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CYNGOR Sir y Fflint
Flintshire COUNTY COUNCIL

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To: Councillor Dave Hughes (Leader)

Councillors: Glyn Banks, Chris Bithell, Helen Brown, Chris Dolphin, Mared Eastwood, Paul Johnson, Christine Jones, Richard Jones and Linda Thomas

18 February 2025

Dear Sir/Madam

NOTICE OF HYBRID MEETING
CABINET
MONDAY, 24TH FEBRUARY, 2025 at **10.00 AM**

Yours faithfully

Steven Goodrum
Democratic Services Manager

Please note: Attendance at this meeting is either in person in the Lord Barry Jones Council Chamber, Flintshire County Council, County Hall, Mold, Flintshire or on a virtual basis.

The meeting will be live streamed onto the Council's website. The live streaming will stop when any confidential items are considered. A recording of the meeting will also be available, shortly after the meeting at https://flintshire.public-i.tv/core/portal/home

If you have any queries regarding this, please contact a member of the Democratic Services Team on 01352 702345.

A G E N D A

1 **APOLOGIES**

Purpose: To receive any apologies.

2 **DECLARATIONS OF INTEREST**

Purpose: To receive any declarations and advise Members accordingly.

3 **URGENT MATTERS AS AGREED BY THE CHAIR**

Purpose: NOTICE OF ITEMS WHICH, IN THE OPINION OF THE CHAIR, SHOULD BE CONSIDERED AT THE MEETING AS A MATTER OF URGENCY PURSUANT TO SECTION 100B(4) OF THE LOCAL GOVERNMENT ACT 1972.

TO CONSIDER THE FOLLOWING REPORTS

STRATEGIC REPORTS

4 **COUNCIL FUND BUDGET 2025/26 – FINAL CLOSING STAGE** (Pages 5 - 76)

Report of Corporate Finance Manager - Cabinet Member for Finance and Social Value

Purpose: To update on the final budget proposals for 2025/26.

5 **TREASURY MANAGEMENT STRATEGY 2025/26** (Pages 77 - 114)

Report of Corporate Finance Manager - Cabinet Member for Finance and Social Value

Purpose: To present the draft Treasury Management Strategy 2025/26 for recommendation to Council.

6 **MINIMUM REVENUE PROVISION - 2025/26 POLICY** (Pages 115 - 124)

Report of Corporate Finance Manager - Cabinet Member for Finance and Social Value

Purpose: Local Authorities are required each year to set aside some of their revenue resources as provision for the repayment of debt. The report presents the Council’s draft policy on Minimum Revenue Provision

Please note that there may be a 10 minute adjournment of this meeting if it lasts longer than two hours

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CABINET

Date of Meeting	Monday 24th February 2025
Report Subject	Council Fund Revenue Budget 2025/26 – Final Closing Stage
Cabinet Member	Cabinet Member for Finance and Social Value
Report Author	Corporate Finance Manager and Chief Executive
Type of Report	Strategic

EXECUTIVE SUMMARY

From July 2024, Members have received regular updates on the Council's challenging budget position for the 2025/26 financial year and the additional budget requirement has been continuously revised to consider the latest available information.

Cabinet and Corporate Resources Overview and Scrutiny Committee received an update on the key headlines and financial impacts of the Welsh Local Government Provisional Settlement in January - at that stage there was a remaining 'budget gap' of £18.004m. The areas under consideration to meet the remaining gap were also set out in the January report.

A range of additional cost reduction options have been considered by specific Overview and Scrutiny Committees during the period 7 – 14 February, alongside some further adjustments to the additional budget requirement.

Following the conclusion of the above work this report sets out a proposal by Cabinet for the Council to be able to reach a legal and balanced budget position for the 2025/26 financial year.

The report sets out the Council Tax recommendations for setting local taxation levels for 2025/26. We are also able to propose the formal resolution to Council when it meets later today as we have received notification of the precepts of the Police and Crime Commissioner and all Town and Community Councils within Flintshire.

Cabinet is invited to make final recommendations to Council to set a legal and balanced budget based on the detail set out in this report.

A full presentation will be made at County Council.

The report includes the following tables:

- Table 1: Remaining Additional Budget Requirement 2025/26
- Table 2: Reduction in Cost Pressures
- Table 3: Final Proposed Budget Solutions 2025/26
- Table 4: Proposed Budget 2025/26
- Table 5: School Budget Adjustments 2025/26
- Table 6: Social Care Budget Adjustments 2025/26
- Table 7: Medium Term Forecast 2026/27 – 2027/28

RECOMMENDATIONS	
1	That Cabinet notes and approves the revised additional budget requirement for 2025/26.
2	That Cabinet approves the final proposals for the cost reductions that will contribute to the budget.
3	That Cabinet recommends to Council a legal and balanced budget based on the calculations set out within this report.
4	That Cabinet notes the open risks which remain to be managed in the 2025/26 financial year.
5	That Cabinet recommends an overall annual increase in Council Tax for 2025/26 of 8.93% for Council Services and 0.57% for contributions to North Wales Fire and Rescue Service and Regional Coroners Service. This constitutes an overall uplift of 9.5%.
6	That Cabinet invites Council to pass the formal Council Tax resolution now that we have had notification of the precepts of the Police and Crime Commissioner and all Town and Community Councils within Flintshire.
7	That Cabinet notes the medium-term forecast as a basis for the next revision of the Medium-Term Financial Strategy (MTFS).

REPORT DETAILS

1.00 EXPLAINING THE COUNCIL FUND REVENUE BUDGET 2025/26

1.01 **The Additional Budget Requirement**

From July 2024, Members have received regular updates on the Council's challenging budget position for the 2025/26 financial year and the additional budget requirement has been continuously revised to consider the latest available information.

1.02 Cabinet and Corporate Resources Overview and Scrutiny Committee received an update on the key headlines and financial impacts of the Welsh Local Government Provisional Settlement in January; at that stage there was a remaining 'budget gap' of £18.004m. The areas under consideration to meet the remaining gap were also set out in the January report.

1.03 A range of additional cost reduction options have been considered by specific Overview and Scrutiny Committees during the period 7 – 14 February, alongside some further adjustments to the additional budget requirement.

1.04 Following the conclusion of the above work this report sets out a proposal by Cabinet for the Council to be able to reach a legal and balanced budget position for the 2025/26 financial year.

Additional Budget Requirement - Changes since the January Report

1.05 The changes in the additional budget requirement are summarised below:

Table 1: Remaining Additional Budget Requirement 2025/26

	£m	Note
Remaining Gap - January Report	**18.004**	
Review of in-year position:		
Older People's Services	1.500	1
Children's Services	1.000	1
Disability Services	1.000	1
Out of County Placements	0.500	1
Highways Maintenance	0.400	1
Additional Pressures:		
Council Tax Reduction Scheme	0.364	2
Specialist School Demography	0.137	3
Disclosure and Barring Service Checks	0.091	4
North Wales Fire and Rescue Service increase	0.069	5
Management of Specialist Provision - Estyn	0.058	6
Waste Collection Frequency	0.053	7
Revised Remaining Gap	**23.176**	

Notes:

1. To reflect the ongoing impacts of service demand levels following a review of the in-year position.

	2. To reflect the impact of the proposed Council Tax uplift. 3. To reflect the estimated increase in pupil numbers in specialist schools. 4. To reflect a significant increase in costs of 30% from December 2024 and increased turnover. 5. To reflect an adjustment to meet the final approved budget for the North Wales Fire and Rescue Service. 6. To reflect an adjustment to the previously reported pressure. 7. To reflect an adjustment for an implementation date of 28 April for the change of waste collection frequency.
	Proposed Solutions to meet the Revised Additional Budget Requirement
1.06	**Aggregate External Finance (AEF)** The Welsh Local Government Provisional Settlement was announced on 11 December and full details were included in the January Cabinet report. The provisional Aggregate External Finance (AEF) for 2025/26 is £274.779m which, when compared to the adjusted 2024/25 AEF figure of £266.074m represents an *increase* of 3.27% (£8.705m) (All Wales average is an *increase* of 4.3% with Local Authority increases ranging from 2.8% to 5.6%). The provisional AEF represents a cash uplift of £16.252m (6.3%) over our actual 2024/25 AEF of £258.527m. An amount of £16.096m (6.2%) has previously been reflected in our calculations based on the adjusted AEF included in the provisional settlement. Therefore, an additional contribution of £0.156m can now be reflected in the calculations.
1.07	**Portfolio Cost Reductions** Due to the scale of the remaining budget challenge facing the Council, all portfolios have revisited their cost base with a view to identifying further budget reductions. The additional options for cost reductions identified totalling £4.487m were considered at Overview and Scrutiny meetings between 7 – 14 February and following consideration of feedback the following options have been <u>taken out</u> of the final proposals: - Removal of Eligible Free School Meals in holiday period (£0.462m) - Bus subsidy cost reduction (£0.460m) - Removal of WLGA subscription (£0.108m) - Reduction of delegated IT support to schools (£0.057m) - Remove/withdraw school crossing patrols (£0.053m) - Removal of Microsoft Share point budget (£0.030m) - Reduction in investment in Rights of Way (£0.014m) - Cease Egress secure email facility (£0.004m) The revised total amount from additional portfolio cost reductions is £3.299m.

