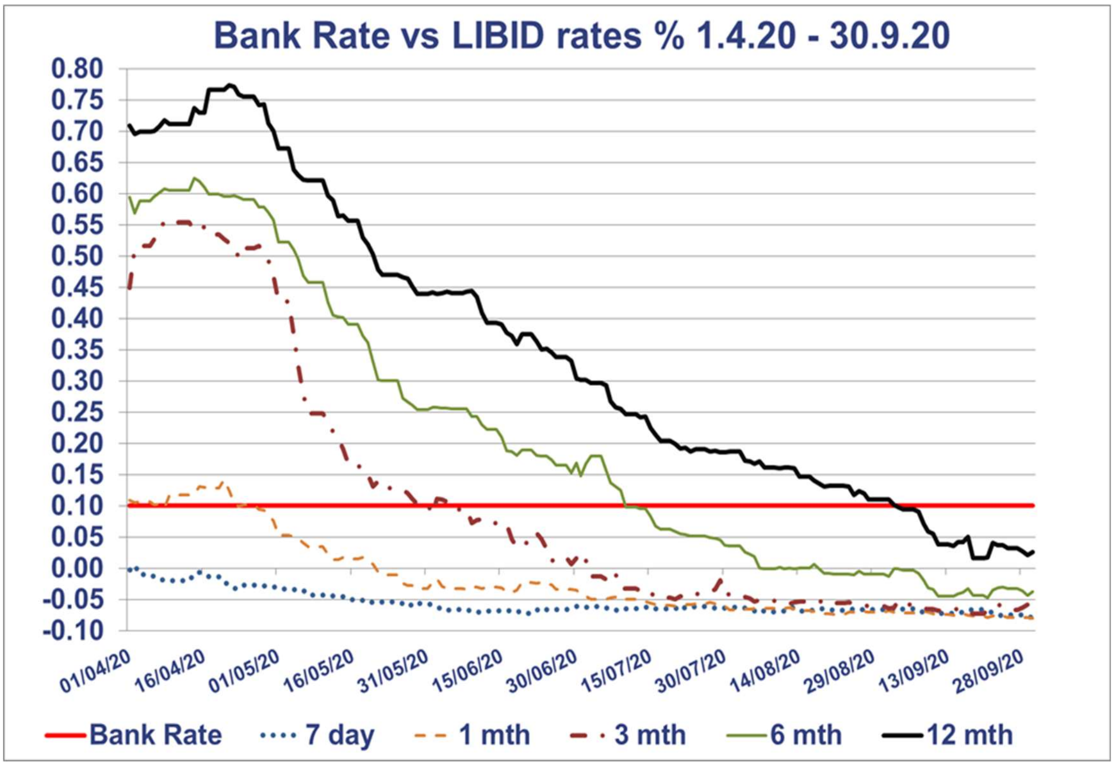
LOBO (Lender's Option/ Borrower's Option)	Money Market instruments that have a fixed initial term (typically one to ten year) and then move to an arrangement whereby the lender can decide at pre-determined intervals to adjust the rate on the loan. At this stage the borrower has the option to repay the loan.
London Inter-Bank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Managed Funds	<u>In-House Fund Management</u> Surplus cash can be managed either by external fund managers or by the Council's staff in-house. The in-house funds are invested in fixed deposits through the money markets. <u>Externally Managed Funds</u> Fund managers appointed by the Council invest surplus cash in liquid instruments such as bank certificates of deposit and government stocks. The fund managers' specialist knowledge should ensure a greater diversification of investments and higher expected returns
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Monetary Policy Committee (MPC)	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two years time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth and employment.
Money Market	Consists of financial institutions and deals in money and credit. The term applied to the institutions willing to trade in financial instruments. It is not a physical creation, but an electronic/telephone one.
Net Borrowing	For the purposes of the Code, net borrowing refers to borrowing (see above) net of investments (see above).
Net Revenue Stream	Estimates for net revenue stream for current and future years are the local authority's estimates of the

	amounts to be met from government grants and local taxpayers.
Operational Boundary	This is based on expectations of the maximum external debt of the authority according to probable not simply possible – events and being consistent with the maximum level of external debt projected by the estimates. It is not a limit and actual borrowing could vary around this boundary for short periods.
Other Long Term Liabilities	The definition of other long term liabilities is the sum of the amounts in the Council's accounts that are classified as liabilities that are for periods in excess of 12months, other than borrowing (see definition above).
Premature Repayment of Loans (debt restructuring/ rescheduling)	A facility for loans where the Council can repay loans prior to the original maturity date. If the loan repaid has a lower interest rate than the current rate for a loan of the same maturity period the Council can secure a cash discount on the repayment of the original loan. If the loan replaced has a higher rate of interest than the current rate for a loan of the same maturity period, a cash penalty is payable to the lender.
Premia	Where the prevailing current interest rate is lower than the fixed rate of a long term loan, which is being repaid early, the lender can charge the borrower a premium. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.
Prudential Code	The Prudential Code is the largely self regulatory framework outlined by CIPFA for managing/monitoring capital investment in local government.
Public Works Loan Board (PWLB)	A Government agency which provides loans to local authorities. Each year, it issues a circular setting out the basis on which loans will be made available and a quota formula for the amount that can be borrowed. Loans can be either at a fixed rate or on a variable rate basis. They can be repaid on either an annuity, equal instalment of principal or maturity basis. The interest rate charged is linked to the cost at which the Government itself borrows.

Quantitive Easing	Extreme form of monetary policy used to stimulate an economy where interest rates are either at or close to zero. Normally a central bank stimulates the economy by lowering interest rates but when it cannot lower them further it can attempt to seed the system with new money by quantitive easing. In practical terms, the central bank purchases financial assets including government debt and corporate bonds from financial institutions using money it has created by increasing its own credit limits in its own bank accounts. Also know as ‘printing money’ although no extra physical cash is created.
Risk	<u>Credit /Counterparty Risk</u> The risk that counterparty defaults on its obligations. <u>Inflation Risk</u> The risk that growth in the Authority’s investment income does not keep pace with the effects of inflation on its expenditure. <u>Interest Rate Risk</u> The risk that changes in rates of interest creates an unexpected or unbudgeted burden on the Council’s finances. <u>Liquidity Risk</u> The risk that cash will not be available when it is needed. <u>Operational Risk</u> The risk of loss through fraud, error, corruption, system failure or other eventualities in treasury management dealings, and failure to maintain effective contingency management arrangements. <u>Refinancing Risk</u> The risk that the Authority is unable to replace its maturing funding arrangements on appropriate terms.
Set Aside Capital Receipts	A proportion of money received by the Council for the sale of fixed assets must be set aside to repay debt.
SORP	Statement of Recommended Practice, published by CIPFA (Local Authority Accounting Body). This sets out guidelines regarding the Council’s financial matters.

Specified/Non Specified investments	Specified investments are sterling denominated investments for less than 364 days as identified in Appendix A in line with statutory investment regulations. Non-specified investments are all other investments identified in Appendix A in line with statutory investment regulations.
Supranational Bonds	These are bonds issued by institutions such as the European Investment Bank and World Bank. As with Government bonds (Gilts) they are regarded as the safest bond investments with a high credit rating.
Temporary Borrowing and Investment	Loans which are capable of being repaid within one year. The term of the loans will be negotiated from overnight to 364 days.
Treasury Management	Treasury management has the same definition as in CIPFA's code of Practice of Treasury Management in the Public Services. "The management of the organisation's cash flows its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
Yield Curve	The line resulting from portraying interest rate graphically for a series of periods, e.g. 7days, 1month, 3, 6, 9, and 12months. When longer-term interest rates are higher than short-term rates the yield curve slopes upwards and is described as positive. When the opposite prevails the yield curve is referred to as inverse.

Appendix 2



Appendix 3

Investments as at 31/12/20

Counterparty

	£
Lloyds Bank	21,650,000.00
Santander Bank	13,700,000.00
Blaenau Gwent CBC	5,000,000.00
Conwy Council	3,000,000.00
Coventry Building Society	7,000,000.00
Lincolnshire CC	5,000,000.00
Monmouthshire County Council	5,000,000.00
Slough Council	10,000,000.00
Surrey County Council	5,000,000.00
	73,350,000.00

Appendix 4

Prudential Indicators

Capital Prudential Indicators	**2019/20**	**2020/21**
	Outturn	**Original Estimate**
	£'000	**£'000**
Capital Expenditure		
GF	74,720	115,437
HRA	51,839	52,621
TOTAL	126,559	168,058
Ratio of financing costs to net revenue stream	**%**	**%**
GF	5.61	5.99
HRA	12.79	15.60
Capital Financing Requirement	**£'000**	**£'000**
GF	364,607	471,469
HRA	157,846	176,063
TOTAL	522,453	647,532

Treasury Management Prudential Indicators		
	2019/20	**2020/21**
	Outturn	**Original Estimate**
	£'000 or %	**£'000 or %**
Authorised limit for external debt	554,023	798,728
Operational boundary for external debt	554,023	758,728
Upper limit for fixed interest rate exposure	82.32%/ £456,023	100%/ £798,728
Upper limit for variable interest rate exposure	17.68%/ £98,000	40%/ £319,491
Upper limit for total principal sums invested for over 364 days	0	40,000

Maturity Structure of Fixed Rate Borrowing in 2020/21			
	Upper Limit	**Lower Limit**	**Actual**
Under 12 months	50%	0%	0.7
12 months and within 24 months	50%	0%	0.5
24 months and within 5 years	50%	0%	0.1
5 years and within 10 years	85%	0%	9.7
10 years and above	95%	15%	89

The treasury management prudential indicators identified above as:

- Upper limit for fixed interest rate exposure
- Upper limit for variable interest rate exposure
- Upper limit for total principal sums invested for over 364 days
- Maturity Structure of fixed rate borrowing in 2020/21

Above figures are as at 31st Dec 2020. None of the above limits/Prudential Indicators have been breached during 2020/21 to date.

Please ensure that you refer to the '[Screening Form Guidance](#)' while completing this form. If you would like further guidance please contact your support officer in the Access to Services team (see guidance for details).

Section 1
What service area and directorate are you from?
Service Area: Finance & Delivery
Directorate: Resources

Q1(a) WHAT ARE YOU SCREENING FOR RELEVANCE?

Service/ Function	Policy/ Procedure	Project	Strategy	Plan	Proposal
☐	☐	☐	✓	☐	☐

(b) Please name and describe below
TREASURY MANAGEMENT INTERIM YEAR REPORT 20/21

Q2(a) WHAT DOES Q1a RELATE TO?

Direct front line service delivery	Indirect front line service delivery	Indirect back room service delivery
☐ (H)	☐ (M)	✓(L)

(b) DO YOUR CUSTOMERS/CLIENTS ACCESS THIS SERVICE…?

Because they need to	Because they want to	Because it is automatically provided to everyone in Swansea	On an internal basis i.e. Staff
☐ (H)	☐ (M)	☐ (M)	✓ (L)

Q3 WHAT IS THE POTENTIAL IMPACT ON THE FOLLOWING…

	High Impact (H)	Medium Impact (M)	Low Impact (L)	Don't know (H)
Age	☐	☐	✓	☐
Disability	☐	☐	✓	☐
Gender reassignment	☐	☐	✓	☐
Marriage & civil partnership	☐	☐	✓	☐
Pregnancy and maternity	☐	☐	✓	☐
Race	☐	☐	✓	☐

Religion or (non-)belief		☐	☐	✓	☐
Sex	→	☐	☐	✓	☐
Sexual Orientation	→	☐	☐	✓	☐
Welsh Language	→	☐	☐	✓	☐
Poverty/social exclusion	→	☐	☐	✓	☐
Carers	→	☐	☐	✓	☐
Community cohesion	→	☐	☐	✓	☐

Q4 Have you / will you undertake any public consultation and engagement relating to the initiative?

☐ Yes ✓ No (If no, you need to consider whether you should be undertaking consultation and engagement – please see the guidance)

If yes, please provide details below

Q5(a) HOW VISIBLE IS THIS SERVICE/FUNCTION/POLICY/PROCEDURE/ PROJECT/ STRATEGY TO THE GENERAL PUBLIC?

High visibility to general public	Medium visibility to general public	Low visibility to general public
☐ (H)	☐ (M)	✓ (L)

(b) WHAT IS THE POTENTIAL RISK TO THE COUNCIL'S REPUTATION? ***(Consider the following impacts – legal, financial, political, media, public perception etc…)***

High risk to reputation	Medium risk to reputation	Low risk to reputation
☐ (H)	✓ (M)	☐ (L)

Q6 Will this initiative have an impact (however minor) on any other Council service?

✓ Yes ☐ No

If yes, please provide details below
The cost of capital for all capital projects undertaken by the Authority is informed by the TM strategy

Q7 HOW DID YOU SCORE? ***Please tick the relevant box below – NOTE: Q3 counts as a single H, M or L (and one H / M outscores any nº of Ls)***

MOSTLY H and/or M → HIGH PRIORITY → ☐ EIA to be completed

Please go to Section 2

MOSTLY L → LOW PRIORITY / NOT RELEVANT → ✓Do not complete EIA

Please go to Q8 followed by Section 2

Q8 If after completing the EIA screening process you determine that this service/function/policy/project is not relevant for an EIA you must provide adequate explanation below.

This is a back office function which although important has little or no direct impact on the groups identified in Q3

Section 2

Please send this completed form to the Access to Services Team for agreement before obtaining email approval from your Head of Service.

Screening form completed by:
Name: Jeff Dong
Location: 1.4.1c civic centre
Telephone Number: 6934
Date: 4/01/21

Approval by Head of Service:
Name: Ben Smith
Position: S 151 Officer
Date: 4/01/21

Please return the completed form to accesstoservices@swansea.gov.uk

Cyngor **Abertawe**
Swansea Council

Report of the Cabinet Member for Economy, Finance & Strategy

Cabinet – 18 February 2021

Revenue and Capital Budget Monitoring 3rd Quarter 2020/21

Purpose:	To report on financial monitoring of the 2020/21 revenue and capital budgets
Policy Framework:	Budget 2020/21. Transformation and Future Council (Sustainable Swansea –fit for the future)
Consultation:	Cabinet Members, Corporate Management Team, Legal Services and Access to Services.
Recommendation(s):	It is recommended that Cabinet:

1) Notes the comments and variations set out in the report and the actions in hand to address these;

2) Approves the virements in para 2.7;

3) Reduces the level of permitted, in extremis, in year overspending to £4m, to be fully financed from draws from earmarked reserves, well within the sums approved at Council on 4 November 2020, to ensure the overall budget remains balanced for the year;

4) Continue to endorse that no officer may consider any material further spending commitments and must wherever possible continue to defer and delay spending to contain and reduce the likely modest forecast overspend by year end as far as is practicable, whilst delivering agreed Council priorities set out in the approved budget.