1.08	**Further Reductions in Cost Pressures** Following further review, the following cost pressures can be reduced for final budget considerations: **Table 2: Reduction in Cost Pressures**

	Original £m	Revised £m	Change £m
Pay Modelling – deferred pending completion and consideration of a preferred model	2.000	0.000	(2.000)
Youth Service Grant – funding confirmed for 2025/26	0.278	0.000	(0.278)
Resource Provision at Flint High School – grant remains 2025/26	0.185	0.000	(0.185)
ALN Reforms – Transfer of Post 16 responsibilities – grant funding remains	0.135	0.000	(0.135)
Youth Justice Service Grant – funding confirmed for 2025/26	0.093	0.047	(0.046)
Specialist Secondary - Mobile Classroom Provision – revised calculation	0.119	0.083	(0.036)
Corporate Joint Committee – final confirmed contribution	0.019	0.015	(0.004)
Total	**2.829**	**0.145**	**(2.684)**

1.09	**Schools – Cost Reductions** Due to national funding constraints schools are continuing to face significant financial challenges, despite the fact that the schools' delegated budget has been relatively protected in recent years (net uplift of £3.995m in 2024/25) However, as the Council's largest budget, it has again been necessary to look for a net contribution to the overall budget gap from the schools delegated budget. School cost pressures of £12.281m have been identified and a required potential top slice of between 2% and 3% has been considered. It is acknowledged that the Education, Youth and Culture Overview and Scrutiny Committee proposed that no top slice be applied to schools in 2025/26 - however, this is not achievable in view of our overall funding position.

	Therefore, a 2.5% reduction on schools' delegated budgets (based on 2024/25 level) will need to be applied which provides a contribution of £2.932m towards the additional budget requirement. In addition, the Council will again not be able to make the contribution of £0.750m to school deficits based on affordability. The proposed budget still provides for a net uplift to schools of £6.950m (5.92%) (Para 1.24 provides further detailed analysis on school budgets).
1.10	**Additional Funding for Collection and Disposal of Household Packaging Waste** Draft Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations came into force from January 2025 in relation to the Extended Producer Responsibility for Packaging (EPR) and we have been advised by the Department for Environment Food & Rural Affairs (DEFRA) of a significant potential funding stream for 2025/26. The additional funding is intended for waste collection activity and to assist Council's with achieving national recycling targets. The payment covers estimated net efficient costs associated with collection and disposal of household packaging waste from kerbside and communal collections, waste brought to Household Waste and Recycling Centres (HWRCs) and bring sites only. The funding is based on the estimated cost of managing the in-scope (household) packaging element of the waste stream and therefore the initial estimates received are still subject to change and full details of the terms and conditions are not yet known. Following review, it is considered prudent to include an amount of £2m in the 2025/26 budget and to review overall utilisation of the funding once more details are confirmed.
1.11	**Use of Reserves** As Members will be aware the use of reserves is not a sustainable way of meeting recurring Council spend as they can only be used once. However, the final budget proposals include three areas where spend is time limited in nature. Therefore, it is proposed that an amount of £0.261m is utilised from the contingency reserve to meet the one-off / time limited costs of: - Cambrian Aquatics (£0.100m) - Payroll – Fixed Term Posts (£0.106m) - VMware Licensing (£0.055m)
1.12	**Council Tax** The level of annual increase in Council Tax is a decision for Full Council. Based on the calculations set out in the report an overall annual increase on council tax of 8.93**%** is required for Council Services and 0.57% for additional contributions to North Wales Fire and Rescue Service and the Regional Coroners Service.

This equates to an overall uplift of 9.5% and provides overall additional net yield of £11,094,289 in 2025/26.

This amounts to an annual increase of £157.53 per annum (£3.03 per week equivalent) and brings the Council Tax on a Band D equivalent property to £1,815.78.

Police and Crime Commissioner/Town and Community Councils Precepts

The Police and Crime Commissioner and Town and Community Council Precepts for 2025/26 have all been notified to the Council as the Council Tax collection authority and a separate report on the Council agenda later today sets out the formal resolutions.

1.13 **Table 3: Final Proposed Budget Solutions 2025/26**

		£m
Revised Additional Budget Requirement (as in Table 1)		**23.176**
Less:		
Aggregate External Finance (para 1.06)		(0.156)
Portfolio Cost Reductions (para 1.07)		(3.299)
Reduction in Cost Pressures (para 1.08)		(2.684)
Contribution from Schools (para 1.09)		(3.682)
Additional Waste Packaging Funding (para 1.10)		(2.000)
Use of Reserves (para 1.11)		(0.261)
Amount Remaining to balance budget		**11.094**
Council Tax (9.5%) (para 1.12)		11.094
Amount Remaining		**0.000**

1.14 **Summary and Conclusions**

A legal and balanced budget for 2025/26 can be recommended by Cabinet to Council based on (1) the calculations and assumptions set out above, and (2) the detailed proposed budget as set out below.

1.15 **Table 4: Proposed Budget 2025/26**

Funding	**£m**
Aggregate External Funding (AEF) / RSG NNDR	**274.779**
Council Tax	**120.673**
SSA / Budget Requirement	**395.452**
Use of Reserves (2025/26 only)	0.261
Specific Grants (Estimated) (Appendix 7)	53.191
Total Funding	**448.904**

Expenditure	**£m**
Base Budget Rolled Forward	413.957
Previous Years Growth/Items Dropping Out (Appendix 1)	1.187
Transfers Into the Settlement (Appendix 2)	0.839
Inflation (Appendix 3)	17.496
Pressures & Investments (Appendix 4)	24.519
Cost Reductions	
Portfolio (Appendix 5)	(7.029)
Corporate Financing (Appendix 6)	(9.576)
Grants	
Less Specific Grants 2024/25	(45.679)
Plus Specific Grants 2025/26 (Estimated Appendix 7)	53.191
Total Expenditure	**448.904**

Balance	**0.000**

	Open Risks 2025/26
1.16	**Pay** A pay award uplift of 4% for both Teaching (from September 2025) and Non-Teaching (from April 2025) is included in the final budget proposals which is a higher assumption than many Welsh Councils. However, should national pay agreements conclude at a higher level (as they have in the past), the difference would need to be met from the Contingency Reserve. Therefore, the proposed uplift is considered reasonable and minimises the risk of the final award being higher than our budgeted provision. The outcome of the pay modelling review to address ongoing recruitment and retention challenges will need to be considered separately in-year once finalised including any future funding implications.
1.17	**Social Care Demand** The service has been impacted by a large increase in demand in 2024/25 resulting in a significant projected overspend. Like many authorities, we are continuing to experience a significant increase in both the level and complexity of service demand and there is a risk that demand may exceed our capacity to respond to requests for assessments in a timely manner. Once assessed people may have to wait for care and support due to limited capacity within local authority and independent sector services. During this time people’s conditions/situations may deteriorate and could result in carer or family breakdown, requiring high-cost placements. In hospital settings people who are not discharged when they are medically fit could decondition and require more intensive and longer-term community support. Flintshire local authority is unique in that our residents attend three general hospitals outside of the county boundary (Wrexham Maelor, Countess of Chester and Glan Clwyd). This necessitates social care resources to be spread across three different geographical areas, attending meetings in each site and following the individual process of each hospital setting which both creates additional demand and reduces economies of scale that can be achieved when supporting a single general hospital within the local authority boundary.

	Whilst additional investment has been included in the budget to reflect the increased demand being experienced there is still a risk that the financial cost of meeting the growing demand could exceed our resources.
1.18	**Homelessness Demand** Additional duties placed on Councils and the current demands on emergency housing is resulting in additional expenditure and continued budgetary pressures to homeless services. Whilst some grant is available for emergency housing and other discretionary funding, this is not sufficient to cover the full scale of the financial risk. Early estimates of a potential cost pressure of £7.5m have been reduced to £4.5m due to a number of mitigating options being identified such as: 1. Implementation of the staffing structure to improve homeless prevention outcomes and maximise housing costs recovery rates. 2. Increased number of alternative properties including utilising the D2 PropCo model. 3. Increased number of HRA properties including house shares utilising TACP funding where available. However, it is important to note that this is based on the above options being delivered at pace and demand levels staying within the range we have seen over the last 18 months. Any spikes in demand could further increase the financial pressure to the service despite delivering on the above options.
1.19	**Out of County Placements** The position on Out of County placements remains an ongoing risk and the projected overspend in the current financial year is £1.835m. An additional amount of £2.5m is included in the budget based on increasing demand and potential new placements in 2025/26. This equates to an uplift of 12.95% on the 2024/25 budget of £19.299m.
1.20	**Waste Collection - Potential Infraction Charges** The Council did not meet the statutory minimum target, (64%) in 2021/22, for the percentage of municipal waste which must be recycled, prepared for re-use and composted, as specified in Section 3 of the Waste (Wales) Measure 2010. Welsh Government can therefore take steps to impose a penalty on the Council by way of an infraction fine. A potential penalty of up to £0.663m has previously been reported. The statutory recycling targets were also not achieved in 2022/23 and 2023/24, which means that further infraction fines of £0.356m and £0.184m respectively could be levied. Therefore, the total financial risk across all three financial years has previously been reported as £1.203m. However, confirmation has recently been received from Welsh Government that the penalty of £0.663m for 2021/22 is now waived due to the efforts made by the authority to make changes to its services in order to reduce the amount of household residual waste collected and increase recycling

	It is important to note that the minister did highlight that his consideration of whether to levy the potential fines for 2022/23 and 2023/24 would be based on the progress made against the service improvements that have been identified within the agreed plan to impact on the Council's recycling rate. The remaining infraction fine risk for 2022/23 and 2023/24 is a minimum of £0.540m (excluding any potential impact for 2024/25).
1.21	**Funding for Increase in Employers National Insurance Contributions** The UK Autumn Budget Statement included an increase in employer national insurance contributions from April 2025 with an estimated additional cost to the Council (including schools) of £4.189m. It has been confirmed that HM Treasury will be providing funding for Local Authorities to meet the additional costs of the increase, and the budget proposals assume that these costs will be met in full. However, Welsh Government are unlikely to be made aware of the amount that they will receive from UK Government until the Summer. Therefore, there is a risk that the amount may not be enough to cover the full costs for Local Authorities.
1.22	**Harpur Trust vs Brazel Case** The potential financial impacts are still being determined in relation to Tribunal claims submitted as a result of the Employment Appeal Tribunal (EAT) decision in the case of Harpur Trust v Brazel. The Supreme Court upheld the EAT judgment in the Brazel case in July 2022 which impacts on the calculation of holiday pay entitlements for staff who work for part of the year (i.e. term time). There are currently 300+ live employment tribunal claims in respect of this. The next preliminary hearing is scheduled for 8 May 2025. It is hoped that we will get to a position where we could seek to settle on a without prejudice basis, but there is some further work to undertake first. There is a risk that the final cost may be considerably more than the £0.254m currently held in reserves for this purpose.
1.23	**Specific Grants** We are still awaiting confirmation of some specific grants. The most significant is the Sustainable Waste Management Grant which is still to be confirmed on an all-Wales basis for 2025/26 onwards. Details of the specific grants we are aware of currently are included in Appendix 7.

1.24 **Schools Budget**

Ensuring our learners receive the highest standards of education in our schools has always, and continues to be, a priority for the Council. The Council has always sought to protect front line education services (schools' budget) as far as possible.

The school's budget is the largest budget within the Council and given the scale of the challenge in setting a balanced budget this year it has not possible to fully protect the schools budget from reductions.
However, the Council recognises the increasing demands, challenges, and risks that schools are currently facing.

The table below provides the details of an overall increase of £6.950m (5.92%) in funds for schools in 2025/26.

Table 5: School Budget Adjustments 2025/26

Pressures / Cost Reductions	**£m**
NJC Pay Award April 2025	1.517
Teachers Pay Award Sept 2024 – Shortfall in base	0.399
Teachers Pay Award April to August 2025	1.695
Teachers Pay Award Sept 2025 Estimate – Sept 2025 to March 2026	2.006
Employer Teacher Pensions	3.147
National Insurance Increases (NJC Schools) 2025/26	0.884
National Insurance Increases (Teachers) 2025/26	1.327
Specialist School Demography	0.137
Specialist Primary – additional accommodation	0.198
Specialist Secondary – Mobile Classrooms Provision	0.083
Resource Provision at Hawarden High School	0.138
Contribution to School Deficits	0.750
Total Increase in Schools Budget	**12.281**
Less:	
Contribution to School Deficits	(0.750)
Energy (Reduction in cost)	(0.300)
Demography (Reducing Pupil Numbers)	(1.349)
2.5% budget reduction	(2.932)
Total Net Uplift to School Budgets 2025/26	**6.950**

The budget also includes additional borrowing costs of £0.178m to support the Sustainable Communities for Learning Capital Investment Programme.

1.25 **Social Care Budget**

The 2025/26 budget includes a 12% increase for Social Care to meet the estimates of current demand and the additional costs of commissioned care. The Social Care sector remains under significant pressure from increased demand and inflationary pressures with costs for commissioned care

	increasing. The need to support care providers to continue to operate safely and maintain market stability remains a challenge. Recruitment and retention of care workers within the social care sector continues to present difficulties. Whilst the Real Living Wage has been adopted for all registered carers in Flintshire the sector does, in terms of hourly pay rates pay below comparable sectors such as Supermarkets. Homecare is one of the most cost-effective types of social care and service shortages will result in increased pressure and demand on other, more expensive, types of care. The table below provides the details to the overall increase of 12% in funding to Social Care in 2025/26.

Table 6: Social Care Budget Adjustments 2025/26

Pressures / Cost Reductions	**£m**
Social Care Pay Awards	1.554
Social Care Commissioning Costs	4.607
Older People Services	1.500
Children's Services	1.000
Disability Services	1.000
Transition to Adulthood	0.404
Croes Atti Extension – Revenue Costs	1.321
Social Worker Pay Review	0.108
Partnership Working Cost Increases	0.330
Grants Maximisation (Adults) – one-off efficiency adjustment	0.100
Less 2025/26 Portfolio Cost Reductions (some part year)	(0.698)
Total Net Uplift to Social Care Budgets 2025/26	**11.226**

	Reserves and Balances
1.26	**Earmarked Reserves** The Council holds earmarked reserves which are set aside for specific purposes. Some are restricted in their use by, for example, the terms and conditions of grant where their source is government funding. An update on current projected levels of earmarked reserves shows that the amount is likely to reduce from £9.277m to £6.876m by the end of the 2025/26 financial year as these reserves are 'drawn down' (See Appendix 8). However, the estimates exclude a projected net deficit position for schools of £1.661m. The Council reviews its remaining earmarked reserves on an ongoing basis, and only those for which there is a strong business case will be retained with the remainder being released for use as part of the Medium-Term Financial Strategy.

1.27	**Un-Earmarked Reserves** The Council holds a base level of reserves of £8.985m following the increase of £3.216m agreed as part of setting the budget for 2024/25. The base level represents the Councils last line of defence in the event of a significant unforeseen financial issue arising and remains relatively low. Levels of unearmarked reserves over and above this figure are referred to as the Contingency Reserve. This reserve is projected to be at £2.987m at year end based on the 2024/25 (Month 9) revenue budget monitoring report. The budget proposals within this report utilise £0.261m of unearmarked reserves to meet the cost of time-limited pressures. The total level of our projected unearmarked reserves are therefore £8.985m + £2.726m = £11.711m which equates to around 3% of the net 2025/26 budget.
1.28	**Funding Floor Mechanism** Due to our disappointing provisional settlement the Council (alongside other Welsh Councils and the Welsh Local Government Association) has made representations to Welsh Government for the inclusion of a significant Funding Floor in the Final Settlement which is expected to be announced on 20 February. The budget proposals in this report are based on our provisional figures and do not consider any subsequent increase that may arise at final settlement stage. Due to the need to safeguard the Council against a challenging future funding outlook it is recommended that any additional funding provided is included as a budgeted contribution to Unearmarked Reserves. This would have the dual benefit of replenishing our much-depleted reserves in the short term and also build in some resilience to our budget over the medium-term. A verbal update on the Final Settlement will be provided at the meeting.
	Formal Advice of the Corporate Finance Manager
1.29	Section 25 of the Local Government Act 2003 includes a specific duty on the Chief Finance Officer (for Flintshire this is the Corporate Finance Manager) to report to the Council when it is considering its budget and Council Tax setting on the robustness of the estimates and the adequacy of reserves. The Act requires the Council to have regard to this report in making its decisions on its budget.
1.30	For the estimates contained within the budget, all figures are supported by a clear and robust methodology. The cost reduction proposals have all been risk assessed and reported to Members as part of the overview and scrutiny process – inevitably the challenge to identify cost reductions is becoming increasingly difficult each year.

1.31	The Council's Reserves and Balances Protocol sets out how the Council will determine, manage, and review the level of its Council Fund Balance and earmarked reserves, taking into account legislation and professional guidance. An outcome of this protocol was to report to both Cabinet and Corporate Resources Overview and Scrutiny Committee the level of earmarked reserves held on a quarterly basis. This has been continued throughout 2024/25 through the monthly budget monitoring report, with a detailed challenge of earmarked reserves undertaken throughout the summer which resulted in an amount of £1.026m being released from earmarked reserves back to the general contingency reserve. This process ensures that Members have a good understanding of all the reserves held by the Council.
1.32	I can confirm the reasonableness of the estimates contained in the proposed budget having regard to the Council's spending needs in 2025/26 and the financial context within which the budget is being set. It is clear that there continues to be some significant open risks within the 2025/26 budget proposals, particularly around social care and homelessness demand levels and out of county placements. The increase in our Aggregate External Finance (AEF) for 2025/26 is very disappointing and does not meet our escalating cost base. There are no indicative allocations for 2026/27 and beyond although this may change following the UK Spring Budget. Therefore, it is important that, as far as it is able, the Council protects its current level of reserves to safeguard against these risks. Effective and disciplined in-year financial management is essential to ensure that budgets are managed effectively - with prompt action taken to mitigate any impacts should variances occur.
1.33	Our Base Level of Reserves was increased in 2024/25 to a more reasonable level of £8.985m and this is enhanced by a projected contingency reserve of £2.726 leaving a total amount of unearmarked reserves of £11.711m. However, this still only equates to around 3% of our 2025/26 net budget so is still relatively low. Due to future funding uncertainties and the high level of risk included in the budget proposals I recommend that any additionality arising from the Final Settlement is considered for inclusion as a budgeted contribution to reserves.
1.34	The budget proposals require an appropriate use of £0.261m of unearmarked reserves to meet the costs of time limited cost pressures.
	Formal Advice of the Chief Executive
1.35	My professional advice complements that of the Corporate Finance Manager, as set out above.
1.36	The draft budget as presented follows the Medium-Term Financial Strategy (MTFS) adopted by the Council. It has been developed according to the budget setting model which has been adopted by the Council, and our principles and values.
1.37	We have taken a prudent and balanced approach to our annual budget, as required by law and the principles of good governance, whilst protecting the

	public service duties and obligations of the Council. Our budget-setting process is a complex and intricate one, with all decisions being carefully risk-assessed.
1.38	We have advised Council throughout that this is an extremely challenging budget set in a period of continuing economic volatility, much of this is outside of our control. Portfolios have scrutinised their respective service areas closely and in the context of risk considered these and the wider impacts on the council and the communities it serves. The settlement by Welsh Government does not address the increased challenge and risk within portfolios and pressures in the system. There are no further cost reductions of scale beyond those reported in the budget-setting process. Our strategy for achieving a legal and balanced budget was heavily reliant on the sufficiency of Government funding for local government and public services; the provisional settlement at 3.27% is disappointing and will lead to an increased risk profile for the Council going forward.
1.39	Looking ahead the outlook remains uncertain with wider global events impacting on inflation and the cost of living. Although the Bank of England forecasts inflation falling throughout 2025/26, economic growth will remain weak, and the impacts of the war in Ukraine, positioning by America internationally and the influence this will have on the UK economy is likely to lead to continuing market volatility.
1.40	As noted, a number of significant ‘open risks’ remain to be managed and we will again need to adopt ongoing tight fiscal control in-year throughout 2025/26 particularly in relation to those more volatile demand led services which are generally delivered to those who are in greatest need and most vulnerable within our communities. Our work on risk management, reported throughout financial year 2024/25 indicates that our low funded position is creating significant service challenges and our relatively low level of reserves does not facilitate significant latitude and flexibility to address in year service impacts and system ‘shock’.
1.41	It is important that we continue to plan for the medium-term and work with Governments on a sustainable funding model for local government avoiding where possible an over-reliance on Council Tax as a form of local income. There appears to be a wider acknowledgement that the current funding model is broken and inequitable and work to rebalance the system is needed to create a sustainable financial model which is fit for the future. Ongoing dialogue with Welsh Government is necessary to ensure the funding landscape for Flintshire is substantially improved.
1.42	**Medium Term Financial Forecast** The financial forecast for the medium-term, for the financial years – 2026/27 – 2027/28, have been reviewed in readiness to update the MTFS. A high-level estimate on the major cost pressures predicted over the next two years following this budget is included in Table 7. The forecast includes (1) potential annual pay awards of 4%; (2) commissioning cost pressures within Social Services, and (3) other known cost pressures.