Report Author:	Ben Smith
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

1. Background and Introduction

1.1 This report details forecast variations from the agreed budget for 2020/21.

1.2 In respect of Revenue Budgets, this report provides a consolidated forecast which combines:

- projected variations (mainly shortfalls) in relation to budget savings agreed by Council in March 2020

- Variations arising from other service pressures not directly linked to specific savings plans (e.g. increased service demand, price and pay inflation, increased, but most often unfunded, regulatory obligations and burdens from both UK and Welsh governments)

1.3 The report includes comments from Directors in relation to the variations highlighted and the action that is in hand or proposed as appropriate.

2. Revenue Outturn Forecast Based on 3rd Quarter position

2.1 Appendix 'A' to this report details the approved Revenue Budget for 2020/21 and the forecast variation at this time.

2.2 Other than projected variations on Directorate expenditure, it is still too early to confidently forecast final variations that may arise on some significant Corporate items, including the level of Council Tax collection (which posted a deficit in 2019-20 of £0.7m and 2018-19 of £0.3m). However, given the likely impact of COVID on collection it is inevitable that a further shortfall will arise in 2020-21. An updated forecast is that there remains a potential shortfall of £3.8m in 2020-21. This may be subject to some form of grant underpin support in due course from the Welsh Government, but is far from assured.

2.3 The overall Directorate position is summarised below:-

DIRECTORATE	**FORECAST VARIATION 2020/21 £000**	**NET COVID VARIATION 2020/21 £000**	**OTHER VARIATION 2020/21 £000**
RESOURCES	3,366	4,071	-705
PEOPLE - SOCIAL SERVICES	1,983	7,760	-5,777
PEOPLE - EDUCATION	4,898	3,225	1,673
PLACE	6,700	6,700	0
Additional Savings	194		194
NET DIRECTORATE EXPENDITURE	**17,141**	**21,756**	**-4,615**

2.4 Directors' comments on the above variations are shown at Appendix B

2.5 Within the *Sustainable Swansea* Delivery Programme, work continues to develop service delivery plans that will include all savings requirements across all strands. This includes the cross cutting nature of new reviews as well as the completion of current in-flight reviews.

2.6 The table above shows an estimated overspend for the year of £17.14million. Bar some “Business as usual” fluctuations in Social Services and Education which is in effect entirely as a result of the COVID 19 pandemic and relevant responses in expenditure and reductions in Income as a result. This figure does not include the Business Support Grants costs and Retail/Hospitality/Rates reductions resulting from Welsh Government decisions and which are now anticipated to cost around £110m of additional costs and to be funded in their entirety. A further approx. £15m support is anticipated from WG announcements for additional Business support in relation to the latest lockdown starting Christmas 2020 .Any funding from WG confirmed after the Quarter 3 report as a result of grant claims have not been included in the figures above. Section 2.7 below shows the level of “service” expenditure that has been deemed as eligible and paid by WG to date.

2.7 Currently, monthly claims against additional COVID expenditure (April to December and an historic claim in relation to March 2020) and a claim for loss of income for the first two quarters as a result of COVID in relation to the services has been submitted to WG. The summary of claims submitted and amounts received to date is set out below :

Summary of claims submitted and payments received to date in 2020/21

	Claim £000's	**Paid** £000's	
Hardship (costs) : April-December	14,928	10,849	Partial October , November Adult Social Care & November schools staffing awaiting WG response. December recently submitted & awaiting WG response.
Loss of Income : 1st ,2nd Quarters	11,216	10,805	
Overall total	**26,144**	**21,654**	

Welsh Government have amended eligibility criteria as the year has progressed both in relation to additional costs and loss of income. This has included deeming as ineligible certain elements of expenditure (eg day to day expenses such as mobile phones, postage/copying/stationery costs, local decisions re support to local business) and reducing the eligible element of other costs.
As such the monthly claims are amended to include only those elements of expenditure deemed to be eligible so exclude any costs etc not deemed eligible to be claimed.

Whilst some elements of expenditure are going to be continued to be claimed the WG

> “panel have suggested as authorities are moving into a different phase of response then some costs deemed additional and necessary at the start will no longer be eligible within the fund but will be a matter for local discretion. e.g. packed lunches for homeless. This is because what was deemed an emergency response at the start of the pandemic is likely to

either have a national policy response or there has been enough time for authorities to make alternative arrangements at a lower cost from existing budgets."

This will result in a further reduction in those elements deemed to be eligible for grant by WG.

Similarly, the Loss of Income claims only include those elements deemed as "eligible" by WG.

Grant claims to WG in relation to TTP have commenced which are anticipated to cover all additional costs arising. The additional forecast costs are included under Resources and currently amount to £2.8m in 2020/21. Some £0.66m has been claimed against spend to date. It remains unclear how much will be truly additional cost (and claimable) as opposed to, as is predominantly currently the case, redeployed and redirected costs of existing workforce otherwise prevented from working in their normal service areas, but as "return to new normal" becomes more prevalent it is clear costs will rapidly start to be additional rather than "in lieu" and thus reclaimable.

Grant claims to WG for the £500 carer payments are being made in line with the national scheme and again are assumed to fully cover costs with both elements contained with the Social Services forecast. The estimated total cost of the carers support scheme and equivalent grant funding to be claimed is £3.5m .The same approach applies to the £500/person isolation payments and social care statutory sick pay top up payments now the scheme is operational.

At present, therefore, it is proposed to allocate the additional sums received since the second quarter report as follows and to seek that cabinet formalise their virement in receiving this report to service budget lines as follows :

Education	£2.51m
Social Services	£2.26m
Place	£2.83m
Resources	£0.25m
Total	**£7.85m**

And once the final figure is confirmed up to the following :

Resources (TTP) £2.8m

This proposal has no overall impact on the position, merely allocates grant received back above the line and which will result in some reductions in report service overspending in later reports but equally will remove the net grant income received below the line.

Additional claims and payments regarding COVID from the Welsh Government will continue to be made during the rest of the financial year which will be required to be reflected in the final financial position of the Council. To date, Cabinet approval has been sought to allocate retrospective claim income to services as part of the quarterly reports. Due to the tight timescales for completing the financial outturn position for 2020-21 it is recommended by the S151 Officer that for the final quarter only the relevant claim values for that quarter are allocated out (vired) to the service budget lines as part of financial closure. The value of these amounts received and allocated to services will be reported in the normal "Outturn" financial report to Cabinet in July.

2.8 Corporate Management Team has re-enforced the current arrangements for budget monitoring in particular:-

- focus on a range of corrective actions;
- targeted immediate spend reduction and deferral action;
- spending control on all vacancies and contracts;
- a continued reminder that **no Responsible Officer is authorised to overspend their budget in line with Financial Procedure Rules**;
- and consequently that Directors must work closely with Cabinet Members and the Corporate Management Team to contain, reduce, defer and delay spending as far as possible, having due regard, to existing agreed budget and political priorities to nonetheless seek to limit service overspending.

2.9 Offsetting opportunities do exist to temporarily ameliorate the currently identified service demand and price pressures as follows.

- £1m was set aside in the budget for the potential costs relating to the impact of the Apprenticeship Levy. The final costs relating to this levy will only be known once final employee related costs are calculated at the year end. Should the full allocation not be required then any saving will be proposed to be used to mitigate service pressures at year end.

- £1.85m was also set aside to meet any specific and significant inflationary increases arising in year. Given the overall financial projection at this stage it is proposed by the S151 officer that this be released as a compensating corporate saving especially as the price inflation outlook for the year looks very subdued.

- Use of the Contingency Fund as detailed below.

3. Contingency Fund Provision for 2020/21

3.1 The contingency fund was set at the £3.621m contribution for 2020/21 as set out in the budget report approved by Council in March 2020. As a result of the favourable outturn positon this was added to, on a one off basis, to bring the total available to spend to over £9m. This is significantly higher than in recent years reflecting additional mitigation against any repeated overspending.

3.2 The current potential calls on the contingency fund for 2020-21 are:-

Contingency Fund 2020/21	***Prediction***
	2020/21 (£m)
Budgeted contribution for year.	3.621
Increase from c/fw from 2019-20 (as per Council 4 November 2020)	6.306
Proposed Strengthening and increased resilience in Financial Services	-0.250
Freedom of the City – Merchant Navy	-0.005
Support to Leisure Centres	-0.800
Underwrite to leisure Operators	-1.000
Support to Swansea Market	-0.500

Pipe House Wharf relocation lease costs	-0.057
School 3G pitch Support	-0.025
Communications/PR improvements	-0.010
City of Sanctuary floral badge	-0.001
Coroners ICT	-0.040
Market Rents	-0.035
COVID ICT agile/homeworking costs : staff & members	-0.320
COVID extension of waiver for staff parking permits –loss of income.	-0.300
COVID Wales National Pool support	-0.350
COVID Extending Rent concessions	-0.117
COVID George Hall temporary meeting arrangments.	t.b.c
COVID Reduction in Car Park charges	-0.185
Used to reduce service overspending	**-5.932**
Balance 31st March 2021	**0.000**

The above table lists current potential calls on the budgeted contingency fund. All bar the Strengthening of Finance (which will be a proposed budget adjustment for 2021-22) are anticipated to be one off costs .The final amounts will be dependent on a number of factors during the year including speed of implementation, actual costs/commitments incurred and final Directorate outturn position. Spend approvals will be deliberately limited to seek to maximise underspend here as part of mitigating budget savings action.

As at 1st April 2020 some £3m remained within the Restructure Reserve to contribute toward ER/VR or other cost risks that may arise in 2020-21. The S151 officer remains satisfied that this is sufficient for 2020-21 and that there should be no call on contingency this year to fund such costs. The final costs of ER/VR will only be known towards the end of the year once all management actions re savings proposals etc are implemented. At this stage it is assumed that all ER/VR costs will be able to be contained within the sum left in the Restructure Reserve.

Based on current forecast the S151 officer proposes to utilise the current year forecast underspend on the Contingency Fund of £5.932m to provide additional mitigation against the anticipated unfunded elements of cost/loss of income as a result of COVID19 in either 2020-21 or, if outturn improves, as part of the further recovery phase in 2021-22 .

The S151 officer proposes to reserve his final position on the recommended levels of use of the restructure reserve and contingency fund until the absolute success or otherwise of reducing the forecast overspend is known at year-end.

3.3 The current indication is that, for 2020-21, there needs to be continued targeted mitigating action and delivery of savings proposals to help reduce the overall service overspends. It looks inevitable as this early stage that substantial draws from earmarked reserves will be needed to achieve a fully balanced budget for the year. Any inroads to net spending will reduce the necessary draw from reserves and increase the amount of reserves available to carry into 2021-22.

3.4 The action being taken includes working through existing plans on an accelerated delivery basis:

- Management and Business Support Review: ongoing review of the management structure across the Council and future requirements given the Council’s priorities, future challenges and the changing nature of the role of managers
- Reducing the Pay Bill: review of options to reduce employee costs across the Council as part of our overall future workforce strategy (subject to trade union consultation at the appropriate time)
- Commercialism through third party Procurement Savings and Income Generation: review of further options to increase income from fees and charges, trading etc, in addition to the targets already set for 2020/21
- Progressing implementation of final phases Commissioning Reviews and Cross Cutting Themes.
- Further implementation of the Social Services Saving Plan through which we have identified mechanisms for bringing down overall costs.
- On the basis that these are existing agreed actions fully set out in the agreed budget set by Council in March, whilst wholly recognising the ability to progress any of the above have been seriously impacted by Covid 19.
- Continuing the extant spending restrictions which have been agreed as necessary by Corporate Management Team.
- Directors detailed action plans which are summarised in their commentary in Appendix B.
- The Deputy Chief Executive continue to take forward implementation of the recovery plan approved at Cabinet to agree alternative mitigating actions and future steps, including the detail of the successor programme to Sustainable Swansea more suited and fitted pan and post Covid 19 and Brexit.

3.5 It should be noted that at this time, although the Council continues to pursue a number of VAT related claims, some are more advanced than others, there is NO certainty of windfalls from VAT refunds or any other external source being received in the current year.

4. Revenue Budget Summary

4.1 The position reported above reflects the best known current position and shows a net £17.14m of shortfall in service revenue budgets, almost entirely in relation to anticipated costs/loss of income as a result of COVID19 which when combined with a forecast £3.8m shortfall in Council Tax collection leads to a total shortfall of £20.94m. Some additional £7.07m (incl £0.78m re schools costs not included in 2.7) has, since the previous report, actually been received or confirmed from WG in relation to service additional costs/loss of income claims as per 2.7 above. It is assumed that all the TTP costs will also be recovered and for 2020/21 and some £2.8m is included at this stage. It is also possible that Council tax losses, or part of them at least, will be met by future WG grant support but this is yet to be assured. In addition as identified above further mitigation is anticipated from the Apprenticeship/Inflation provision of £1.9m and Contingency fund of £5.932m. Whilst not able to be estimated until the year end the current pandemic is likely to lead to a substantial increase in bad debt provision, which in conjunction with the above additional costs and mitigation, could result in an overall net overspend of £4m by the year end.

Summary	
Service Forecast overspend	£17.14m
Council Tax shortfall	£3.8m
Less Mitigating	
COVID grants received not incl in service forecasts	-£7.07m
COVID claims submitted no response from WG yet – assume will be received.	-£1.3m
Future covid claims re council tax losses - assumed	-£0.9m
TTP costs recovered	-£2.8m
Apprenticeship/Inflation	-£1.9m
Contingency Fund not currently utilised	-£5.9m
Net overspend forecast	£1.07m
(Plus any potential Bad Debt provision movement at year end)	

In addition, as outlined below ,there is an anticipated underspend on Capital Charges of some £7.5m which will be utilised to replenish any calls on the Capital Equalisation Reserve made to meet any unfunded elements of the COVID19 costs arising in year.

NB Further claims for re-imbursement of both expenditure and loss of income continue to be submitted to Welsh Government in accordance with their criteria. Based on previous expenditure claims submitted (and subsequently paid to date) it is considered reasonable that as a minimum some additional £1.3m is likely to be paid on claims submitted and is therefore included above.