	The figures below show the additional budget requirement. **Table 7: Medium Term Forecast 2026/27 – 2027/28**

Cost Pressure	2026/27 (£m)	2027/28 (£m)
Pay Inflation	7.875	8.193
Non-Pay Inflation	1.673	0.417
Social Care Pressures	7.849	8.751
Other Pressures	2.138	1.735
Total	**19.535**	**19.096**

1.43	The 2025/26 Provisional Settlement excluded an indicative all-Wales revenue allocation for 2026/27. Forecasts from the Wales Institute of Fiscal Studies have advised that the Welsh Government budget is front-loaded in 2024/25 and 2025/26 so it is clear that the future funding outlook is likely to continue to be significantly challenging at best. Therefore, it is essential that the Council prioritises work to address the major differential between its anticipated increases to operating costs compared with anticipated increases in income streams, primarily through its developing Strategic Transformation Programme.
	Concluding Advice to Close the Budget
1.44	Council is able to set a legal and balanced budget for 2025/26 based on the calculations and advice set out in this report and can fulfil its collective legal responsibility. The Final Settlement is expected to be received on 20 February and any additional funding would assist with ensuring the future financial sustainability of the Council. A recommended use of any additional funding is included within the report and a verbal update on our final funding allocation will be provided at the meeting.
1.45	The timetable for the closing stages of the annual budget setting process is as follows: - 20 February 2025: Announcement of the Final Welsh Local Government Settlement. 24 February 2025 Council Meeting: Final budget-setting decisions including final agreement on the level of Council Tax and the passing of the Council Tax Resolution.

2.00	**RESOURCE IMPLICATIONS**
2.01	**Revenue:** the revenue implications for the 2025/26 budget are set out in the report. **Capital:** there are no new implications for the approved capital programme for either the current financial year or for future financial years. **Human Resources:** Any implications for increased/reduced capacity within portfolios are as set out in the report. Any implications for schools would be a consideration for each individual school based on the funding received through the Schools Funding Formula.

3.00	**IMPACT ASSESSMENT AND RISK MANAGEMENT**
3.01	**Ways of Working (Sustainable Development) Principles Impact**

Long-term	Negative – the absence of longer-term funding settlements from Welsh Government means that sustainable support for service delivery is challenging for the longer term. Sustainable funding from Welsh Government that provides additional funding for Indexation, Service demands, and new legislation will provide a positive and sustainable position for the Council in the longer term.
Prevention	As above
Integration	Neutral Impact
Collaboration	Services continue to explore opportunities for collaboration with other services and external partners to support positive impacts.
Involvement	Communication with Members, residents and other stakeholders throughout the budget process.

Well-Being Goals Impact

Prosperous Wales	Longer term funding settlements from Welsh Government that provide additional funding for indexation, service demands, and new legislation will aid sustainability and support a strong economy that encourages business investment in the region. The opposite will be true if settlements are inadequate.

Resilient Wales	Continuation of services to support communities and social cohesion will have a positive impact. The opposite will be true if settlements are inadequate.
Healthier Wales	An appropriate level of funding will ensure that communities are supported and will have a positive impact. The opposite will be true if settlements are inadequate.
More equal Wales	A positive impact with greater parity of funding from Welsh Government for all Welsh Local Authorities. The opposite will be true if settlements are inadequate.
Cohesive Wales	Appropriate level of funding will support services working alongside partners. The opposite will be true if settlements are inadequate.
Vibrant Wales	As Healthier and Cohesive Wales above
Globally responsible Wales	Neutral impact.

4.00	**CONSULTATIONS REQUIRED/CARRIED OUT**
4.01	Overview and Scrutiny Committees – all cost pressures and cost reductions have been subject to relevant scrutiny. Chief Officer Team, the Finance Team, Cabinet Members, Group Leaders and Scrutiny Committees, School Forums. Workforce conferences have been held for employees.
4.02	A public consultation was held between 15 October and 24 November 2024. 3480 people took part. Not everyone who started went on to complete all questions. The findings of responses received up to abandonment are included in the summary report which can be found at Appendix 9.

5.00	**APPENDICES**
5.01	Appendix 1: Prior Years Growth / Item Dropping Out Appendix 2: Transfer into the Settlement Appendix 3: Inflation Appendix 4: Pressures & Investments Appendix 5: Cost Reductions - Portfolios Appendix 6: Cost Reductions - Corporate Financing Appendix 7: Specific Grants 2025/26 Appendix 8: Balances & Reserves Appendix 9: Summary of public consultation results

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	The series of preparatory budget reports for the 2025/26 financial year. The series of presentations made to Cabinet and Council for the 2025/26 financial year.

7.00	CONTACT OFFICER DETAILS
7.01	**Contact Officer:** Gary Ferguson, Corporate Finance Manager **Telephone:** 01352 702271 **E-mail:** gary.ferguson@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	**Medium Term Financial Strategy (MTFS):** a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations. **Revenue:** a term used to describe the day-to-day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure. **Budget:** a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them. **Revenue Support Grant:** the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government. **Specific Grants**: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose. **Welsh Local Government Association:** the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales. **Financial Year:** the period of 12 months commencing on 1 April. **Local Government Funding Formula:** The system through which the annual funding needs of each council is assessed at a national level and

	under which each council's Aggregate External Finance (AEF) is set. The revenue support grant is distributed according to that formula. **Aggregate External Finance (AEF):** The support for local revenue spending from the Welsh Government and is made up of formula grant including the revenue support grant and the distributable part of non-domestic rates. **Provisional Local Government Settlement:** The Provisional Settlement is the draft budget for local government published by the Welsh Government for consultation. The Final Local Government Settlement is set following the consultation. **Funding Floor:** a guaranteed level of funding for councils who come under the all-Wales average change in the annual Settlement. A floor has been a feature of the Settlement for many years.

BUDGET 2025/26 - COUNCIL FUND REVENUE

Prior Years Growth / Items Dropping Out	£m
<u>Central & Corporate</u>	
Minimum Revenue Provision	0.300
Single Person Discount	0.250
21C Schools Band B Borrowing Costs	0.809
Use of Reserves 2024/25	(0.172)
TOTAL - PRIOR YEARS	**1.187**

BUDGET 2025/26 - COUNCIL FUND REVENUE

Transfers Into the Settlement	£m
<u>Housing & Communities - Homelessness Service</u>	
No One Left Out Approach	0.590
Discretionary Homelessness Prevention	0.197
Strategic Posts	0.052
TOTAL - TRANSFERS IN	**0.839**

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BUDGET 2025/26 - COUNCIL FUND REVENUE

Inflation	£m
NJC Pay	
NJC Pay Award Estimate (Non Schools)	3.952
NI Increases (Non Schools)	1.978
NI Increases (NJC Schools) 2025/26	0.884
NJC Pay Award Estimate April 2025 Estimate (Schools)	1.517
Teachers Pay / Pensions	
Employer Teachers Pensions	3.147
NI Increases - (Teachers) 2025/26	1.327
Teachers Pay Award - Sept 2024 - Shortfall in Base	0.399
Teachers Pay Award - April to August 2025	1.695
Teachers Pay Award - Sept 2025 to March 26	2.006
Service Contract Inflation	
ADM's / CAT's Service Contract Inflation	0.202
ADM's / CAT's - Other Pressures	(0.025)
Other Inflation	
Corporate Joint Committee/Growth Deal Inflation	0.015
Non Standard Inflation - Fuel	0.250
Non Standard Inflation - Energy	0.150
TOTAL - INFLATION	**17.496**

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BUDGET 2025/26 - COUNCIL FUND REVENUE

Pressures & Investments	£m
Central & Corporate	
North Wales Fire and Rescue - Levy increase	0.614
Capital Borrowing Costs	0.083
Sustainable Communities for Learning Rolling Capital Investment Programme	0.178
Coroners Service	0.021
Joint Archive Borrowing Costs	0.011
Children's Residential Care - Borrowing costs	0.052
Croes Atti Extension Borrowing Costs	0.039
SubTotal - Central & Corporate	**0.998**
Education & Youth	
Management of Specialist Provision - Estyn	0.193
EOTAS / Specialist Provision - Estyn Inspection of Plas Derwen	0.382
EOTAS / Specialist Provision - Medical Need	0.274
Youth Justice Service - Grant Funding Reduction	0.047
Sub Total - Education & Youth	**0.897**
Schools	
Specialist School Demography	0.137
Specialist Primary - additional accommodation	0.198
Resource Provision at Hawarden High School	0.138
Specialist Secondary – Mobile Classroom Provision	0.083
Sub Total - Schools	**0.556**
Governance	
Independent Remuneration Panel for Wales (IRPW)	0.112
Schools Information Management System	0.011
VMWare Licensing	0.055
Midland iTrent Maintenance	0.087
Microsoft E5 Security Licences	0.038
NDR Transitional Relief	0.046
NDR Increase in Multiplier	0.097
Network Connected Device Compliance & Assurance Solution	(0.015)
Sub Total - Governance	**0.431**
Housing & Communities	
Homelessness Demand	4.500
Eligible Free School Meals - Holiday Provision	0.462
Council Tax Reduction Scheme	2.008
Sub Total - Housing & Communities	**6.970**
Out of County Placements	
Out of County Placements	2.500
SubTotal - Out of County Placements	**2.500**
People & Resources	
Payroll Officers	0.106
Disclosure and Barring Service Checks	0.091

Pressures & Investments	£m
Sub Total - People & Resources	**0.197**
Social Services	
Social Care Commissioning	4.607
Older People Services	1.500
Children's Services	1.000
Disability Services	1.000
Croes Atti Extension - Revenue Costs	1.321
Partnership Working Cost Increases	0.330
Grants Maximisation Adults - one-off efficiency adjustment	0.100
Social Worker Pay Review	0.108
Transition to Adulthood	0.404
Sub Total - Social Services	**10.370**
Assets	
Cambrian Aquatics	0.100
Sub Total - Assets	**0.100**
Streetscene &Transportation	
Public Health Burials	0.020
School Transport	0.350
Residual Waste Indexation	0.080
Highways Maintenance	0.400
Drainage - Summer Storm Events	0.150
Reduced Income via NMWTRA	0.100
Depot Maintenance	0.160
Winter Maintenance Service	0.200
Additional Infrastructure (non-commuted sums)	0.010
Mayrise Replacement Licences and IT Equipment	0.030
Sub Total - Streetscene & Transportation	**1.500**
TOTAL - PRESSURES & INVESTMENTS	**24.519**

BUDGET 2025/26 - COUNCIL FUND REVENUE

Cost Reductions - Portfolio	£m
<u>Assets</u>	
Vacating County Hall	(0.371)
2 x Vacant Posts - Design Services	(0.116)
Reduction to Gwella Subsidy	(0.188)
Total - Assets	**(0.675)**
<u>Chief Executives</u>	
Regional Emergency Planning Team	(0.005)
TTP Management Fee	(0.020)
Sub Total - Chief Executives	**(0.025)**
<u>Education & Youth</u>	
EOTAS PDG - Plas Derwen	(0.037)
Inclusion Special Education - Vacant Post	(0.030)
Inclusion Special Education - Assistant EP	(0.030)
Youth Services - Relinquish Building at Sealand	(0.007)
Youth Servies - Grant Maximisation	(0.037)
Youth Services - Forest School	(0.024)
Youth Services - Relinquish Building at Penyffordd	(0.008)
Primary & Secondary Learning - 0.2 FTE Vacancy Saving (Adult Community)	(0.019)
Primary & Secondary Learning - 0.2 FTE Vacancy Saving (Early Entitlement)	(0.014)
Business Support - 0.6 FTE FTP (Temporary Post Ceased)	(0.019)
Archives - Reduce 1 x team member by 1 day	(0.010)
School Place Planning Team - Mobile Classrooms	(0.025)
Sub Total - Education & Youth	**(0.260)**
<u>Governance</u>	
Central Despatch - Vacant Post	(0.032)
Democratic Support Officer Vacancy	(0.013)
Council Tax Single Person Discount	(0.100)
Revenues - Write off review	(0.005)
NDR Discretionary Rate Relief	(0.005)
Revenues - New Civica Payment Portal	(0.015)
Legal - Increase in Charges	(0.129)
Flintshire Connects - Service Review	(0.077)
Consultation & Engagement Software	(0.015)
Confidential Waste - Reduced Costs	(0.008)
InPhase Software	(0.015)
iTrent MFA & ePayslips	(0.015)
Cease Nitro-Sign e-signature	(0.003)
Cease Engage Process Modelling Software	(0.010)

Cost Reductions - Portfolio	£m
Migrate all Blackberry Users to intune	(0.060)
Sub Total - Governance	**(0.502)**
Housing & Communities	
DFG Capitalisation	(0.005)
Support Recharges from NEW Homes	(0.030)
Welfare Rights - Reduction in Funding	(0.042)
Housing Solutions - Increase Number of HRA 3 Bed Properties	(0.366)
Carelink - Increase in Income Generation	(0.127)
Sub Total - Housing & Communities	**(0.570)**
People & Resources	
Finance Support Officer Vacancy	(0.027)
Sub Total - People & Resources	**(0.027)**
Planning, Environment & Economy	
Business & Community - Removal of Vacant Admin Assistant Post	(0.032)
Business & Community - Trading Standards Removal of Vacant Post	(0.051)
Business & Community - Removal of Neighbourhood Warden Vacant Post	(0.013)
Development Management - Review of Fees for pre-app enquiries	(0.020)
Development Control	(0.073)
Business & Performance - Business Support Assistant Vacancies	(0.055)
Minerals & Waste - Monitoring Visits	(0.032)
Minerals & Waste - Service Contract Fees Uplift	(0.005)
Regeneration - Funding for Investment Zone Staff Costs	(0.080)
Strategy - Removal of IT Post	(0.034)
Surface Water Management - SAB pre-application charges	(0.015)
Access & Natural Environment - Reduce investment in Parks	(0.035)
Portfolio Service Management Review	(0.140)
Sub Total - Planning, Enviroment & Economy	**(0.584)**
Schools	
Energy (Reduction in cost)	(0.300)
Sub Total - Schools	**(0.300)**
Social Services	
Remodel In-house day care provision for older people	(0.098)
Right sizing Review - Learning Disabilities	(0.200)
Review Mental Health Packages of Support	(0.100)
Redcued reliance on Residential Care for Older People	(0.300)
Savings from Digital Strategy (Paris/Carecubed)	(0.058)

Cost Reductions - Portfolio	£m
Sub Total - Social Services	**(0.756)**
Assets	
Reduction of Indexation Pressures	(0.400)
Sub Total - Assets	**(0.400)**
Streetscene & Transportation	
Waste Collection Frequency	(0.600)
Increase in Car Parking Charges	(0.159)
Re-procurement of Waste Disposal Contracts	(0.025)
Public Toilets	(0.059)
Maximise income/cost recover from in-house construction service	(0.050)
Review/change in shift pattern - Highways and Drainage operations	(0.038)
DEFRA Waste Funding	(2.000)
Sub Total - Streetscene & Transportation	**(2.930)**
TOTAL	**(7.029)**

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BUDGET 2025/26 - COUNCIL FUND REVENUE

Cost Reductions - Corporate Financing	£m
Corporate	
Reduction in Travel Budgets	(0.160)
Employers NI Funding	(4.189)
Pay Award	(0.754)
Fastrack Project Income	(0.042)
Fees and Charges Review 2025	(0.150)
Sub Total - Corporate	**(5.295)**
Schools	
Demography (Reducing Pupil Numbers)	(1.349)
2.5% budget reduction	(2.932)
Total - Schools	**(4.281)**
TOTAL - COST REDUCTIONS	**(9.576)**

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BUDGET 2025/26 - COUNCIL FUND REVENUE

Specific Grants 2025/26	Budget 2024/25 £	Budget 2025/26 £	Variance £	Conf (C) or Est (E)
Education & Youth - Non Delegated				
Promoting Positive Engagement (CCG)	193,106	193,385	279	E
YOT / Youth Justice Board (inc. JAC)	223,448	287,503	64,055	E
Welsh Network of Healthy School Schemes	101,380	91,102	(10,278)	E
Youth Support Grant (Youth Service Revenue Grant)	469,114	535,933	66,819	E
Free School Milk	245,891	245,891	0	E
Playworks Holiday Project (CCG)	0	50,000	50,000	E
Families First (CCG)	1,533,520	1,607,664	74,144	E
Pupil Develoment Grant	3,751,070	4,479,922	728,852	E
Adult Community Learning	273,111	273,111	0	C
Feminine Hygiene	143,786	132,821	(10,965)	E
Universal Primary Free School Meals	2,698,323	4,679,504	1,981,181	E
LAEG - School Standards	7,682,840	8,065,209	382,369	C
LAEG - Equity	940,857	1,277,360	336,503	C
LAEG - Reform	2,849,182	3,280,398	431,216	C
LAEG - Cymraeg	398,258	361,224	(37,034)	C
LAEG - Schools Essential Grant	660,550	468,595	(191,955)	E
Post 16 - Learner Recovery & Progression	128,971	128,971	0	E
Post 16 - Transition Funding	36,590	36,000	(590)	E
Post 16 Specialist Placements	0	50,000	50,000	E
Neurodivergence Improvement Programme	0	70,945	70,945	E
SPF - LEAP	0	518,510	518,510	E
SPF - Multiply	0	443,926	443,926	E
Support Schools - Enrichment Opportunities	0	14,549	14,549	E
NPQH Celebration Events	0	795	795	E
Sub Total - Education & Youth (Non Delegated)	**22,329,997**	**27,293,318**	**4,963,321**	
Education & Youth - Delegated				
6th Form Funding (Formally DCELLs)	4,819,841	5,021,001	201,160	E
Sub Total - Education & Youth (Delegated)	**4,819,841**	**5,021,001**	**201,160**	
Housing & Communities				
Housing Support Grant (formerly Supporting People)	7,828,610	9,592,674	1,764,064	E
No One Left Out Approach - Homelessness *	381,898	0	(381,898)	C
Discretionary Homelessness Prevention *	121,358	0	(121,358)	C
Strategic Co-ordinator Post - Homelessness *	60,000	0	(60,000)	C
Sub Total - Housing & Communities	**8,391,866**	**9,592,674**	**1,200,808**	
Planning , Environment & Economy				
Substance Misuse	517,933	536,037	18,104	E
Domestic Abuse Co-ordinator Funding (VAWDASV)	177,000	186,766	9,766	E
Communities for Work Plus	671,410	554,471	(116,939)	E
Sub Total - Planning, Environment & Economy	**1,366,343**	**1,277,274**	**(89,069)**	
Social Services				
Social Care Workforce Development Programme	333,488	333,488	0	E
Flying Start (CCG)	4,662,647	5,303,636	640,989	E
St. David's Day (CCG)	40,125	40,183	58	E
Childcare & Play (CCG)	142,019	142,158	139	E
Out of Court Parenting Support (CCG)	34,457	34,506	49	E
Early Intervention Parenting Support & Interparental Conflict Grant (CCG)	102,725	50,000	(52,725)	E
Childcare Admin Offer	352,045	352,045	0	E
Funding to Support proposals relating to eliminating profit from the care of looked after Children	561,000	561,000	0	E
Support for the radical reform of the care of looked after children	85,878	85,878	0	E
Sub Total - Social Services	**6,314,384**	**6,902,894**	**588,510**	
Streetscene & Transportation				
Concessionary Travel	1,900,000	1,900,000	0	C
Bus Service Support Grant - BSSG	557,000	557,000	0	C
Bus Service Support Grant - BNG	0	646,901	646,901	C
Sub Total - Streetscene & Transportation	**2,457,000**	**3,103,901**	**646,901**	
TOTAL - GRANTS	**45,679,431**	**53,191,062**	**7,511,631**	