Any additional WG funding towards the additional costs or loss on income received from WG in relation to COVID19 costs /loss of income included in table 2.3 above will further reduce the overall budget shortfall and thus why a target of “no worse than £4m” is recommended to be kept by Cabinet and by the S151 Officer on a truly exceptional one off basis.

a. All revenue grant income from WG in relation to COVID claims for the services, including schools that has not yet been allocated “back” to departments is allocated in line with claims paid together with any additional claims cash received as part of the year end accounts.

b. Corporate Management Team have reinforced the expectation that both service and overall net expenditure **must** be, as far as practicable, contained within the relevant limits of the current year budget as set by Council, and certainly within any agreed level of tolerance set by Cabinet on the advice of the s151 Officer, recognising the extreme nature of the Covid 19 impact.

c. As previously mentioned, it is too early to provide an accurate forecast as to the potential outturn on corporate items such as Council Tax collection which is in itself potentially affected by the effects of welfare reform measures, an often increasing tax base, but equally a substantial deterioration in the economy and employment which may inhibit individuals ability to pay tax already set and due. .

d. Included in the projected budget for 2020/21 for other corporate items are capital finance charges. At Quarter 3, a significant variance of -£4m and £-3.5m is forecast for Principal Repayments and Net Interest Payments. The reasons for the significant variances are twofold, understandable capital slippage in year due to

Covid 19 pandemic and also the projected impact of the implementation of the Revised MRP Policy approved by Council in Dec 2018 where the revised policy would result in early year savings but with the expectation that these be reserved for the projected marginal increase in MRP payments in later years, albeit equalising the repayment of borrowing over the lifetime of the created asset. Council has previously approved that any underspending or overspending will be transferred at year end to or from reserves. The S 151 Officer reserves the right to recommend the temporary use of some of these balances to address in year Covid 19 budget pressures as identified in section 2.3 of this report.

e. There continue to be risks around general inflationary pay and price pressures in the forthcoming year including increases to the National Living Wage from April 2021 which will significantly impact contractors to the Council in some service areas. It will also put further pressure on the lower end of the current local government pay spine in future years. The current year national local government pay award offer has been finalised at 2.75%, as budgeted and there is a now an agreed new pay offer for teachers worth up to 8% for some teachers (3.25% for majority), and part of the excess will be funded by WG by way of a one off specific grant. Whilst all are entirely welcomed from a policy perspective, nevertheless the Council simply cannot afford to fund them in isolation, unless additional permanent support is forthcoming from the UK and Welsh Governments, otherwise savings will have to be made elsewhere to meet such pressures longer term. Pressures are now much more likely to be dampened by UK government policy announcements around expectation for a near freeze in most public sector pay awards for 2021-22.

f. Detailed monitoring of budgets will continue to be carried out and reported to Departmental Performance and Financial Management meetings on a monthly basis.

g. It remains imperative that sustainable, but sensitive in the unusual circumstances of Covid 19, base budget savings are found to replace in year one off actions to stabilise the 2020-21 budget ahead of the finalisation of the 2021-22 budget round.

5. Capital Budget

5.1 Expenditure to 31st December 2020 is £143.797 million, summarised as follows:

Directorate	**Budget 2020/21**	**Actual to 31/12/20**	**% spend**
	£'000	£'000	
Resources	2,564	1,426	55.6%
People (Education and Social Services)	32,016	20,223	63.2%
Place (General Fund)	165,381	95,777	57.9%
Place (HRA)	44,088	26,371	59.8%
Total	**244,049**	**143,797**	58.9%

Expenditure on major capital schemes is detailed in Appendix C.

It should be noted that the actual spend to 31 December may only have 7 or 8 months costs relating to external invoices. The impact of COVID will have an impact on the timing and potential slippage of the original capital programme. The situation remains fluid and the full impacts of COVID continue to be monitored with capital schemes being reprofiled during the year as the impacts of timing / slippage become known. This will have an impact on the revenue Capital Financing Charges in 2020/21 and beyond.

Bay Studios Surge Hospital (Covid19)
The figures above for Place (General Fund) includes £20.974m of expenditure for the Bay Studio Surge Hospital (Covid 19). As part of the Region's response to address projected increased demand on hospital services as a result of the Covid 19 pandemic, the Authority was asked by Swansea Bay University Health Board (SBUHB)/ Welsh Government (WG) to deliver a 1,000 bed Surge Hospital on the site of the old Bay Studios in SA1.

The scheme was completed in an exceptionally short timeframe. It was conceived, designed, delivered and operational within 3 months (April – June 2020) by Corporate Building Services in partnership with our partner sub-contractors, Kier and TRJ. The full cost of the scheme has been received from SBUHB and WG.

6. Housing Revenue Account

6.1 The Covid situation could have a considerable impact on the HRA revenue budget in 2020/21. Whilst income collection rates have not been significantly affected, the economic impact of the crisis continues and rent income is being closely monitored. It is forecast that the current Bad Debt Provision should be sufficient. There has been a major impact on revenue expenditure with the revenue repairs budget forecast to be significantly underspent by £1m due to Covid restrictions on entering properties. This budget will continue to be closely monitored however the further restrictions could impact this figure by year end. There are also underspends on transport and employee/vacancies (£0.17m). The crisis has also understandably impacted the delivery of the HRA Capital Programme with commensurate reduction in spend and financing costs. It is anticipated that financing costs could be reduced by around £0.55m.

7. Legal Issues

7.1 There are no legal issues contained within this report.

8. Equality issues

8.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

8.2 The Revenue budget of the Council was approved following the application of the corporate Equality Impact Assessment (EIA) process throughout the Budget setting process. It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that the EIA process (alongside consultation and engagement as appropriate) is applied to ensure due regard is paid to the potential equality impacts of any proposals prior to decision making.

Background papers: None

Appendices:
Appendix A - Revenue Budget Projection forecast Quarter 3 2020/21
Appendix B - Directors comments on variances and action plans
Appendix C - Expenditure on major Capital Schemes

REVENUE BUDGET PROJECTION QUARTER 3 2020/21 **Appendix A**

DIRECTORATE	**BUDGET 2020/21 £000**	**PROJECTED 2020/21 £000**	**VARIATION 2020/21 £000**
RESOURCES	50,524	53,890	3,366
PEOPLE - SOCIAL SERVICES	124,529	126,512	1,983
PEOPLE – EDUCATION	181,887	186,785	4,898
PLACE	63,143	69,843	6,700
Additional Savings	-194	0	194
NET DIRECTORATE EXPENDITURE	**419,889**	**437,030**	**17,141**
SPECIFIC PROVISION FOR APPRENTICESHIP LEVY/INFLATION	2,850	1,000	-1,850
CONTINGENCY FUND	0	0	0
SUPPORT TO LOCAL BUSINESS	0	74,978	74,978
WG COVID GRANTS (Assured & Due to be allocated to Services)	0	-122,253	-122,253
OTHER ITEMS			
LEVIES			
SWANSEA BAY PORT HEALTH AUTHORITY	87	87	0
CONTRIBUTIONS			
MID & WEST WALES COMBINED FIRE AUTHORITY	13,741	13,741	0
CAPITAL FINANCING CHARGES			
PRINCIPAL REPAYMENTS	16,368	12,368	-4,000
NET INTEREST CHARGES	20,010	16,510	-3,500
NET REVENUE EXPENDITURE	**472,945**	**433,461**	**-39,484**
MOVEMENT IN RESERVES			
GENERAL RESERVES	0	0	0
EARMARKED RESERVES	-4,690	-4,206	484
TOTAL BUDGET REQUIREMENT	**468,255**	**429,255**	**-39,000**
DISCRETIONARY RATE RELIEF	400	400	0
TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT	**468,655**	**429,655**	**0**
COMMUNITY COUNCIL PRECEPTS	1,582	1,582	0
TOTAL REQUIREMENT	**470,237**	**431,237**	**-39,000**
FINANCING OF TOTAL REQUIREMENT			
REVENUE SUPPORT GRANT	253,660	253,660	0
NATIONAL NON-DOMESTIC RATES	85,721	50,521	35,200
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	129,274	125,474	3,800
COUNCIL TAX - COMMUNITY COUNCILS	1,582	1,582	0
TOTAL FINANCING	**470,237**	**431,237**	**39,000**

Service related COVID19 funding already received from WG of c £21.6m IS included above.

Appendix B

Director's comments on budget variances

Director of Resources

The COVID-19 response has had a detrimental effect on the Resources portfolio budget for the 3rd Qtr. The TTP staffing expenditure is expected to be fully recoverable from Welsh Government.

A number of transformation projects and restructures were unable to be progressed resulting in overspends in both Customer Contact Centre, Digital Services and Transformation and Commercial services. Alternative savings plans are being prepared.

The resources portfolio has limited income streams, however, where income streams are within services, these have also been affected and unlikely to be achieved within the year.

The heads of service have and will continue to review the budgets and look for alternative ways of achieving efficiencies to balance the budget in year.

Variance	£000	Explanation and Action
COVID-19 Variation:		
Test Trace & Protect Programme (TTP)	2,800	Estimated Staffing costs of £2.6m and IT costs of £0.2m. This is fully recoverable from Welsh Government.
Oracle Cloud Project	0	Project has been delayed, however, after negotiations with Oracle it is not anticipated that there will not be any additional costs.
WCCIS Project	0	Project has been delayed, No additional costs are anticipated as a result of negotiations with NWIS.
Mobile Phones	0	No additional costs are forecasted after working with the supplier to negate the costs.
Digital services staff costs	12	Additional Digital services staffing costs at the start of lockdown to enable homeworking.
Contact centre software licences and consultancy	25	Digital Services remote contact centre software licences and consultancy to enable call handling from home.
Schools infrastructure project	39	Government directive to continue to pay consultants. Estimated additional cost as a result of continuing to pay consultants

		during lockdown and therefore elongated project timelines.
Design Print	300	Loss of trading income which relates mainly to internal recharges to Council departments.
Council Tax Reduction Scheme (CTRS)	1,000	Estimated additional costs due to additional demand. Based on the latest position it is forecasted the additional cost will be £400k less than previously reported.
CTRS WG Grant	-315	WG grant received for Qtr1 and Qtr2 is £178k and £137k respectively.
Council Tax Court Cost Income	235	Loss of Council Tax/NNDR court cost income as no court action has be taken for a significant part of the year.
Consultancy and Employee Costs	41	Additional Covid-19 costs.
COVID-19 WG Grants	-66	WG Hardship, Loss of Income and NDR Admin grant received.
Net COVID-19 variation	**4,071**	
Other Variations:		
Contact Centre	50	Restructure in flight to ensure sufficient resources in WTU, Complaints and a new model for Customer Services. The restructure will aim to take account of 'new normal' but will still require additional resources needed for Social Services Complaints and WTU in order to meet legal requirements.
Welsh Translation Service (WTU)	183	Welsh Translation Unit Saving from previous years cannot be achieved as requirement to maintain the service and deliver demand due to Welsh language Measures.
Commercial Services	130	Income target attributed to Commercial Services will not be achieved.
Legal Services	-612	Net underspend mainly due to vacant posts.
Other net variations	-456	Net Employee, Supplies & Services underspends, Income shortfall and unachieveable savings.
Total Other Variations	**-705**	
Total Forecast Variation	**3,366**	

<u>Director of Social Services</u>

<u>Social Services</u>

Variance	£000	Explanation and Action
Covid 19 Variation		
Additional costs within Child and Family	430	The pandemic has reduced the options for placements with particular issues around care leavers. This has resulting in the Council having to secure more expensive placements than would be usual. There has also been a rise in the cost of Direct Payments as we aim to support families through this time.
Additional Costs within Poverty and Prevention	171	The Directorate has incurred additional costs in supporting those deemed especially vulnerable at this time. Support has seen increased investment in services for those at risk of Domestic Violence as well as in Welfare Rights to help them cope with increased demand. Some of these costs have been offset by the use of grant. This includes a £95k cost for the Summer Provision for Vulnerable Children which is recoverable through the hardship fund.
Lost income within Poverty and Prevention	368	The primary area of income loss relates to the Gower Activity Centres. We have also lost expected income from Adult Education.
Additional Costs within Adult Services	8,715	This is the estimated additional cost of the actions taken to increase local social care capacity and the payment of Welsh Government support to the commissioned sector.
Loss of Income within Adult Services	1,679	This loss of income relates to income received from citizens and partners in respect of our day services that closed at the time of the outbreak.
First Tranche of WG Hardship Funding	-2,278	Significant additional income will follow in Q4
Second Tranche of WG Hardship Funding	-1,325	
Other		
Other Child and Family Variances	100	It is possible that this overspend will be reduced by grant funding later in the year.
External Residential Care	-1,455	An underspend continues to be forecast.
External Domiciliary Care	-922	This underspend is a continuation of that reported in 2019/20 and has been driven by increased client income and the 'right sizing' work around packages of care.

Variance	£000	Explanation and Action
Internal Staffing and Services	-2,900	A number of grants have been received that are able to support the overall financial position. Work to ensure services are designed in a way that enables the Council to access all funding sources continues. The Directorate continues to maintain cost management approaches to ensure that our services are sustainable and we continue to pursue external partners to ensure we receive a fair income for our services.
Third Party Spend	-51	
MHLD Complex Care	604	This remains an area of pressure. Additional budget has been allocated but ongoing pressures on demand and fees remain.
Poverty and Prevention	-153	Some small savings are expected due to the management of grants.
Joint Arrangements	-1,000	A substantial underspend is expected within the Community Equipment Store due to the success of the service in attracting grant income. The Store is run as a joint arrangement between the Council, Neath Port Talbot CBC and Health Board. Underspends will be held in reserve for the future benefit of the Store.
Overall Variation	1,983	

Director's Comments

The Council's response to Covid-19 continues to dominate our financial outlook for the year. We have incurred significant additional expenditure through our response to the crisis. We continue to expect the majority of our additional costs will be recoverable through Welsh Government grant funding have aligned our processes to ensure we are successful in this.

Forecasts for Covid related expenditure and income loss are based on current WG Hardship Funding guidance and have been amended in line with the progression of the pandemic through the year.

The pandemic continues to affect our business as usual activity and we are reporting large underspends on some commissioned services that reflect a reduction in activity. Our non Covid variances continue the story from last year where we have been able to align grant income to offset the cost of our internal services.

We continue to forecast an overspend within Mental Health and Learning Disability Complex Care. Retendering has added to the pressures on fees, which have continued to increase at above inflation rates for some time.

We continue with efforts to seek fair and equitable funding contributions from our Health Service partners for the services they commission and have strengthened our systems for the recovery of client income.

Should our expectations around Hardship and Income Loss grants be met, the Directorate will deliver an underspend.