***2024/25 Budget including estimated amounts not final**

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BUDGET 2025/26 - COUNCIL FUND REVENUE

Summary of Council Fund Earmarked Reserves	Est Bal 01/04/25 £m	Est Bal 31/03/26 £m
Service Balances		
Corporate Services	0.745	0.267
Housing & Communities	0.083	0.000
Planning, Environment & Economy	0.448	0.000
Social Services	0.102	0.058
Streetscene & Trasnportation	0.070	0.000
Total - Service Balances	**1.447**	**0.325**
Corporate Balances		
Workforce Reserve	0.455	0.455
General Reserve - Investment in Organisational Change	0.571	0.300
Total Corporate Balances	**1.026**	**0.755**
Specific Reserves		
County Elections	0.300	0.300
Warm Homes Admin Fee	0.247	0.167
Design Fees	0.100	0.000
Insurance Funds	2.575	2.800
School HWB ICT Replacement	1.053	1.316
Plas Derwen Wave 4	0.007	0.009
IT COVID Enquiry	0.041	0.000
Schools Intervention Reserve	0.196	0.176
Organisational Change/ADM	0.360	0.000
Solar Farms	0.306	0.000
Employment Claims	0.092	0.092
Community Benefit Fund NWRWTP	0.686	0.936
Grants & Contributions	0.841	0.000
Schools	(1.661)	(1.661)
Total Specific Reserves	**5.143**	**4.135**
Total Earmarked Reserves	**7.616**	**5.215**

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APPENDIX 9

Flintshire County Council

Have your say!

2025/26 Budget Consultation

December 2024

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The purpose of the consultation:
To outline the challenges facing the Council in balancing its budget for 2025/26.

To seek the views about what's important to residents along with their thoughts on strategies to bridge the budget gap, not only by Flintshire County Council but by other Council's across the UK.

To support members in their consideration of options to help balance the books.

When people could have their say:
The consultation opened on 15th October 2024 and closed on 24 November 2024.

How people could have their say:
People could have their say by completing a short on-line questionnaire.

Residents who were unable to complete the survey online were signposted to any of the five Flintshire Connects Centres where support was available.

The questions:
Seven consultation questions were asked and supplemented by the statutory equality monitoring questions. The full set of questions can be found at Appendix A.

Number of people taking part:
3480 people took part. Not everyone who started went on to complete all questions. All responses received up to abandonment are included in this summary report.

What people told us:

1. Understanding the challenges

92% of people taking part confirmed they had read the information about the budget challenges on the website.

2. The importance of services

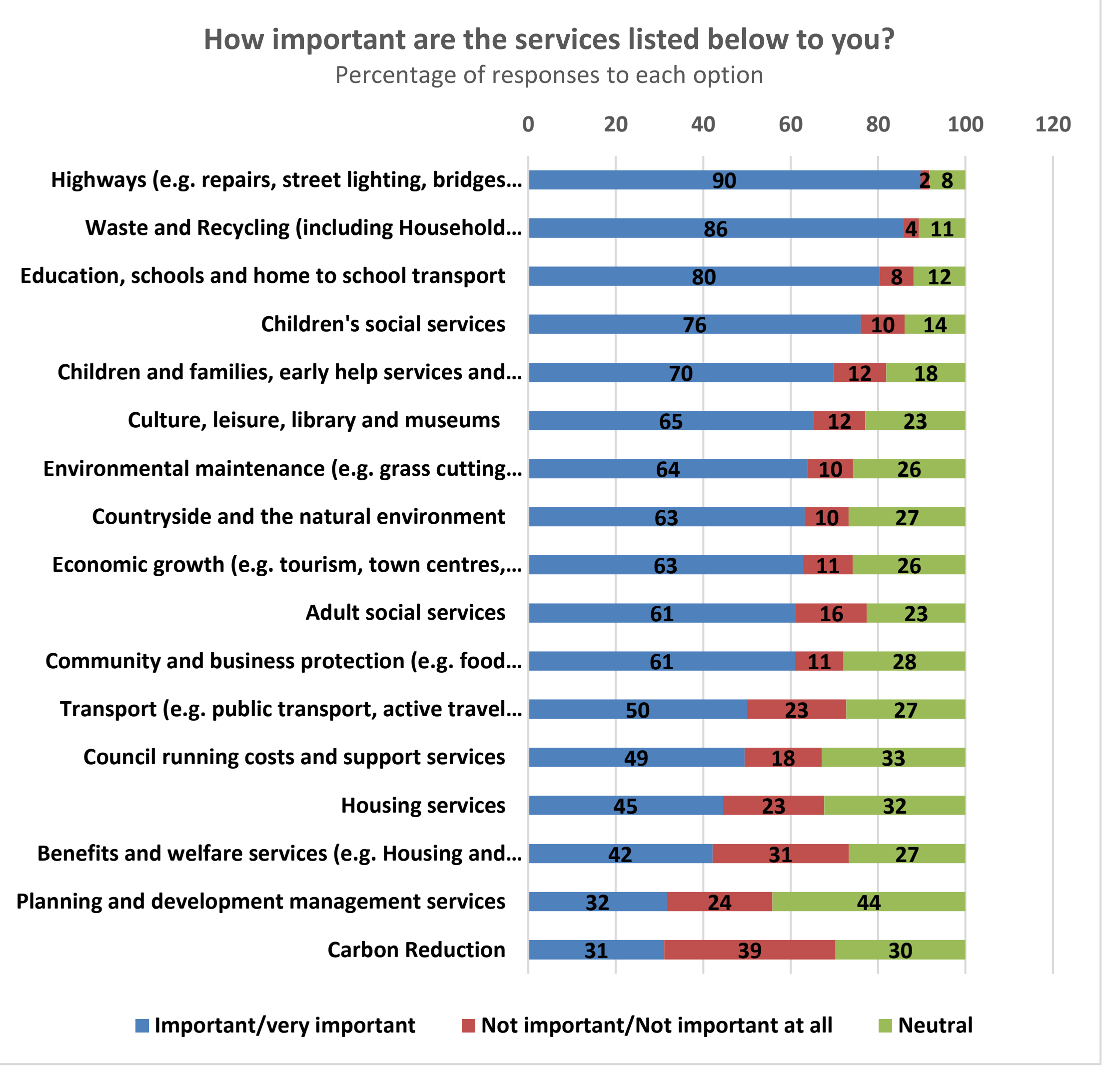
When asked to identify what council services were important to them Highways (90%), Waste and Recycling (86%) and Education (80%) returned the largest majority.

Carbon Reduction was most evenly split 31% very important/important, 39% not important/not important at all and 30% having no strong views one way or the other.

When considering responses to this question it is important to note that people were not asked to rank what was most important to them, merely to identify whether a service was important to them or not.

The full table of responses can be found at Figure 1.

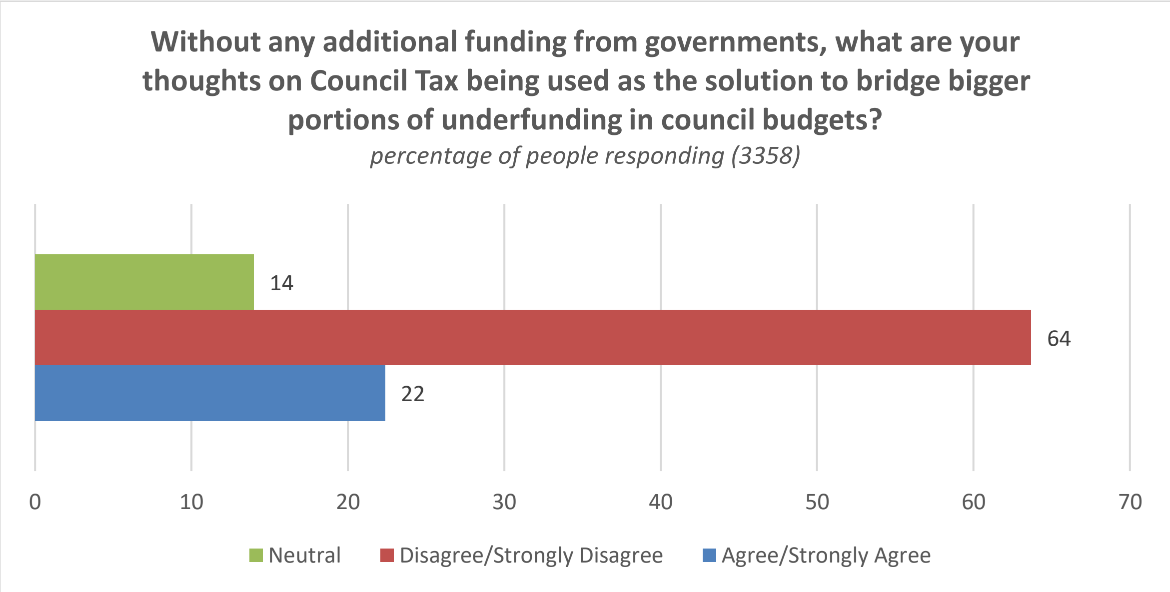
Figure 1: How important are the services listed below to you?