Director of Education

Variance	£0	Explanation and Action
Covid 19 Variations		
Additional direct cost of maintaining provision of lunches / food bags / BACS payments for FSM eligible pupils	3,022	Reflects significant additional food costs, considerably greater coverage of eligible families (with transitional protection), and additional provision over holidays. Work to estimate the cost of continued support in the 20/21 academic year is ongoing and not included in this forecast.
Loss of paid School Meal Income	2,250	Reflects previous year levels of take up of meals
Additional staffing costs over normal contracted hours (catering, cleaning and school support teams)	159	This is due to the support provided to settings at times when they would not usually be open such as weekends and holidays.
Additional hours for teaching assistants outside of term	120	
Additional transport, PPE, and utility costs.	342	Additional costs from the use of vehicles to support the delivery of Free School Meals, as well as the provision of PPE, continues to be scrutinised. Potential shortfall in the Face Covering Grant
Additional costs of licences to support Chromebooks and continuity of learning for pupils	24	Additional cost over and above core broadband and other IT infrastructure costs and available base budget
Loss of other income such as from school clerking services and penalty notices	10	On the basis of broad comparison with previous year – e.g. £4.2k per quarter re penalty notices
Loss of income to schools for example from school lettings and breakfast and other clubs	1,066	Reflects detailed analysis of income lost across our maintained schools.
Income Loss and Hardship Income Received	-3,768	1st and 2nd Tranches Received
Total Covid 19 variations	3,225	
Non Covid Variations		
Continuing additional costs of FSM transitional protection - part year impact once schools fully	335	Considerable increase in those entitled to FSM and likely to grow further with impact of lockdown. With transitional protection these numbers will be maintained without any

Variance	£0	Explanation and Action
re-open		certainty of additional core funding from WG
Additional costs of FSM provision during lockdown which cannot be reclaimed from WG under strict grant criteria	700	Additional food costs, which cannot be reclaimed from WG, from free provision of care lunches to all pupils, over ordering by schools of food bags / parcels, and donation to food banks of food items not required due to changing expectations of food parcel contents
Loss of additional paid meal income from previously proposed MTFP increased prices (April 20 and Sept 20)	205	£125k loss of income from decision to remove increase from April and a further £80k part year impact with no increase in September
Home to School Transport - further underlying cost pressures and undeliverable savings target relating to creation of additional walking routes, allocated from Place Directorate	442	MTFP reflects robust management action to mitigate scale of demand and cost pressures but underlying pressures continue to grow. Further shortfall due to undeliverable savings target allocated to Education, with no influence in its determination or delivery
Continuing Additional Learning Needs demand and cost pressures	192	Significant impact of management action to manage demand and cost pressures reflected in MTFP, but challenges remain
Out of County Placements - undeliverable savings without further specialist provision within County	-96	Direction not to proceed with actions necessary to bring forward delivery of scale of additional Special School Places required
Implications of school decisions on SLA buy back on services	50	Reflects existing pressures on areas such as Music Service, as far as possible mitigate by robust management action
Additional cost for schools of corporate decision relating to average payments to staff	160	A local decision and so not reclaimable against WG funding for COVID 19
Additional staffing costs for schools due to freeze on ER/VR processes	100	Costs will increase further if HR redundancy processes cannot re-commence before September but may be able to mitigate from WG grant
Additional civic catering costs with decision to freeze closure	63	Reflects continuing shortfall exacerbated by loss of any income from sales for the lockdown period - could increase if closure further delayed
One-off additional contribution to Regional Improvement Partnership	82	Agreed for 2020-21 only, before Swansea withdraws from ERW from April 2021

Variance	£0	Explanation and Action
Capita One - one-off cost to have been charged to, and contained, within available 2019-20 budget	30	Proposed carry forward to reflect this one-off cost was not supported
Capita One annual maintenance costs - more than offset by savings in Corporate Digital Services budget but requiring an appropriate budget transfer	32	Highlighted as a potential continuing overspend until an appropriate base budget transfer from Digital Services is approved
Other continuing pressures (Primarily Historic Pension Costs, Maternity etc)	700	Will continue to be scrutinised to as far as possible mitigate pressures
One-off managed savings with delay to full implementation of new EOTAS model	-700	Further managed savings can be delivered whilst the new EOTAS model cannot be fully implemented
One-off managed savings identified in year in addition to those already reflected in MTFP	-622	Continuing robust management action will seek to identify further savings in addition to MTFP requirements
Net non-Covid 19 projected overspend	1,673	Reflects impact of decisions preventing the delivery of current year MTFP savings assumptions and unrecoverable additional Covid-19 costs
TOTAL PROJECTED PRESSURES	4,898	

The closure of schools has had a significant budgetary impact on the Directorate and is the primary cause of the variations reported above. We continue to align our processes in a way to ensure that we maximise the grants available to support us through this period but there is clearly a risk that some costs may not be fully reclaimable.

The non-Covid 19 projected overspend is more than accounted for by the impact of WG or local decision which has increased the uncontrollable and statutory cost pressures, prevented the delivery of significant elements of current year MTFP savings assumptions, and incurred unrecoverable additional Covid-19 costs in part underwritten by S151 Officer.

There are other areas of identified demand and cost pressures, in spite of the continuing delivery of the Education strategy, but these are anticipated to be more than offset by further one-off managed savings in addition to those already reflected in the MTFP. However, the underlying base budget shortfall facing the Education portfolio budget, potentially at almost £1.9m, is clearly of concern even though almost £1.2m directly reflects the full year impact of national or local decisions.

In line with corporate processes, the figures do not account for outstanding Covid Hardship and Loss of income figures that have not been distributed to the directorate. When this is accounted for, the figures reported will improve by £2.8m.

Director of Place

The directorate is currently projecting a £6.7m overspend which is significant and unprecedented (excludes expected quarter 2 loss of income and September/October Hardship Covid Grant of £2.8m currently held centrally, which when allocated to directorates would Improve the forecast outturn in Place to an overspend of circa £3.9m) . The reason for this is the additional costs incurred on Covid related matters, plus the lost income across a range of services areas due to the inability to carry out work or recharge for services. This projected out turn will be revised as further clarity is obtained from Welsh Government as to the level of support provided for both expenditure and lost income. There are some other "non Covid" projected overspends as is often the case but as in previous years the directorate would have achieved a balanced budget had it not been for COVID related implications.

Appendix C

Capital expenditure on major schemes to 31 December 2020 (where spend greater than £250k)	**£000's**
People	
EOTAS new build	4,555
Gorseinon primary new build	2,178
YGG Tan-y-Lan primary new build	2,656
YGG Tirdeunaw primary new build	2,784
YGG Gwyr secondary extension	1,848
Bishopston Comprehensive refurbishment	4,460
Pentrehafod remodelling	278
Hendrefoilan RICs scheme	427
Early Help Family Support hubs	330
Resources	
ERP System Upgrade	517
Hwb-in-schools infrastructure	536
Agile and Mobile IT equipment	332
Place	
City Centre Development Phase 1 (Arena schemes)	48,348
Kingsway Infrastructure	2,479
Kingsway Offices-Design & Plan	730
Hafod Copper Powerhouse scheme	781
Palace Theatre Redevelopment	564
Wind Street improvements	290
Corporate Building Services (including schools)	6,577
Highways - Baldwins Bridge / Fabian Way	486
Highways carriageway resurfacing including invest to save	4,648
Highways - Active Travel fund schemes	879
Highways - Drainage works	572
Highways - LTF Broadway interchange	861
Vehicle replacement scheme	1,370
New equipment for Corporate Transport Unit	283
DPD fitout and adaptations	672
Energy efficiency scheme with Salix Energy	338
Disability Facilities Grants	1,736
Mini adaptation grants	311

Leisure Centres (Freedom Leisure schemes)	265
Absorbent waste scheme	889
Bay Studios Surge Hospital build for SBUHB managed by CBS	20,974
HRA	
HRA capital programme (More Homes schemes)	4,422
Wind and Weatherproofing (including West Cross)	5,516
External Facilities	4,630
HRA Kitchens & Bathrooms	7,186

Total scheme value where spend greater than £250k	136,708

Cyngor Abertawe
Swansea Council

Report of the Section 151 Officer

Council – 4 March 2021

Treasury Management Strategy Statement, Prudential/Treasury Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement 2021/22

Purpose:	To recommend the Treasury Management Strategy Statement, Prudential Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement for 2021/22 be approved
Consultation:	Legal, Finance and Access to Services.
Recommendations:	It is recommended that Council approves the: (1) Treasury Management Strategy and Prudential Indicators (Sections 2-7) and (2) Investment Strategy (Section 8) and (3) Minimum Revenue Provision (MRP) Statement (Section 9).
Report Author:	Jeff Dong
Finance Officer:	Ben Smith
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1. Introduction

1.1 This strategy statement has been prepared in accordance with the revised CIPFA Treasury Management Code of Practice adopted by this Council in 2010 which has been recently revised in 2017. The Council's Treasury Management Strategy will be received and reviewed annually by Council and there will also be an interim year report providing summary of progress against that strategy. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the scrutiny of the Treasury Management function appreciate fully the implications of the Treasury

Management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting. CIPFA has adopted the following as its definition of treasury management

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

1.2 CIPFA Prudential Code – Revised 2017

During the preparation of this year's Treasury management Strategy, CIPFA have recently made some changes to the Code in 2017. They were

- Minor changes to the treasury indicators which were initially developed in 2004
- Clarifying that the definition of 'Investments' above includes:-
- Treasury Management investments (as historically included in this Strategy, as well as
- investments made for policy reasons and managed outside of normal treasury management activity.

1.3 The latter change is primarily in response to increasing commercialisation activities undertaken by Local authorities. Examples of investments made for policy reasons and managed outside of normal treasury management activity include:-

- 'service investments' held in the course of provision and for the purposes of operational services
- 'commercial investments' which are taken mainly for financial reasons. These may be shares and loans in business structures e.g. subsidiaries; investments explicitly taken with the aim of making a financial surplus for the Council; non financial assets such as investment properties held primarily for financial benefit

1.4 Where, in addition to treasury management investment activity, organisations invest in other financial assets and property primarily for financial return, the Code requires that these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that robust procedures for the consideration of risk and return are applied to these decisions. Following the HM Treasury consultation and subsequently issued guidance, PWLB borrowing is now prohibited to fund investments 'purely for yield'. The PWLB have circulated a set of criteria that needs to be satisfied to secure PWLB finance. This new guidance still allows PWLB borrowing to fund regeneration and operational schemes where they are clearly not undertaken for yield only.

1.5 The Code requires that all investments have an appropriate investment management and risk management framework. This includes making it explicit in any decision making:-

- the powers under which investment is made
- the governance process including arrangements in place to ensure appropriate due diligence to support decision making
- the extent to which capital invested is placed at risk
- the impact of potential losses on financial sustainability
- the methodology and criteria for assessing performance and monitoring process
- how knowledge and skills in managing such investments is arranged and that these are monitored, reported and highlighted explicitly in the decision making process and due diligence.

1.6 The most significant investments currently held by the Council and managed outside of normal treasury management activity are the Council's Investment Properties, which include various freeholds within the City held for strategic investments and/or income generation. The principles behind this strategy are outlined in the Capital Strategy, a separate report on this agenda

1.7 The Council will need to adhere to this strategy when considering any new proposals for non treasury investments as well as any updates to existing strategies, practices and reporting such as in the Statement of Accounts. It will be recommended that Council adopt the practices for Non Treasury Investments identified in a separate section of the Treasury Investment Strategy below in 8.7.

1.8 The Local Government Act 2003 requires the Council to have regard to the Prudential Code and to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Council is required to formally consider the Prudential and Treasury Indicators as detailed in section 2 of this report

1.9 The Act also requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy as required by Investment Guidance issued subsequent to the Act. This strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The management of the Council's Treasury Management activities are in line with the CIPFA Treasury Management Revised Code of Practice.

1.10 The recommended strategy for 2021/22 is based upon a view on interest rates, having considered leading market forecasts provided by the Council's treasury advisor, Link Asset Services. The overall strategy covers:

- Treasury Limits 2020/21-2024/25
- Prudential / Treasury Indicators

- The current portfolio position
- Prospects for interest rates including a summary of the economic background
- The Borrowing Requirement
- The Borrowing Strategy
    - Gross v Net Debt Position
    - Policy on Borrowing in Advance of Need
- Debt Rescheduling
- The Annual Investment Strategy
    - Investment Policy
    - Including non Treasury Investments
    - Interest Rate Outlook
    - Creditworthiness Policy
    - Country Limits
    - Policy on the Use of External Advisors
    - Scheme of Delegation
    - Pension Fund Cash
- Minimum Revenue Provision (MRP) Policy Statement

1.11 A glossary of terms used within this report is attached at Appendix A.

2. Treasury Limits 2020/21 to 2024/25

2.1 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to set a balanced budget. Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

- increases in capital finance charges (principal and net interest) caused by increased borrowing to finance additional capital expenditure and

- any increases in running costs from new capital projects

are affordable within the projected revenue of the Council for the foreseeable future.

2.2 Under statute, the Council is required to set an Affordable Borrowing Limit i.e a limit which the Council can afford to borrow. In Wales, the Authorised Limit represents the legislative limit specified in section 3 of the Local Government Act 2003.

2.3 The Council must have regard to the Prudential Code when setting the Authorised Limit. This limit requires the Council to ensure that total capital investment remains within sustainable limits. The Authorised Limit must be set for the forthcoming financial year and the two successive financial years.

2.4 The Prudential Code for Capital Finance in Local Authorities requires Councils to calculate treasury indicators (formerly prudential indicators) which demonstrate prudence in the formulation of borrowing proposals. These are defined as:

- The Operational Boundary :
  "…is based on expectations of the maximum external debt of the authority according to probable not simply possible events and being consistent with the maximum level of external debt projected by the estimates…."

- The Authorised Limit :
  "..t*he Authorised Limit must therefore be set to establish the outer boundary of the local authority's borrowing based on a realistic assessment of the risks. The authorised limit is certainly not a limit that an authority will expect to borrow up to on a regular basis. It is crucial that it is not treated as an upper limit for borrowing for capital expenditure alone since it must also encompass borrowing for temporary purposes..."*

- Upper limits for borrowing of fixed and variable rate loans.
- Upper limit for investments for over 364 days.
- Upper and lower limits for the maturity profile of the Council's debt
- Estimates of the incremental impact of capital investment decisions on Council Tax / Housing rents
- Estimates of the ratio of financing costs to net revenue stream
- Estimates of the capital financing requirement

2.5 In setting and revising Prudential Indicators the authority is required to have regard to:-

- Affordability e.g revenue implications
- Prudence and sustainability e.g. implications for external borrowing
- Value for money e.g. option appraisals
- Stewardship of assets e.g. strategic planning
- Practicality e.g. achievability of forward plans

2.6 It is a requirement of the Code that Prudential / Treasury Indicators are regularly monitored and systems are in place to achieve compliance.

Treasury / Prudential Indicators						
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Actual	**Probable**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Capital Expenditure						
GF	74,720	204,733	104,690	37,797	49,340	50,379
HRA	51,839	44,045	59,080	58,965	59,997	55,236
TOTAL	126,559	**248,778**	**163,770**	**96,762**	**109,337**	**105,615**
Capital Financing Requirement 31st March						
GF	364,607	474,599	515,257	514,397	516,329	512,899
HRA	157,806	163,829	181,953	201,513	223,082	240,606
Magistrates' Court **	1,248	1,198	1,150	1,104	1,060	1,018
Credit Arrangements*	223	138	33	10	-	-
Total	**523,884**	**639,764**	**698,393**	**717,024**	**740,471**	**754,523**
Authorised limit for external debt	615,567	817,024	817,024	854,523	854,523	854,523
Operational boundary for external debt	555,567	757,024	757,024	794,523	794,523	794,523
Upper limit for fixed interest rate exposure	82.32%/ £456,023	100%/ £817,024	100%/ £817,024	100%/ £854,523	100%/ £854,523	100%/ £854,523
Upper limit for variable rate exposure	17.68%/ £98,000	40%/ £326,809	40%/ £326,809	40%/ £341,809	40%/ £341,809	40%/ £341,809
Upper limit for total principal sums invested for over 364 days	40,000	40,000	40,000	40,000	40,000	40,000

* The GF Capital Financing Requirements includes arrangements classified as credit arrangements (finance leases) under International Financial Reporting Standards (IFRS) requirements as of 2011/12. However these continue to be budgeted on a revenue basis from the acquiring service and do not form part of the borrowing requirement.

** Legacy Magistrates' Court debt which is wholly recharged is included for completeness

Maturity structure of fixed rate borrowing during 2021/22-2024/25		
	Upper limit %	**Lower limit %**
Under 12 months	60	0
12 months and within 24 months	60	0
24 months and within 5 years	60	0
5 years and within 10 years	90	0
10 years and above	95	15

Ratio of Financing Costs to Net Revenue Stream						
	Actual 2019/20 %	**Revised 2020/21 %**	**Estimate 2021/22 %**	**Estimate 2022/23 %**	**Estimate 2023/24 %**	**Estimate 2024/25 %**
General Fund	5.61	5.79	6.76	6.96	6.85	6.70
HRA	12.79	15.55	16.42	17.88	19.45	20.56

Gross Debt v Capital Financing Requirement

The gross debt position versus the capital financing requirement is detailed below. The profile below assumes progressive external funding of the internalised borrowing and by the borrowing requirement informed by the capital programme, however in all likelihood internal balances shall be utilised where appropriate and the actual external borrowing shall be lower.

Comparison of average gross debt and capital financing requirement	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	actual	**probable**	**estimate**	**estimate**	**estimate**	**estimate**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Average debt (gross)	555,567	552,931	668,396	704,396	728,396	737,597
Capital Financing Requirement at 31st March	523,884	639,764	698,393	717,024	740,471	754,523
Net Position	(31,683)	86,833	29,997	12,628	12,075	16,926

3 . The current portfolio position

3.1 The Council's projected debt portfolio position at 31/3/21 comprises:

	Principal outstanding 31 March 2021 £'000	**Average rate of Interest %**
Public Works Loan Board (fixed)	441,080	4.22
Money Market	98,000	4.10
Temporary	746	0.77
Welsh Govt.	13,105	-
Total	552,931	4.11

3.2 The Council's forecast investment portfolio at 31 March 2020 is as follows:

Managed Investments	Investments 31 March 2021	2020/21 Probable Investment Return	2021/22 Estimated Investment Return
	£'000	%	%
Internally Managed	73,350	0.26	0.1

4. Prospects for Interest Rates

4.1 The Council's Treasury advisers (Link Asset Services) provided the following interest rate forecast for both short term (bank rate) and long term (PWLB) interest rates as at January 2021, following the UK Government's agreement to the Brexit deal..

Link Group Interest Rate View 9.11.20

These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

4.2 Economic Background

Attached at Appendix B is an economic background assessment provided by our Treasury advisers, Link Asset Services. This detailed assessment has informed the proposed strategies.

4.3 **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand and the pace of recovery of the economy.
- **UK - Bank of England** takes action too quickly, or too far, over the next

three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel’s CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Italy, Spain, Austria, Sweden, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates include:

- **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.

The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation. Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

4.4 The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

5. The In Year Borrowing Requirement

5.1 The following outlines the Council's net capital borrowing / repayment requirements for 2020/21 to 2024/25: Actual borrowing shall not reflect the profile below. Timing of borrowing is informed by best Treasury management practice, prevailing interest rates and cashflow demands.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Borrowing and repayment requirements	**Actual**	**Probable**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
To finance new capital expenditure by supported borrowing	6,429	6,483	6,430	6,430	6,430	6,430
To finance new capital expenditure by unsupported borrowing	42,885	107,361	69,957	31,701	37,349	28,922
To replace loans maturing/repaid prematurely/voluntary contributions	1	1	365	365	5,365	7,365
Less						
Repayments (MRP)	12,874	13,573	16,078	16,840	16,566	16,324
Set aside capital receipts						
NET IN YEAR BORROWING /(REPAYMENT) REQUIREMENT	**36,441**	**100,272**	**60,674**	**21,656**	**32,578**	**26,393**

5.2 The borrowing requirement above reflects known planned capital expenditure to date as outlined in the *"The Capital Budget and Programme 2020/21 – 2026/27"* and the "HRA Capital Programme 2020/21-2025/26" reports elsewhere on this agenda and may or may not be funded in year as opportunities to borrow affordably arise.

5.3 It can be seen from the *"The Capital Budget and Programme 2020/21 – 2026/27"*, that the capital programme contains a comprehensive programme of major construction projects requiring material capital funding :

- 21st Century Schools – A programme of major school refurbishment and new school build

- Swansea Bay City Region Deal Schemes - The Swansea City and

Waterfront Digital District project (one of the 9 Swansea Bay City Region Projects) plans include a 3,500-seat digital indoor arena at the current LC car park site in the city centre that will accommodate music concerts, touring shows, exhibitions, conferences, gaming tournaments and other events. A digital square featuring digital artworks and ultrafast internet connection speeds will also be developed outside the arena.

- More Homes and Welsh Housing Quality Standards– A programme of council house refurbishment and new council house building utilising new borrowing powers to invest in new Council housing stock.

- Significant capital investment to help the City's economic recovery from the Covid 19 pandemic

5.4 In considering the above, the Council shall determine that its plans are affordable, prudent and sustainable and shall formulate its Treasury Management , Borrowing & Investment Strategy and MRP Policy accordingly.

5.5 The above table in 5.1 details the net borrowing requirement for each financial year. In accordance with the Prudential Code, borrowing must be undertaken in line with a funding plan informed by the projected capital financing requirement. Borrowing may be financed from one or more of Public Works Loan Board loans, money market loans, other local authorities or internal loans. The precise choice and timing will depend on market conditions from time to time and will not necessarily mirror the profiling above. In practice, borrowing shall be optimised when interest rates offer long term value with operational financing being funded from internal cash balances as cashflow allows in accordance with our long term strategy.

5.6 Housing Revenue Account (HRA) Subsidy Reforms - Self Financing Settlement

As outlined in the report approved by Council on 2nd Dec 2014 entitled *"Reform of the Housing Revenue Account Subsidy System"* the Authority has entered into a Voluntary Agreement with Welsh Government to exit the current HRA subsidy system, resulting in more flexibility for the Authority in meeting affordable housing needs in the locale. In order to exit the current HRA subsidy system, a cash settlement amount had to be paid over to HM Treasury equal to a sum determined by formulae agreed in the Voluntary Agreement which resulted in a settlement figure of £73.58m for this Authority. The overriding principle of the HRA Reform is that all local housing authorities will be financially better off in revenue terms after the reforms.

5.7 The HRA reform settlement was required to be made to the Welsh Government on 1 April 2015 which was subject to a separate borrowing strategy dictated by the terms outlined in the Voluntary Agreement. The Council borrowed £73.58m from the PWLB and remitted this total amount to Welsh Government on April 2nd 2015.

5.8 The servicing and amortisation of this pool of debt shall be managed completely separtely from the remainder of the pooled (GF and HRA) debt portfolio and this shall be recharged directly to the HRA.

6. Borrowing Strategy

6.1 PWLB borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19 following the shock announcement from HMT applying a 100bps premium on PWLB borrowing. The policy of avoiding new borrowing by running down spare cash balances has served this local authority well over the last few years. However, the Authority took advantage of the unprecedented historically low interest rates and undertook £90m of PWLB borrowing in 2018/19. This was extremely well timed ahead of the unexpected increase of 1% premium in PWLB rates in Nov 2019. Following HM Treasury consultation, the PWLB has removed the premium but has implemented strict criteria for PWLB borrowing and strictly prohibits investment purely for yield as identified in 1.4.. At time of writing, borrowing rates are higher then investment rates as has been the case since the onset of the global financial crisis. Considering this, it has been determined that, cashflow dictating, the main strategy for funding the borrowing requirement for the capital programme shall be met by internalising the borrowing. However due to the PWLB premium being implemented in Nov 2019, no long term external borrowing has been undertaken since 2018/19, therefore cashflow/funding requirements evolving in the short/medium term, it is envisaged that the funding requirement shall have to be actually financed via the most economically advantageous option (historically PWLB) in the short/medium term.

6.2 Short term savings (by avoiding material new long term external borrowing) will be weighed against the potential additional long term extra costs (by delaying unavoidable new external borrowing until later) when long term rates are forecast to be higher.

6.3 However, the overall strategy - with a view to minimising interest costs and the risk of default by counterparties - is therefore to continue to internalise the majority of the borrowing requirement for operational financing with a view to averaging in the remainder of the borrowing requirement as cashflow and interest rates dictate in the short/medium term.

6.4 Policy on borrowing in advance of need

The Council has only a limited power to borrow in advance of need.

In determining whether borrowing will be undertaken in advance of need the Council will;

- ensure that there is a clear link between the expected capital programme and maturity profile of the existing debt portfolio which supports the need to borrow in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and which repayment profiles to use.

7 Debt Rescheduling

7.1 The introduction of different PWLB rates on 1 November 2007 for new borrowing (as opposed to early repayment of debt) and the setting of a spread between the two rates (of about 0.4%-0.5% for the longest period loans narrowing down to 0.25%-0.30% for the shortest loans), has meant that PWLB to PWLB debt restructuring is now much less attractive than before that date.

7.2 Due to short term borrowing rates being expected to be cheaper than longer term rates, there may be opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of their short term nature and the likely cost of refinancing short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any rescheduling needs to be considered net of any premium payable which in light of current interest rates is likely to be considerable.

7.3 In actively managing credit counterparty and interest rate risks, consideration will also be given to running down investment balances by repaying debt prematurely as short term rates on investments are likely to be significantly lower than rates paid on current debt.

However, a repayment strategy will only be considered if a loan repayment offers value in terms of discount / associated costs and does not compromise the Council's long term debt management policies. In this respect, we will need to be mindful of the potential future need to arrange new long term loans as market conditions change from time to time.

7.4 Notwithstanding the above, it is envisaged that there will not be any debt rescheduling opportunities in the remainder of 2020/21 or in the medium term in the current PWLB portfolio, however there may be opportunities to review the Authority's market debt dependent upon counterparty appetite. Opportunities are received from time to time and appraised and considered in line with 7.3. Any rescheduling decisions will be reported to the Cabinet Member in the quarter following action.

8. The Annual Investment Strategy

8.1 <u>Investment policy</u>

8.1.1 The Council will have regard to the National Assembly of Wales' Guidance on Local Government Investments ("the Guidance") issued in March 2004 (and subsequent amendments); CIPFA's Revised Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA Treasury Management Code") and the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2004 SI 1010(W.107). The Council's investment priorities are: -

(a) to ensure the security of capital
(b) to ensure the liquidity of investments.
and only then
(c) to maximise interest returns (yield) commensurate with (a)

and (b)

The investment strategy will be implemented with security of investment as the main consideration. The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

8.1.2 The investment criteria are outlined in Appendix C.

8.1.3 Amendments to the arrangements, limits and criteria detailed in Appendix C may be made by the Section 151 Officer during the year and advised to the Cabinet Member for Finance & Strategy in the quarter following action.

Appendix G is the list of UK financial institutions (counterparties) which satisfy the Council's minimum credit criteria as at 28th January 2021

8.1.4 It is anticipated that the Council will continue to hold internally managed sums during 2021/22 ensuring a suitable spread of investment risks. The Council has fixed benchmarks against which investment performance will be measured, i.e. the 7 day LIBID rate (internally managed).

8.1.5 <u>Interest Rate Outlook</u>:
Following the UK and EU agreeing a Brexit deal including the terms of trade at the end of 2020, the Bank Rate is forecast to remain at 0.10% for the short/medium term. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.10%
- Q1 2022 0.10%
- Q1 2023 0.10%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

2019/20	0.10%
2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.10%
2024/25	0.25%
Later years	2.00%

While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

8.1.6 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (1-3 months) in order to benefit from the compounding of interest. However longer dated deposits will be made with appropriate counterparties if opportunities arise.

8.1.7 During and following the end of the financial year, the Council will report on its investment activity as part of its Interim Year Treasury Management Report and its Annual Treasury Management Report.

8.2 Creditworthiness Policy

This Council uses the creditworthiness service provided by our Treasury Management Advisors. This service has been progressively enhanced over the years and now uses a sophisticated modelling approach with credit ratings from all three rating agencies. Fitch, Moodys and Standard & Poors form the core element.

Appendix C outlines the Council's creditworthiness policy. Details of Fitch's short and long term ratings are at Appendix D.

The creditworthiness service does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system. The end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments.

All credit ratings will be monitored regularly with reference to the credit ratings report and updates. The Council is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

There will be no future use of a counterparty/investment scheme which fails the credit rating tests .

In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swaps against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data, market information, information on government support for banks and the credit ratings of that government support.

8.3 Country Limits

The Authority has not made any new overseas deposits for several years since the global financial crisis. Going forward, continued caution will be required when considering future opportunities to make overseas investments. There are no plans to make overseas investments at this time.

If such opportunities arise then the Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide a rating) The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix E. This list will be added to or deducted from should ratings change in accordance with this policy.

8.4 Policy on the use of external advisers

The Council uses the services of an external Treasury Management adviser namely - Link Asset Services Treasury Management Advisors.

The Council recognises that responsibility for Treasury Management decisions remains with the Council at all times and as such, we will ensure that undue reliance is not placed upon external advisers.

However it is recognised that there is value in employing external advisers in relation to Treasury Management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

8.5 Scheme of Delegation

The role and responsibilities of the Council, Cabinet Member for Resources and the S 151 officer are as follows:

(i) Council

- to receive and review reports on Treasury Management policies, practices and activities
- to receive and review the annual strategy.
- to receive and review amendments to the Authority's adopted clauses, Treasury Management policy statement
- to consider and approve the annual budget
- to receive and review the division of responsibilities

(ii) Cabinet Member for Resources

- to receive and review regular briefings/reports
- to receive and review the Treasury Management policy and

procedures

(iii) Section 151 Officer

- to recommend clauses, Treasury Management policy for approval
- Implement and keep up to date operational Treasury Management practices
- to review the same regularly and monitor compliance
- to submit Treasury Management policy reports
- to submit budgets and budget variations
- to receive and review management information reports
- to review the performance of the Treasury Management function
- to ensure the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function
- to ensure the adequacy of internal audit, and liaise with external audit
- to appoint external service providers.
- to ensure adequate Treasury Management training for elected members

8.6 Pension Fund Cash

The Council will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 which was implemented on 1st January 2010. Any investments made by the Pension Fund will comply with the requirements of SI 2009 No 393 and will comply with the prevailing City & County of Swansea Treasury Management Policies, Practices and Strategies.