3. Council Tax

The majority of people responding to this question disagreed with Council Tax being used to close the rising gaps in underfunded council budgets.

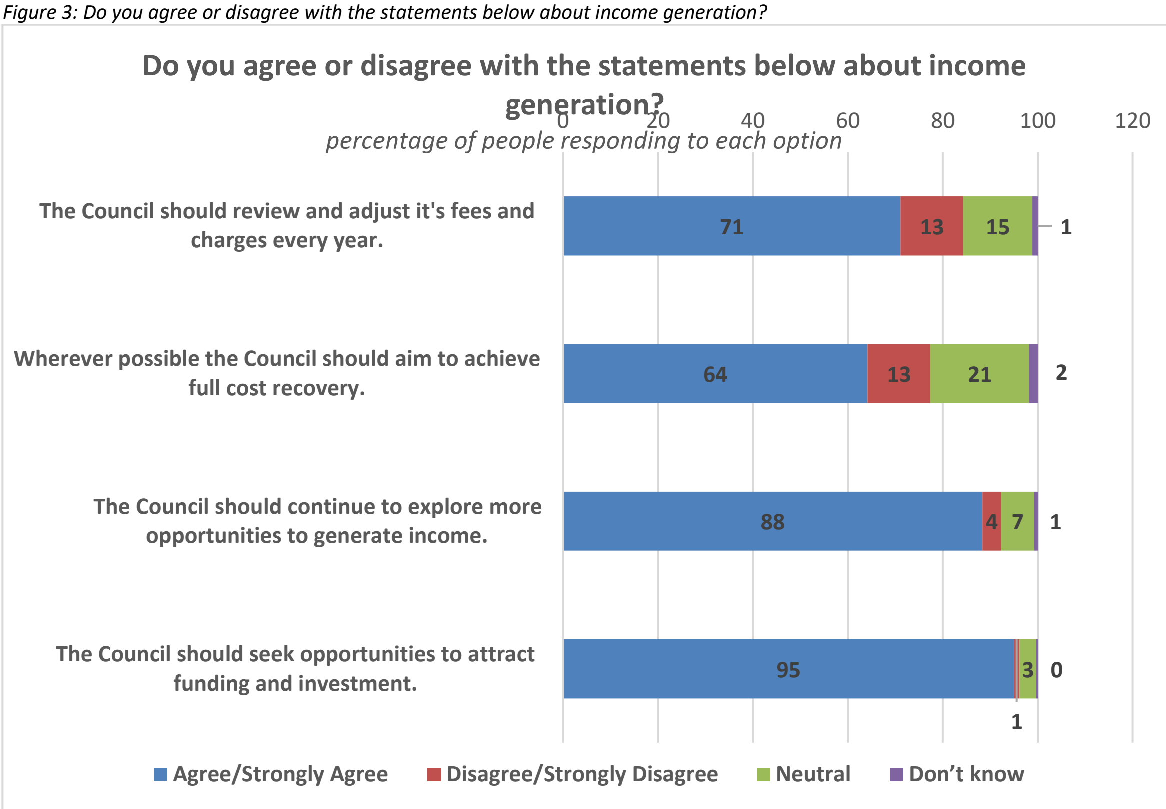
Figure 2: agreement with Council Tax being used to bridge bigger portions of government underfunding



4. Income Generation

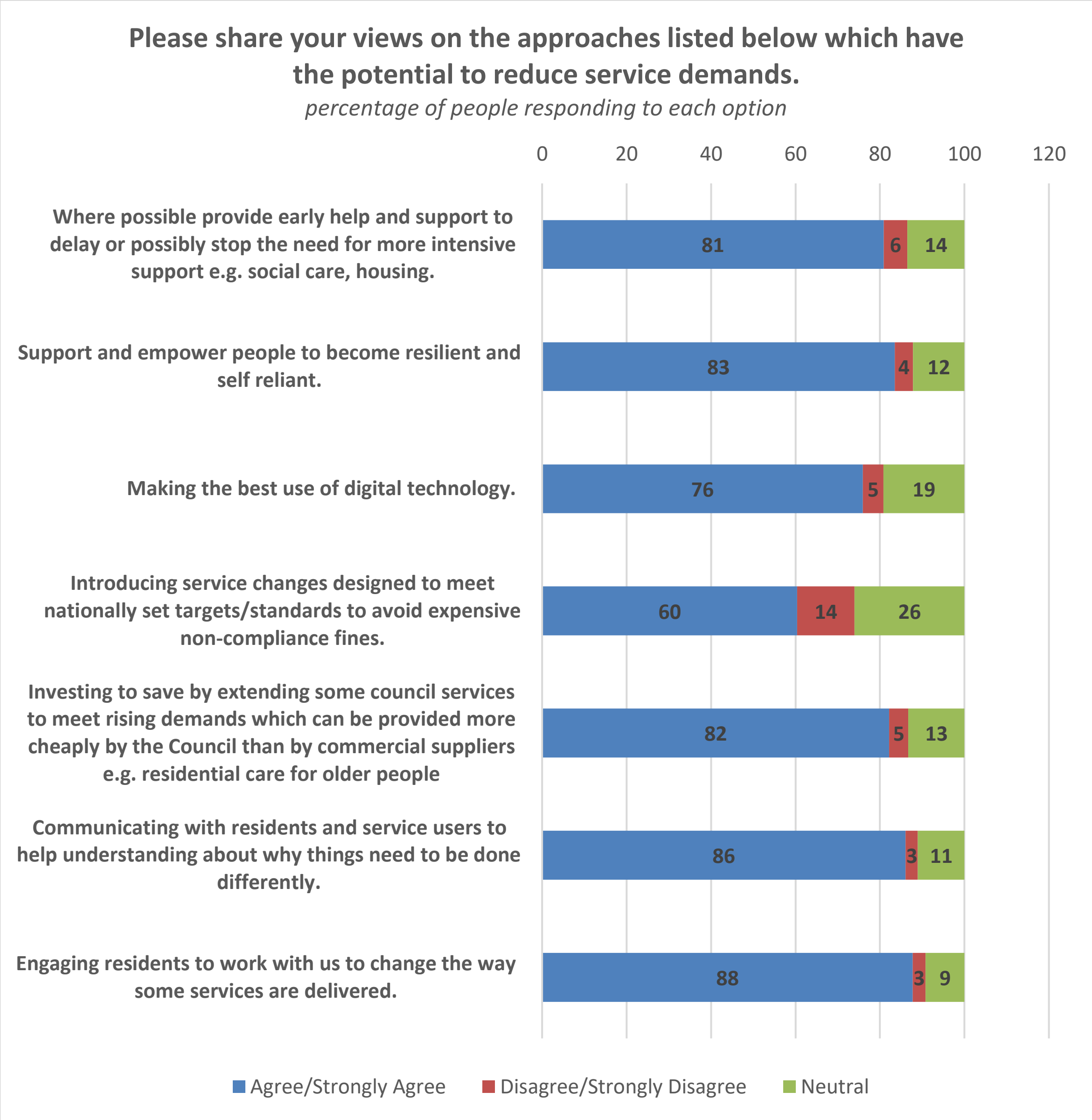
There was strong support for the council generating more income.

Figure 3: Do you agree or disagree with the statements below about income generation?



5. Managing demand pressures

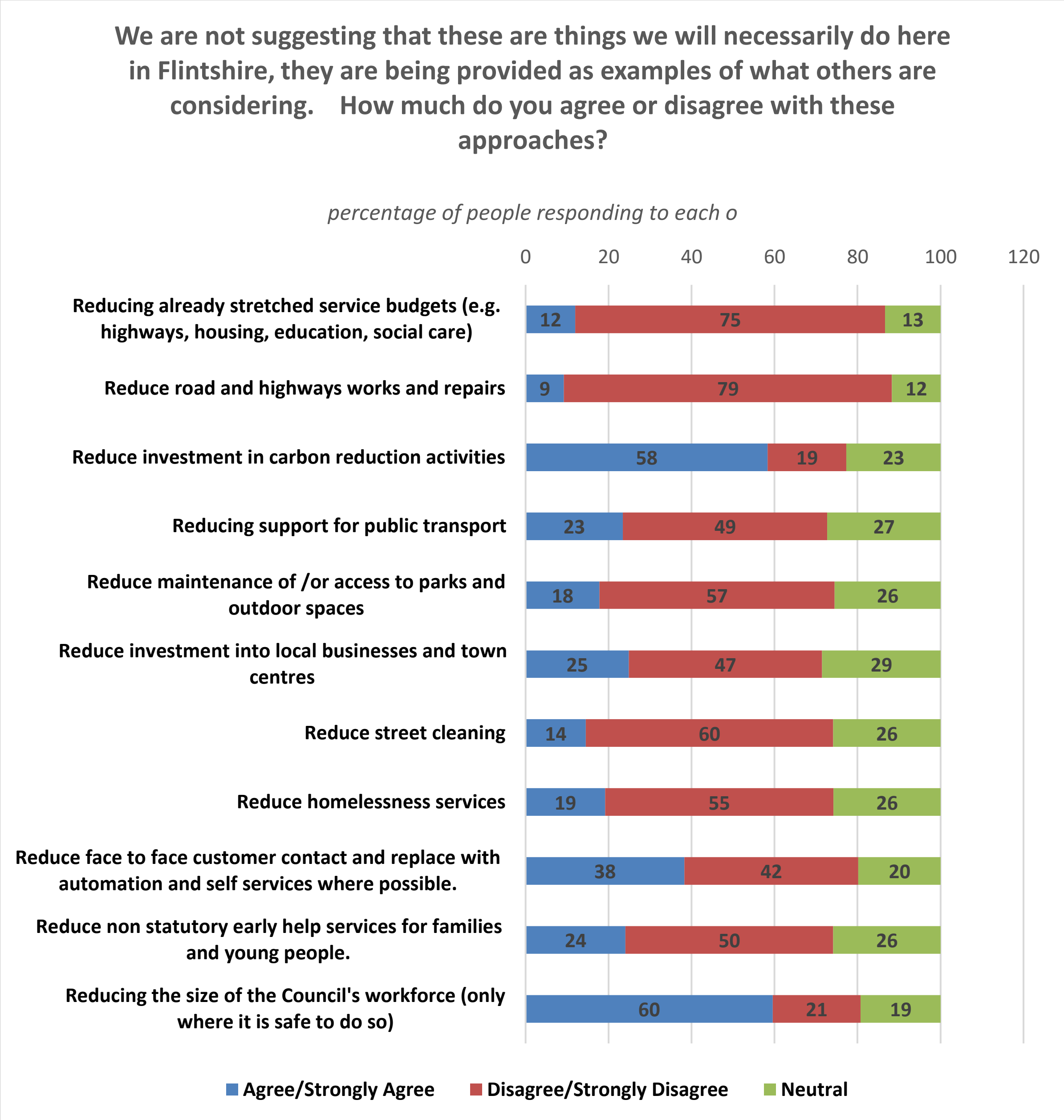
There was support in the Council adopting measures that had the potential to reduce demand on services.