8.7 Non Treasury Investments

The Council recognises that investment for non-treasury management purposes in other financial assets and property, primarily for financial return, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios. The Council will ensure that all the organisation’s investments are covered in its capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation’s risk appetite and specific policies and arrangements for non-treasury investments if undertaking such investments. It is recognised that the risk appetite for these activities may differ from that for treasury management. The Capital Strategy Report also on this agenda outlines the strategy for these non treasury investments

8.8 Markets in Financial Instruments Directive II (MIFID II)

The EU Regulation MIFID II came into force in Jan 2018. Pre Jan 2018, this Authority was recognised as a professional investor. The new directive required financial institutions to recognise all investors as retail clients. This ensured maximum protections but also precluded some forms of investments, only available to professional clients. Financial Institutions may elect to opt up clients upon request, if they can demonstrate suitable professional competency and governance frameworks are in place. This Authority has successfully elected to opt up to professional status with all its counterparties and service providers.

9. Minimum Revenue Provision Policy Statement

9.1 Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery. It is inappropriate to charge the entirety of this expenditure in the year in which it is incurred i.e the expenditure benefits more than a single year of account. As such, the resulting costs are spread over several years. The manner of spreading these costs is through an annual Minimum Revenue Provision (MRP) which was previously determined under Regulation and now is determined under Guidance.

9.2 Statutory instrument WSI 2008 no.588 section 3 states that "..a local authority must calculate for the current financial year an amount of minimum revenue provision which it considers to be prudent,,"

The previous requirement to make a 2% MRP charge for the Housing Revenue Account share of the Capital Financing Requirement (CFR) until 2020/21 when lifetime of asset shall be adopted is unchanged by this instrument.

9.3 Along with the above duty, the Welsh Assembly Government issued guidance in March 2008 which requires that a Statement on the Council's Policy for its annual MRP should be submitted to the full Council for review before the start of the financial year to which the provision will relate. The Council is legally obliged to 'have regard' to the guidance.

9.4 The Welsh Assembly Government guidance outlined four broad options to adopt for the calculation of MRP. They are:

- Option 1- Regulatory Method
- Option 2 - Capital Financing Requirement Method
- Option 3 - Asset Life Method
- Option 4 – Depreciation Method

The options and guidance are detailed at Appendix F.

9.5 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09 and revised its MRP Policy for 2018/19 in December 2018 in accordance with the main recommendations contained within the guidance issued by the Welsh Government

9.6 The major proportion of the MRP chargeable will relate to the historic debt liability (pre 2008/09) that will now be charged at the rate of 2.5%% straight line. (equivalent to amortising over a 40 year asset life). Then other expenditure incurred using 'unsupported borrowing' will under delegated powers be subject to MRP under option 3 which will be charged over a period commensurate with the estimated useful life applicable to the nature of the expenditure or in accordance with the existing capitalisation directive.

9.7 Estimated life periods will be determined under delegated powers having taken professional advice. The Section 151 Officer reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

9.8 Going forward, it is proposed that all GF debt arising from capital expenditure supported by the WG through supported borrowing or the Local Government Borrowing Initiative will be charged MRP at 2.5% straight line (equivalent to being amortised over a 40 year asset life) and all other capital expenditure and other 'capitalised' expenditure will be repaid under option 3 as appropriate unless otherwise superseded by any accompanying capitalisation directive/guidance. All HRA debt to be amortised at 2% until 2020/21 when new borrowing shall be amortised over the useful life of the asset.

10 Legal Implications

10.1 The Authority is under a duty to make arrangements for the proper administration of its financial affairs. Failure to do so will be a breach of that duty. The statutory provisions and guidance imposing such a duty on the Authority are as set out in the main body of the Report.

11. Equality Impact Implications

11.1 The Council is subject to the Public Sector Equality Duty (Wales) and must,
in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment (EIA) process ensures that we have paid due regard to the above. We have undertaken an EIA screening which demonstrates there are no equality impact implications arising directly from this report (Appendix H)

Background Papers: The revised CIPFA Treasury Management Code of Practice 2011

The revised CIPFA Prudential Code for Capital Finance in Local Authorities 2011
The revised CIPFA Prudential Code for Capital Finance in Local Authorities 2017

Appendices: Appendix A – Glossary of Terms
Appendix B – Treasury Advisors' View On The Economic Background
Appendix C – Investment Criteria and creditworthiness policy
Appendix D – Credit Rating Agency Definitions
Appendix E – Approved Countries for Investment
Appendix F - Minimum Revenue Provision Guidance
Appendix G – Approved Internal Counterparty Lending List
Appendix H – Equality Impact Assessment

APPENDIX A

TREASURY MANAGEMENT – GLOSSARY OF TERMS

Annualised Rate of Return	Represents the average return which would have been achieved each year.
Authorised Limit ***(can also be considered as the affordable borrowing limit)***	The authorised limit must be set to establish the outer boundary of the local authority's borrowing based on a realistic assessment of the risks. The authorised limit is certainly not a limit that an authority will expect to borrow up to on a regular basis. It is crucial that it is not treated as an upper limit for borrowing for capital expenditure alone since it must also encompass borrowing for temporary purposes. It is the expected maximum borrowing need, with some headroom for unexpected movement.
Bank Rate	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short term interest rates in the money markets.
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Basis Points (bp)	A basis point is 0.01 of 1% (100 bp = 1%)
Borrowing	In the Code, borrowing refers to external borrowing. Borrowing is defined as both:- • Borrowing repayable with a period in excess of 12months • Borrowing repayable on demand or within 12months
Capital Expenditure	The definition of capital expenditure starts with all those items which can be capitalised in accordance with the Statement of Recommended Practice (SORP). To this must be added any items that have/will be capitalised in accordance with legislation that otherwise would not be capitalised. Prudential indicators for current and future years are calculated in a manner consistent with this definition.

Capital Financing Charges (see financing costs also)	These are the net costs of financing capital i.e. interest and principal, premium less interest received and discounts received.
Capital Financing Requirement	The Capital Financing Requirement is simply the total outstanding capital expenditure, which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.
CIPFA	The Chartered Institute of Public Finance and Accountancy. One of the leading professional accountancy bodies in the UK and the only one which specialises in the public services.
Counterparty	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
Credit Rating	This is a scoring system that lenders issue people with to determine how credit worthy they are. The Credit Rating components are as follows: 1. The AAA ratings through to C/D are long-term rating definitions and generally cover maturities of up to five years, with the emphasis on the ongoing stability of the institution's prospective financial condition. AAA are the most highly rates, C/D are the lowest. This Council does not invest with institutions lower than AA- for investments over 364 days 2. F1/A1/P1 are short-term rating definitions used by Moody's, S&P and Fitch Ratings for banks and building societies based on their individual opinion on an institution's capacity to repay punctually its short-term debt obligations (which do not exceed one year). This Council does not invest with institutions lower than F1/A1/P1 for investments under 364 days.
Debt	For the purposes of the Code, debt refers to the sum of borrowing (see above) and other long-term liabilities (see below). It should be noted that the term borrowing used with the

	Act includes both borrowing as defined for the balance sheet and other long terms liabilities defined as credit arrangements through legislation.
Discounts	Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.
Financing Costs	The financing costs are an estimate of the aggregate of the following:- • Interest payable with respect to borrowing • Interest payable under other long-term liabilities • Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount to be met from government grants and local taxpayers (premiums and discounts) • Interest earned and investment income • Amounts required in respect of the minimum revenue provision plus any additional voluntary contributions plus any other amounts for depreciation/impairment that are charged to the amount to be met from government grants and local taxpayers
Financial Reporting Standards (FRSs)	These are standards set by governing bodies on how the financial statements should look and be presented.
Investments	Investments are the aggregate of:- • Long term investments • Short term investments (within current assets) • Cash and bank balances including overdrawn balances From this should be subtracted any investments that are held clearly and explicitly

	in the course of the provision of, and for the purposes of, operational services.
IMF	International Monetary Fund
LOBO (Lender's Option/ Borrower's Option	Money Market instruments that have a fixed initial term (typically one to ten year) and then move to an arrangement whereby the lender can decide at pre-determined intervals to adjust the rate on the loan. At this stage the borrower has the option to repay the loan.
London Inter-Bank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Managed Funds	<u>In-House Fund Management</u> Surplus cash arising from unused capital receipts and working cashflows can be managed either by external fund managers or by the Council's staff in-house. The in-house funds are invested in fixed deposits through the money markets for periods up to one year. <u>Externally Management Funds</u> Fund managers appointed by the Council invest surplus cash arising from unused capital receipts in liquid instruments such as bank certificates of deposit and government stocks. The fund managers' specialist knowledge should ensure a higher rate of earnings on the managed funds than would be otherwise obtained.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Minimum Revenue Provision (MRP)	The amount required by statute to be principal repayment each year.
Monetary Policy Committee (MPC)	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two year time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth

	and employment.
Money Market	Consists of financial institutions and deals in money and credit. The term applied to the institutions willing to trade in financial instruments. It is not a physical creation, but an electronic/telephone one.
Net Borrowing	For the purposes of the Code, net borrowing refers to borrowing (see above) net of investments (see above).
Net Revenue Stream	Estimates for net revenue stream for current and future years are the local authority's estimates of the amounts to be met from government grants and local taxpayers.
Operational Boundary	This is based on expectations of the maximum external debt of the authority according to probable not simply possible – events and being consistent with the maximum level of external debt projected by the estimates. It is not a limit and actual borrowing could vary around this boundary for short periods.
Other Long Term Liabilities	The definition of other long term liabilities is the sum of the amounts in the Council's accounts that are classified as liabilities that are for periods in excess of 12months, other than borrowing (see definition above).
Premature Repayment of Loans (debt restructuring/rescheduling)	A facility for loans where the Council can repay loans prior to the original maturity date. If the loan repaid has a lower interest rate than the current rate for a loan of the same maturity period the Council can secure a cash discount on the repayment of the original loan. If the loan replaced has a higher rate of interest than the current rate for a loan of the same maturity period, a cash penalty is payable to the lender.
Premia	Where the prevailing current interest rate is lower than the fixed rate of a long term loan, which is being repaid early, the lender can charge the borrower a premium. This is

	calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.
Prudential Code	The Prudential Code is the largely self regulatory framework outlined by CIPFA for managing/monitoring capital investment in local government.
Public Works Loan Board (PWLB)	A Government agency which provides loans to local authorities. Each year, it issues a circular setting out the basis on which loans will be made available. Loans can be either at a fixed rate or on a variable rate basis. They can be repaid on either an annuity, equal instalment of principal or maturity basis. The interest rate charged is linked to the cost at which the Government itself borrows.
Risk	<u>Counterparty Credit Risk</u> The risk that a counterparty defaults on its obligations. <u>Inflation Risk</u> The risk that growth in the Authority's investment income does not keep pace with the effects of inflation on its expenditure. <u>Interest Rate Risk</u> The risk that changes in rates of interest creates an unexpected or unbudgeted burden on the Council's finances. <u>Liquidity Risk</u> The risk that cash will not be available when it is needed. <u>Operational Risk</u> The risk of loss through fraud, error, corruption, system failure or other eventualities in Treasury Management dealings, and failure to maintain effective contingency management arrangements. <u>Refinancing Risk</u>

	The risk that the Authority is unable to replace its maturing funding arrangements on appropriate terms.
Set Aside Capital Receipts	A proportion of money received by the Council for the sale of fixed assets must be set aside to repay debt.
SONIA (sterling overnight index average)	Sterling Overnight Index Average, abbreviated SONIA, is the effective overnight interest rate paid by banks for unsecured transactions in the British sterling market. It is used for overnight funding for trades that occur in off-hours and represents the depth of overnight business in the marketplace. It offers an alternative to LIBOR as a benchmark interest rate for financial transactions.
SORP	Statement of Recommended Practice, published by CIPFA (Local Authority Accounting Body). This sets out guidelines regarding the Council's financial matters.
Specified/Non Specified investments	Specified investments are sterling denominated investments for less than 364 days as identified in Appendix C in line with statutory investment regulations. Non-specified investments are all other investments identified in Appendix C in line with statutory investment regulations.
Supranational Bonds	These are bonds issued by institutions such as the European Investment Bank and World Bank. As with Government bonds (Gilts) they are regarded as the safest bond investments with a high credit rating.
Temporary Borrowing and Investment	Loans which are capable of being repaid within one year. The term of the loans will be negotiated from overnight to 364 days.
Treasury Management	Treasury Management has the same definition as in CIPFA's code of Practice of Treasury Management in the Public Services. "The management of the organisation's cash flows its banking, money market and capital

	market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
Yield Curve	The line resulting from portraying interest rate graphically for a series of periods, e.g. 7days, 1month, 3, 6, 9, and 12months. When longer-term interest rates are higher than short-term rates the yield curve slopes upwards and is described as positive. When the opposite prevails the yield curve is referred to as inverse.

TREASURY ADVISORS' VIEW ON THE ECONOMIC BACKGROUND

- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
    - The economy would recover to reach its pre-pandemic level in Q1 2022
    - The Bank also expected there to be excess demand in the economy by Q4 2022.
    - CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance in August** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of

2021, but this is a temporary short lived factor due to base effects from twelve months ago falling out of the calculation, and so is not a concern. Looking further ahead, it is also unlikely to be a problem for some years as it will take a prolonged time for spare capacity in the economy, created by this downturn, to be used up.

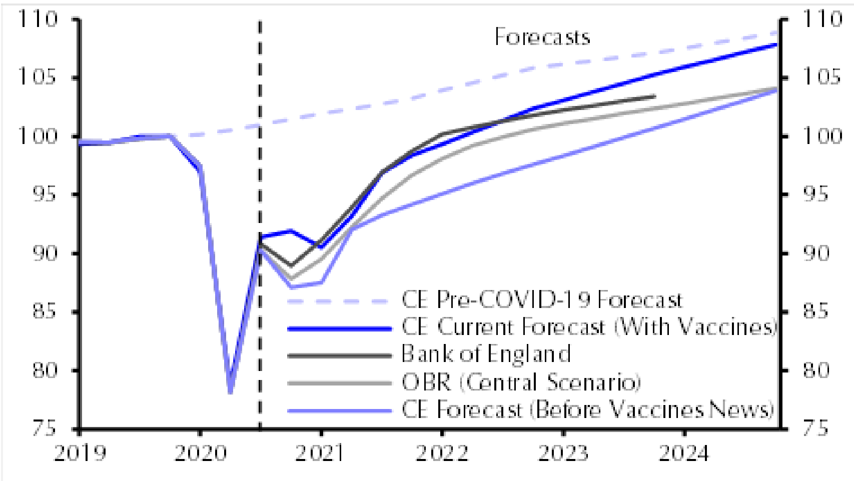
- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.
- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. While the one month second national lockdown that started on 5th November caused a further contraction of 5.7% m/m in November, this was much better than had been feared and showed that the economy is adapting to new ways of working. This left the economy 'only' 8.6% below the pre-crisis level.

- **Vaccines – the game changer.** The Pfizer announcement on 9th November of a successful vaccine has been followed by approval of the Oxford University/AstraZeneca and Moderna vaccines. The Government has a set a target to vaccinate 14 million people in the most at risk sectors of the population by 15th February; as of mid-January, it has made good, and accelerating progress in hitting that target. The aim is to vaccinate all adults by September. This means that the national lockdown starting in early January, could be replaced by regional tiers of lighter restrictions, beginning possibly in Q2. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines have radically improved the economic outlook so that it may now be possible for GDP to recover to its pre-virus level as early as Q1 2022. These vaccines have enormously boosted confidence that **life could largely return to normal during the**

second half of 2021. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for when life returns to normal.

- Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant risk is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development, and vaccine production facilities are being ramped up around the world.

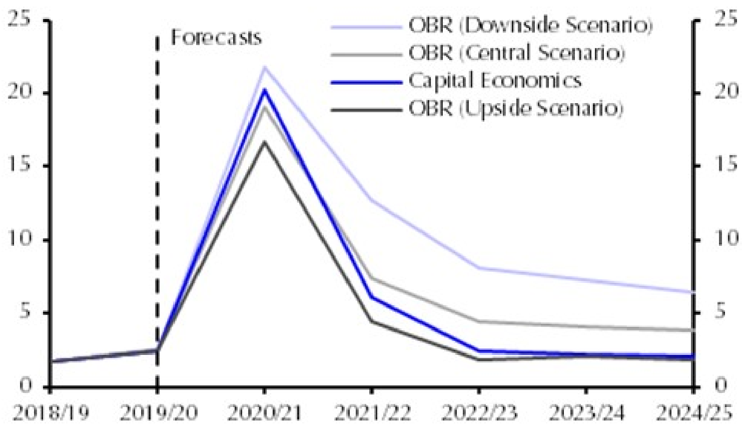
Chart: Level of real GDP (Q4 2019 = 100)



(the key describing each line in the above graph is in sequential order from top to bottom in parallel with the lines in the graph.

This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade, would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (as a % of GDP)



(the key describing each line in the above graph is in sequential order from top to bottom in parallel with the lines in the graph.

- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a **reversal of globalisation** as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, **digital services** are one area that has already seen huge growth.

- **Brexit.** The final agreement of a trade deal on 24.12.20 has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, “Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case.” So, while vaccines are a positive development, in the eyes of the MPC at least, the economy is far from out of the woods in the shorter term. The MPC, therefore, voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)

- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -

- An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
- The furlough scheme was lengthened from the end of March to the end of April.
- The Budget on 3.3.21 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

- The **Financial Policy Committee** (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The Democrats gained the presidency and a majority in the House of Representatives in the November elections: after winning two key Senate seats in Georgia in elections in early January, they now also have a very slim majority in the Senate due to the vice president's casting vote. President Biden will consequently have a much easier path to implement his election manifesto. However, he will not have a completely free hand as more radical Democrat plans may not be supported by all Democrat senators. His initial radical plan for a fiscal stimulus of $1.9trn, (9% of GDP), is therefore likely to be toned down in order to get through both houses.

- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, individual states might feel it necessary to return to more draconian lockdowns.

- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and declining in December, and retail sales dropping back. The economy is set for further weakness into the spring. **GDP growth** is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.

- After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- The Fed's meeting on **5 November** was unremarkable - but at a politically sensitive time around the elections. At its **16 December** meeting the Fed tweaked the guidance for its monthly asset quantitative easing purchases with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that **inflation** will only get back to 2.0% in 2023, the vast majority expect the Fed funds rate to be still at near-zero until 2024 or later. Furthermore, officials think the balance of risks surrounding that median inflation forecast are firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.

- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has seriously affected many countries. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.

- With **inflation** expected to be unlikely to get much above 1% over the next two years, **the ECB** has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank's forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.

- **World growth.** World growth will has been in recession in 2020 and this is likely to continue into the first half of 2021 before recovery in the second half. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

- Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand and the pace of recovery in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly

expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

Creditworthiness Policy and Investment Criteria

The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands

- Yellow 5 years *
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long term rating where applicable)	Money and/or % Limit	Time Limit
Banks /UK Govt debt*	**yellow**	**£120m**	**5yrs**
Banks	**purple**	**£25m**	**2 yrs**
Banks	**orange**	**£25m**	**1 yr**
Banks – part nationalised	**blue**	**£30m**	**1 yr**
Banks	**red**	**£25m**	**6 mths**
Banks	**green**	**£25m / %**	**100 days**
Banks	**No colour**	**Not to be used**	
Council's banker	**-**	**£30m / %**	**5 yrs**
Other institutions limit	**-**	**£25m**	**1yr**
DMADF	**AAA**	**unlimited**	**6 months**
Local authorities	**n/a**	**£30m**	**5yrs**
	Fund rating	**Money and/or % Limit**	**Time Limit**
Money market funds	**AAA**	**£25m / %**	**liquid**
Enhanced money market funds with a credit score of 1.25	**Dark pink / AAA**	**£25m / %**	**liquid**
Enhanced money market funds with a credit score of 1.5	**Light pink / AAA**	**£25m / %**	**liquid**

** Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt*

The Capita Asset Services' creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored before deals are underatken and The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Capita Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

Investment Criteria for Specified and Non Specified Investments

1.1 Investments will be made in accordance with the following terms:

1.1.1 **<u>Specified Investments</u>:**

(All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable and the principal sum to be repaid at maturity is the same as the initial sum invested other than investments in the UK Government.)

Instrument	**Minimum Credit Criteria**	**Use**	**Max investment**
Debt Management Agency Deposit Facility	--	In-house	£120M
Term deposits – UK government	--	In-house	£120M
Term deposits – other LAs	--	In-house	£30M with each counterparty
Term deposits – banks and building societies	Short-term F1,P1,A1, Long-term AA- or UK nationalised banks Blue Orange Red Green No Colour	fund managers and In-house 12 months 12 months 6 months 100 days Not for use	£30M with each counterparty/ per agreement
Term deposits – Banks nationalised by highly credit rated sovereign countries	Short-term F1,P1,A1, Long-term AA- Blue Orange Red	fund managers and In-house 12 months 12 months 6 months	£30M with each counterparty/ per agreement

	Green No Colour	100 days Not for use	
Government guarantee on all deposits by high credit rated sovereign countries	Short-term F1,P1,A1, Long-term AA- or UK nationalised banks Blue Orange Red Green No Colour	fund managers and In-house 12 months 12 months 6 months 100 days Not for use	£30M with each counterparty/ per agreement
UK Government supported banking sector	Short-term F1,P1,A1, Long-term AA- or UK nationalised banks Blue Orange Red Green No Colour	fund managers and In-house 12 months 12 months 6 months 100 days Not for use	£30M with each counterparty/ per agreement
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers/in house	See 2 below/£25M with each counterparty
Bonds issued by multilateral development banks	AA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	£25M with each counterparty and per agreement
Bonds issued by a financial institution which is guaranteed by the UK government	AA-	In-house on a 'buy-and-hold' basis. Also for use by fund managers	£25M with each counterparty per agreement
Sovereign bond issues (i.e. other than the UK govt)	AAA	In- house Fund Managers	£25M with each counterparty per agreement
Corporate Bonds : [under SI 1010 (W.107)]	AA-	In- house Fund Managers	£25M with each counterparty per agreement
Gilt Funds and Bond Funds	AA-	In- house Fund Managers	£15M per agreement
Money Market Funds	AAA	In- house Fund Managers	£25M per agreement

Property/alternative asset funds	AA-	Fund managers	£20M per agreement
Floating Rate Notes	AA-	Fund managers	per agreement
Treasury Bills	N/A	Fund Managers	per agreement
Local authority mortgage guarantee scheme	Short-term F1,P1,A1	In-house	£25m with each counterparty

1.1.2 **<u>Non-Specified Investments</u>:**

A maximum of 35% will be held in aggregate of Council managed funds in non-specified investments. A maximum of 50% of aggregate funds managed by the Council's external fund managers will be held in non-specified investments.

Instrument	Min Credit/Colour Criteria	Use	Maximum Period	Maximum Investment
Term deposits – UK government (with maturities in excess of 1 year)		In-house	5 years	£25M
Term deposits – other Local Authorities (with maturities in excess of 1 year)		In-house	5 years	£25M with each counterparty
Deposits with banks and building societies covered by UK government guarantee	Long-term AA- Blue Orange	Fund managers/ in-house	See 2 and 3 below 12 months 12 months	per agreement/£25m with each counterparty
Certificates of deposits issued by banks and building societies covered by UK government guarantee	Long-term AA- Blue Orange	Fund managers/in house	See 2 and 3 below 12 months 12 months	per agreement/£25m with each counterparty
UK Government Gilts	-	Fund Managers/in house	See 2 and 3 below/5 years	per agreement /£25M
Treasury Bills	-	Fund Managers/in house	See 2 and 3 below/5 years	per agreement /£25M
Term deposits – banks and building societies (with maturities in excess of 1 year)	Long-term AA- Blue Orange	In-house	5 years 12 months 12 months	£25M with each counterparty

Certificates of deposits issued by banks and building societies	Long-term AA- Blue Orange	fund managers/in-house	10 years 12 months 12 months	per agreement /£25M with each counterparty
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers/in house	10 years	See 2 below/£25M with each counterparty
Bonds issued by multilateral development banks	AA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	5 years 10 years	£25M with each counterparty and per agreement
Bonds issued by a financial institution which is guaranteed by the UK government	-	In-house on a 'buy-and-hold' basis. Also for use by fund managers	5 years 10 years	£25M with each counterparty per agreement
Sovereign bond issues (i.e. other than the UK govt)	AAA	In- house Fund Managers	5 years 10 years	£25M with each counterparty per agreement
Corporate Bonds : [under SI 1010 (W.107)]	Long-term AA-	In- house Fund Managers	5 years 10years	£25M with each counterparty per agreement
Gilt Funds and Bond Funds	Long-term AA-	In- house Fund Managers	5 years 10years	£15M per agreement
Money Market Funds	AAA	In- house Fund Managers	n/a n/a	£25M per agreement
Property/alternative asset funds	-	Fund managers	n/a	£20M per agreement
Floating Rate Notes	Long-term AA-	Fund managers	10 years	per agreement
Treasury Bills	N/A	Fund Managers	10 years	per agreement
Local authority mortgage guarantee scheme	Short-term F1,P1,A1 Long-term AA-,	In-house	10 years	£25m with each counterparty

Fitch International Long-Term Credit Ratings

International Long-Term Credit Ratings (LTCR) may also be referred to as Long-Term Ratings. When assigned to most issuers, it is used as a benchmark measure of probability of default and is formally described as an Issuer Default Rating (IDR). The major exception is within Public Finance, where IDRs will not be assigned as market convention has always focused on timeliness and does not draw analytical distinctions between issuers and their underlying obligations. When applied to issues or securities, the LTCR may be higher or lower than the issuer rating (IDR) to reflect relative differences in recovery expectations. The following rating scale applies to foreign currency and local currency ratings:

Investment Grade	**Definition**
AAA	Highest credit quality. 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality. 'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
BBB	Good credit quality. 'BBB' ratings indicate that there are currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category.
Speculative Grade	**Definition**
BB	Speculative. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.
B	Highly speculative. • For issuers and performing obligations, 'B' ratings indicate that significant credit risk is present, but a

	limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favourable business and economic environment. • For individual obligations, may indicate distressed or defaulted obligations with potential for extremely high recoveries. Such obligations would possess a Recovery Rating of 'RR1' (outstanding).
CCC	For issuers and performing obligations, default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favourable business or economic conditions. • For individual obligations, may indicate distressed or defaulted obligations with potential for average to superior levels of recovery. Differences in credit quality may be denoted by plus/minus distinctions. Such obligations typically would possess a Recovery Rating of 'RR2' (superior), or 'RR3' (good) or 'RR4' (average).
CC	For issuers and performing obligations, default of some kind appears probable. • For individual obligations, may indicate distressed or defaulted obligations with a Recovery Rating of 'RR4' (average) or 'RR5' (below average).
C	• For issuers and performing obligations, default is imminent. • For individual obligations, may indicate distressed or defaulted obligations with potential for below-average to poor recoveries. Such obligations would possess a Recovery Rating of 'RR6' (poor).
RD	Indicates an entity that has failed to make due payments (within the applicable grace period) on some but not all material financial obligations, but continues to honour other classes of obligations.
D	Indicates an entity or sovereign that has defaulted on all of its financial obligations. Default generally is defined as one of the following: • Failure of an obligor to make timely payment of principal and/or interest under the contractual terms of any financial obligation; • The bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of business • The distressed or other coercive exchange of an obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing obligation.

Fitch International Short-Term Credit Ratings

The following ratings scale applies to foreign currency and local currency ratings. A Short-term rating has a time horizon of less than 13 months for most obligations, or up to three years for US public finance, in line with industry standards, to reflect unique risk characteristics of bond, tax, and revenue anticipation notes that are commonly issued with terms up to three years. Short-term ratings thus place greater emphasis on the liquidity necessary to meet financial commitments in a timely manner.

Short Term Rating	Current Definition
F1	Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
F2	Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
F3	Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near term adverse changes could result in a reduction to non investment grade.
B	Speculative. Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in financial and economic conditions.
C	High default risk. Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favourable business and economic environment.
D	Indicates an entity or sovereign that has defaulted on all of its financial obligations.

APPENDIX E

Countries with approved Credit ratings as at Jan 2021
(NB subject to change and no overseas investments at this time)

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

APPENDIX F

MINIMUM REVENUE PROVISION

1. Government Guidance

The Welsh Assembly Government issued new guidance in March 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The Council are legally obliged by section 21 (1b) to "have regard" to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to 'have regard' to the guidance therefore means that: -

Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.

It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance.

Where the CFR was nil or negative on the last day of the preceding financial year, the authority does not need to make an MRP provision. MRP in the current financial year would therefore by zero,

Option 1: Regulatory Method

Under the previous MRP regulations, General Fund MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for "Adjustment A") on a reducing balance method (which in effect meant that MRP charges would stretch into infinity). This option is available for the General Fund share of capital financing requirement which relates to capital expenditure incurred prior to 1 April 2008. It may also be used for new capital expenditure up to the amount which is deemed to be supported by the Welsh Assembly Government annual supported borrowing allocation. The use of the commutation adjustment to mitigate the MRP charge is also allowed to continue under this option.

Option 2: Capital Financing Requirement Method

This is a variation on option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. The CFR is the measure of an authority's outstanding debt liability as depicted by their balance sheet.

Option 3: Asset Life Method.
This method may be applied to most new capital expenditure, including where desired that which may alternatively continue to be treated under options 1 or 2.

The guidance suggests that any new borrowing which receives no Government support and is therefore self-financed would fall under option 3

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option: -

- Longer life assets e.g. freehold land can be charged over a longer period than would arise under options 1 and 2.
- No MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an 'MRP holiday'). This is not available under options 1 and 2.

There are two methods of calculating charges under option 3:

Equal instalment method – equal annual instalments which are calculated using a simple formula set out in paragraph 9 of the MRP guidance,

under this approach, the MRP is provided by the following formula

A – B divided by C

A is the amount of capital expenditure in respect of the asset financed by borrowing or credit arrangements

B is the total provision made before the current financial year in respect of that expenditure

C is the inclusive number of financial years from the current year to that in which the estimated life of the asset expires

Annuity method – annual payments gradually increase during the life of the asset with an appropriate interest rate used to calculate the annual amount

Under both options, the authority may make additional voluntary revenue provision and this may require an appropriate reduction in later years' MRP

In addition adjustments to the calculation to take account of repayment by other methods (e.g. application of capital receipts) should be made as necessary.

Option 4: Depreciation Method
Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than option 3.

The same conditions apply regarding the date of completion of the new expenditure as apply under option 3.

2. Date of implementation
The previous statutory MRP requirements cease to have effect after the 2006/07 financial year. However, the same basis of 4% charge in respect of the GF share of CFR may continue to be used without limit until the 2009/10 financial year, relative to expenditure incurred up to 31/3/2008, with the MRP policy being formally revised in Dec 2018 to reflect a 2.5% annual charge going forwards from that date.

The guidance suggests that Options 3 and 4 should be applied to any capital expenditure which results in an increase in the CFR and does not relate to the authority's Supported Capital Expenditure.

The guidance also provides the authority with discretion to apply Options 3 or 4 to all capital expenditure whether or not supported and whenever it is incurred.

Any capitalised expenditure incurred after 1 April 2008 which gives rise to an increase in the GF CFR should be repaid by using option 3 as adapted by paragraphs 23 and 24 of the guidance.

APPENDIX G

Active Internal Credit UK Counterparty List (as at 31 January 2021 subject to change)

Institution	Country	Bank/BS	Fitch Ratings L Term	Support	S Term
Abbey National Treasury Services PLC	UK	Bank	A+	1	F1
Bank of Scotland PLC	UK	Bank	A+	5	F1
Barclays Bank PLC	UK	Bank	A+	5	F1
Close Brothers Ltd	UK	Bank	A-	5	F2
Goldman Sachs International Bank	UK	Bank	A+	1	F1
HSBC Bank PLC	UK	Bank	AA-	1	F1+
Lloyds Bank Corporate Markets Plc	UK	Bank	A+	1	F1
Santander UK PLC	UK	Bank	A+	2	F1
Standard Chartered Bank	UK	Bank	A+	5	F1
SMBC International PLC	UK	Bank	A	1	F1
UBS Ltd.	UK	Bank	AA-	1	F1+
Coventry Building Society	UK	BS	A-	5	F1
Leeds Building Society	UK	BS	A-	5	F1
Nationwide Building Society	UK	BS	A	5	F1
Skipton Building Society	UK	BS	A-	5	F1
Yorkshire Building Society	UK	BS	A-	5	F1
Debt Management Office	UK				
Local Authorities	UK				

APPENDIX H

Please ensure that you refer to the '[Screening Form Guidance](#)' while completing this form. If you would like further guidance please contact your support officer in the Access to Services team (see guidance for details).

Section 1
What service area and directorate are you from?
Service Area: Finance & Service Centre
Directorate: Resources

Q1(a) WHAT ARE YOU SCREENING FOR RELEVANCE?

Service/ Function	Policy/ Procedure	Project	Strategy	Plan	Proposal
☐	☐	☐	✓	☐	☐

(b) Please name and describe below

TREASURY MANAGEMENT STRATEGY, PRUDENTIAL INDICATORS, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2021/22

Q2(a) WHAT DOES Q1a RELATE TO?

Direct front line service delivery	Indirect front line service delivery	Indirect back room service delivery
☐ **(H)**	☐ **(M)**	✓ **(L)**

(b) DO YOUR CUSTOMERS/CLIENTS ACCESS THIS SERVICE…?

Because they need to	Because they want to	Because it is automatically provided to everyone in Swansea	On an internal basis i.e. Staff
☐ **(H)**	☐ **(M)**	☐ **(M)**	✓ **(L)**

Q3 WHAT IS THE POTENTIAL IMPACT ON THE FOLLOWING…

	High Impact **(H)**	Medium Impact **(M)**	Low Impact **(L)**	Don't know **(H)**
Age	☐	☐	✓	☐
Disability	☐	☐	✓	☐
Gender reassignment	☐	☐	✓	☐
Marriage & civil partnership	☐	☐	✓	☐

Pregnancy and maternity	☐	☐	✓	☐
Race	☐	☐	✓	☐
Religion or (non-)belief	☐	☐	✓	☐
Sex	☐	☐	✓	☐
Sexual Orientation	☐	☐	✓	☐
Welsh Language	☐	☐	✓	☐
Poverty/social exclusion	☐	☐	✓	☐
Carers	☐	☐	✓	☐
Community cohesion	☐	☐	✓	☐

Q4 Have you / will you undertake any public consultation and engagement relating to the initiative?

☐ **Yes** ✓ **No** **(If no, you need to consider whether you should be undertaking consultation and engagement – please see the guidance)**

If yes, please provide details below

Q5(a) HOW VISIBLE IS THIS SERVICE/FUNCTION/POLICY/PROCEDURE/ PROJECT/ STRATEGY TO THE GENERAL PUBLIC?

High visibility to general public	Medium visibility to general public	Low visibility to general public
☐ **(H)**	☐ **(M)**	✓ **(L)**

(b) WHAT IS THE POTENTIAL RISK TO THE COUNCIL'S REPUTATION? ***(Consider the following impacts – legal, financial, political, media, public perception etc…)***

High risk to reputation	Medium risk to reputation	Low risk to reputation
☐ **(H)**	✓ **(M)**	☐ **(L)**

Q6 Will this initiative have an impact (however minor) on any other Council service?

✓ **Yes** ☐ **No** **If yes, please provide details below**
The cost of capital for all capital projects undertaken by the Authority is informed by the TM strategy

Q7 HOW DID YOU SCORE? ***Please tick the relevant box below – NOTE: Q3 counts as a single H, M or L (and one H / M outscores any nº of Ls)***

MOSTLY H and/or M → HIGH PRIORITY → ☐ **EIA to be completed**

Please go to Section 2

MOSTLY L → **LOW PRIORITY / NOT RELEVANT** → ✓**Do not complete EIA Please go to Q8 followed by Section 2**

Q8 If after completing the EIA screening process you determine that this service/function/policy/project is not relevant for an EIA you must provide adequate explanation below.

This is a back office function which although important has little or no direct impact on the groups identified in Q3

Section 2

Please send this completed form to the Access to Services Team for agreement before obtaining email approval from your Head of Service.

Screening form completed by:
Name: Jeff Dong
Location: 1.4.1c civic centre
Telephone Number: 6934
Date: 31/1/21

Approval by Head of Service:
Name: Ben Smith
Position: S 151 Officer
Date: 31/1/21

Please return the completed form to accesstoservices@swansea.gov.uk

Cyngor Abertawe
Swansea Council

To:
Cllr Andrew Stevens
Cabinet Member for Business Improvement and Performance

Please ask for:
Gofynnwch am: Overview & Scrutiny

Direct Line:
Llinell Uniongyrochol: 01792 636292

e-Mail
e-Bost: scrutiny@swansea.gov.uk

Date
Dyddiad: 8th February 2021

BY EMAIL

Summary: This is a letter from the Service Improvement and Finance Scrutiny Performance Panel to the Cabinet Member for Business Improvement and Performance. The letter concerns the meeting held on 20th January 2021 and the Q1 Performance Monitoring Report 2020/21

Dear Councillor Stevens,

On the 20th January, the Panel met to discuss the Q1 Performance Monitoring Report 2020/21. The Panel are grateful to Richard Rowlands, Corporate Performance Manager, for attending to present the report. We also thank Adam Hill, Deputy Chief Executive / Director of Resources for attendance at this meeting.

The Panel heard that Paragraph 2.1-2.6 (P61) of the report sets out the context and highlights the unprecedented nature of the pandemic and its impact. It was noted that the report itself is later than usual, due to suspension of reporting during March/June as focus and diversion of resources went elsewhere during the pandemic response.

Officers explained to the Panel that such reporting has again been suspended under the latest wave of the pandemic, and the subsequent pressures on staff and officer resources. The Panel understand that this is likely to be the only performance report this year, and, similarly, no targets have been set for 2020/21 due to the uncertainty of the pandemic situation.

The Panel heard, as reported on Page 72, a summary of the impact of the pandemic on safeguarding. The chart showed 52% of indicators improved or stayed the same as the comparable period last year.

Officers explained that, as shown on Page 74 (AS11) more adults aged over 65 received support. This demonstrated an increase of 77% compared to the same period last year. Notable also was the increase in looked after children (Page 80, indicator CFS2).

The Panel heard that there had been fewer assessments of children completed within statutory guidelines, due to the impact on social services not being able to meet with families and complete assessments (Page 85, measure 24).

It was explained that Education remains a key priority. The Panel expressly noted the exceptional efforts of school/education staff, commenting that many schools remained open during difficult periods, and that the work done by all staff has been truly extraordinary. The Panel wished to express their admiration and respect for this continued hard work.

The Panel heard that under Economy and Infrastructure (Page 96) the majority of indicators improved or stayed the same as compared to the equivalent period last year.

The Panel discussed Page 99 (EP28) and that the (performance) percentage of planning applications had fallen by nearly 13% due to the impact of the pandemic. The Panel queried EC2, planning applications approval, and whether this was the correct context in which to report. Members raised concerns over reporting data from this perspective as it seemed that performance is being measured against the number of positive approvals. Members queried whether applications that were turned down would reflect negatively on the performance data. It was noted this data applied only in the context of planning applications with a major economic imperative.

Members heard that there had been an increase in longer processing times for Council Tax reduction claims and new housing benefit claims (Page 102/3), claims having increased as a consequence of the lockdown.

Officers explained how the report reflected changes in how the Council was responding to online requests. Page 108 (CUST2a) reported an 8% reduction in online payments and (CUST2b) shows large increases in the use of online processes, such as online recycling requests.

The Leader commented on how Council staff had embraced extra duties whilst maintaining high standards, helping to deliver services during very difficult times. The Panel also recognise this and are grateful for the continued efforts of staff across a broad range of services.

We note that current performance data will not provide the usual comparisons going forward, due to the continuing pandemic situation. We anticipate that due to the lack of current performance data, there will be no comparable data set for next year’s performance indicators to be measured against. This is an issue the Panel will take into account during next year’s discussions around this topic.

We are interested in any thoughts you may have on the contents of this letter. We would be grateful if you could please provide a written response to the following by 1st March 2021:

1) The Panel would like further information on the performance monitoring of major planning applications (with an economic imperative) that are approved. Councillors queried whether this was an appropriate way to measure such performance. We would welcome your views on this indicator and how this service might be better represented.

Yours sincerely,

Councillor Chris Holley
Convener, Service Improvement and Finance Scrutiny Performance Panel
✉ **cllr.chris.holley@swansea.gov.uk**

Cyngor Abertawe
Swansea Council

Cabinet Office
The Guildhall,
Swansea, SA1 4PE
www.swansea.gov.uk

Councillor Chris Holley
Convener – Service Improvement and Finance Scrutiny Performance Panel

BY EMAIL

Please ask for: Councillor Andrew Stevens
Direct Line: 01792 63 7428
E-Mail: cllr.andrew.stevens@swansea.gov.uk
Our Ref: AS/KH
Your Ref:
Date: 24 February 2021

Dear Councillor Holley

Thank you for your letter dated 8 February 2021. In answer to your question, I respond as follows

The PI **EC2** measures the percentage of major application that are approved and measures performance in terms of the delivery of those schemes which have an major or strategic impact and contribute to the Council's economic regeneration agenda.

The Local Development Plan sets out the Council Planning Policy against which decisions which impact on this PI are taken. Where all applications that fall within this PI are approved, the percentage will be 100%.

However, there may be occasions where applications are refused and as a result the PI will be below 100%. In such cases, there is a requirement to provide a comment that explains why the PI is not 100%.

It is likely that where planning applications are refused, it is because the proposed development, despite its potential contribution to the Council's Economic Regeneration agenda is contrary to adopted planning policy.

The explanation that is provided in such circumstances will allow scrutiny to understand why the decision to refuse was made and ensure that decisions are made in accordance with the Council's adopted Planning Policy.

If you have any further requests then please do not hesitate to contact me.

Yours sincerely

Councillor Andrew Stevens
Aelod y Cabinet dros Trawsnewid Busnes a Pherfformiad
Cabinet Member for Business Improvement & Performance

Service Improvement and Finance – Scrutiny Performance Panel Work Plan 2020/21

Meeting 1 9 Nov 2020	1. **Work Planning for 2020/21** 2. **Q1 Budget Monitoring 2020/21** 3. **Review of Revenue Reserves** 4. **Mid Term Budget Statement** Ben Smith – Section 151 Officer & Chief Finance Officer 5. **Recycling and Landfill - Annual Performance Monitoring 2020/21** Chris Howell – Head of Waste Management and Parks Cllr Mark Thomas – Cabinet Member for Environment Enhancement & Infrastructure Management
Meeting 2 14 Dec 2020	1. **Equality Plan Review** Joanne Portwood – Policy & Strategy Officer Cllr Louise Gibbard – Cabinet Member for Supporting Communities
Meeting 3 20th January 2021	1. **Draft Budget Proposals** 2. **Q2 Budget Monitoring 2020/21** Ben Smith – Section 151 Officer & Chief Finance Officer Rob Stewart – Cabinet Member for Economy, Finance & Strategy 3. **Q1 Performance Monitoring Report 2020/21** Richard Rowlands – Corporate Performance Manager Cllr Andrew Stevens - Cabinet Member for Business Improvement & Performance
Meeting 4 17th February 2021	1. **Budget Proposals 2021/22 – 2023/24 – *pre-decision scrutiny*** Ben Smith – Section 151 Officer & Chief Finance Officer Cllr Rob Stewart – Cabinet Member for Economy, Finance & Strategy
Meeting 5 8th March 2021	1. **Mid-Year Budget Statement 2020/21** 2. **Q3 Budget Monitoring 2020/21** Ben Smith – Section 151 Officer & Chief Finance Officer Cllr Rob Stewart – Cabinet Member for Economy Finance and Strategy (Leader)
Meeting 6 12th April 2021	1. **Corporate Complaints Annual Report 2020/21** Cllr David Hopkins – Cabinet Member for Delivery and Performance Sarah Lackenby – Chief Digital and Transformation Officer 2. **Planning Annual Performance Report 2020/2021** Ian Davies - Development Conservation and Design Manager Cllr David Hopkins – Cabinet Member for Delivery and Operations
Meeting 7 10th May 2021	**Welsh Housing Quality Standards Annual Update** Cllr Andrea Lewis Lynda Grove - Strategic Housing Customer and Service Development Manager Mark Wade - Head of Housing and Public Health

- Review of Byelaws – date to be agreed.
- Reschedule - Overview/Summary of Commissioning Review Outcomes (to June 2021)
- Budget process
- Management Structure – Development of Council Structure.
- Progress update on the Local Government Use of Data Action Plan (last update was on 2 Mar 2020). Steve King, Information Research and GIS Team Leader and Sarah Lackenby, Chief Transformation Officer and Cabinet Member Rob Stewart (TBC)