6. Prioritising our spending

People were invited to express their level of agreement/disagreement with options being considered by other council to cut spending.

Figure 4: We are not suggesting that these are things we will necessarily do here in Flintshire, they are being provided as examples of what others are considering. How much do you agree or disagree with these approaches?



7. Feedback

Residents were also given the opportunity to provide additional comments and feedback. A total of 1,363 people shared views and opinions which have been summarised below:

7.1 National Funding

Of those who provided feedback, people wanted to see fairer Welsh Government (WG) funding for Flintshire, with an expectation for the Council to actively seek, and press for, a fairer funding settlement. Longer term WG funding settlements would also be beneficial.

7.2 Council Tax

There was strong feeling from the majority of responses that Council Tax increases should not be applied to bridge the budget gap. It was generally felt that residents are feeling the strain of the increasing costs of living and as a result of year-on-year underfunding in council budgets they are being asked to pay more for less.

Some felt that pushing residents into further financial hardship, as a result of Council Tax increases, would be counterproductive potentially resulting in less Council Tax being collected and increasing demand for council services.

A smaller number of people providing feedback felt that Council Tax should be increased to bridge the gap.

7.3 Council Structure / workforce / elected members

Generating the most feedback, suggestions covered:

- Streamlining management structures/layers
- Reducing pay and benefits
- Performance management
- Hybrid working
- Outsourcing services
- Retaining/bringing services back in-house
- Reducing/ceasing the use of consultants/agency workers

There was a strong perception that the Council employs too many managers who are paid too much and that generally there are too many council workers who are overpaid, receive too many perks and benefits and inflated pensions.

There was a view that performance management needs improvement and that auditing and systems thinking should be applied to streamline processes and procedures to cut out waste.

There were conflicting views around hybrid working with some people wanting to see employees returning to an office environment to improve performance, whilst others were suggesting hybrid working as a solution to cutting expensive building, heating and electricity costs.

Some felt that outsourcing work to the private/commercial sector should be stopped - along with the employment of agency workers and consultants - all of which were considered expensive options which the councils existing workforce could do more cheaply and efficiently in-house.   Others had an alternative view that outsourcing could be a more cost-effective and efficient option.

Similar to views expressed around the council's structure and workforce, the role of elected members also generated significant feedback with a strong feeling that there were too many elected members who were paid too much for their services and with a need to improve performance management.

7.4 Working with others

A number of suggestions were put forward to improve efficiency and effectiveness.

- Developing and encouraging a variety of volunteering opportunities – empowering local people to look after local communities/services.
- Capitalising on the wealth of knowledge and expertise available in Flintshire by working with local businesses and communities to generate innovative solutions.
- Working with local colleges to provide practical hands on work opportunites which both benefits the curriculum and the council.
- More cohesive joined up working between council services.
- Merging with other councils.

7.5 Council assets

Comments around the use of council assets included:

- Selling off surplus land/buildings at full market value relevant to its future use.
- Generating income through lease/hire of public facilities
- Maximising the use/benefits of buildings for multi-use by different services/agencies to create community hubs.

7.6 Strategic Planning

There was a feeling that data driven decision making along with long-term sustainability needed to be key considerations on where funding should be invested.

There was also a general feeling that short term planning was not particularly efficient or effective.

There were concerns over the decision to bring libraries and leisure services back in-house at a time when finances are so dire, and how that decision may impact services in the future.

7.7 Procurement and contracts

Views around procurement and contracts included:

Improvement of contract procurement processes to ensure competitive tendering and best value for money – cheapest isn't always best, whilst there is also the risk of paying too much.

Strengthen procedures to ensure the delivery of high-quality work, to specification and on time - issuing and collecting penalties where work falls short.

Stop awarding contracts to external suppliers/contractors where it can be done more efficiently and effectively in-house.

Investigate and maximising what added value can be achieved through procurement along with opportunities for the inclusion of social value clauses for example housing developers contributing to the costs of increased service demand e.g. waste collection, road maintenance, parks and amenity spaces – and enforce them.

7.8 Income generation

Ideas to generate income put forward included:

- Investing in the creation of commercial enterprises in fields such as waste management, renewable energy and affordable housing with profits reinvested into communities.
- Maximise income generation for all fee paying services to help support those services that can't charge.
- Considering all the services that could be offered by the Council at an affordable cost – applying sliding scales/dynamic pricing - and widely publicise them.
- The use of crowdsourcing and/or obtaining non-profit charitable status to enable donations for community projects/initiatives.
- Stronger enforcement and collection of non-compliance fines where applicable.
- Actively chase and recover monies owed to the Council.

7.9 Economic growth

Suggestions for economic growth:

- Invest to optimise attractions that bring people into the county and have potential to generate income for the council e.g. tourism, markets, events, along with protecting those which are already established.
- Invest in the county to make it a place that people want to live, work, visit and stay.
- Speed up processes that will bring investment into the county e.g. planning, licencing, etc.

7.10 Digital transformation

Exploring and introducing new technology and ways of working to transform services, reduce costs and improve service delivery was considered beneficial by some, however there were others who cautioned against this being used as a blanket approach particularly for those who are not digitally enabled or whose needs prevent digital accessibility.

7.11 Early Intervention

Of those commenting, there was a view that *'prevention is better than cure'.*

Investing earlier to slow down or stop the need for more intensive support/work has the potential to reduce the need for more expensive solutions further down the line. These views related to a range of different services, for example:

- Adult and children's social care services
- Education
- Community resilience and responsibility
- Highways repairs/maintenance
- Waste and recycling
- Parks and open spaces
- Leisure and library services

7.12 Efficiencies

Some people felt the benefits of delivering services in-house should be considered/ reviewed before awarding the work to external suppliers/contractors, whilst others felt that outsourcing work to external providers would be more cost effective.

The reduction of waste across all council services was felt to be a priority ensuring value for money and cutting out red tape and duplication of effort.

In addition to reducing waste, economy of scale/bulk buying should also be a key consideration when purchasing.

The empowerment of employees to be constructive and creative in identifying and delivering savings and efficiencies.

Review service delivery to ensure it meets the needs of residents/customers taking account of new technologies and online opportunities.

Suggestions about how to keep general housekeeping costs down were also provided such as switching lights and heating off/down and using electronic communications as much as possible to cut down on postage costs.

Cutting back on Welsh translations was suggested as a means of reducing spending. Some responses identified as Welsh speakers and/or were supportive of the drive to increase the use of Welsh, they felt that in times of such financial hardship this was perhaps not an essential service. Ways of achieving this ranged from stopping translations altogether to collecting and storing the language preferences of our residents and communicating with then accordingly.

7.13 Service prioritisation

Of those who commented some were of the view that there should be a return to focusing on statutory/basic services only, and spending on non essential services should be reduced or temporarily suspended to bridge the budget gap.

Some were of the opinion that front line services such as Education, Housing, Social Services and Streetscene should be protected from cuts.

There was a view that national policy to improve recycling rates should be temporarily suspended. Potentially fining councils for non-compliance was felt to be counterproductive.

It was also felt that spending on carbon reduction measures should be reduced or stopped.

7.14 Education

Comments received specifically in relation to education included:

- The protection of school budgets.
- More investment needed in ALN/SEN provision.
- More investment in mental health services.
- Reducing/stopping free school transport.

7.15 Housing/residential development

Comments received specifically in relation to housing/residential development included:

- Improving rent collection for council houses, along with introducing contract holder (tenant) contributions for repairs/improvements.
- Getting empty council houses back to a condition for reletting more quickly, both to help with homelessness and to increase income.
- Look to things other councils have done to introduce innovative solutions for homelessness.
- Stop picking up costs for services which should be funded directly by housing developers.
- Whilst some people suggested building more houses for the homeless and to generate more council tax income, others were of the view that stopping housing building would stem the growth of Flintshire's population and help reduce demand on services.

7.16 Social Services

Comments received specifically in relation to Social Services included:

- Lobbying for removal of the social care cap and charging more realistic rates for care provided.
- Pushing for joint funding where there is equal responsibility between the Council and NHS to deliver services, e.g. continuing care/community health services.

- Collecting all money owed to the Council for the care services it provides, including that owed by the NHS.
- More investment in social workers to get people out of hospital and into care.

7.17 Streetscene

Comments received specifically in relation to Streetscene included:

- The protection of waste and recycling budgets/service frequencies.
- Focusing on essential/statutory services only.
- Investing in road repairs/maintenance to halt further deterioration and potentially larger costs in the future.
- Reviewing opening times for Household Recycling Centres and applying simplified processes for the recycling of materials – to encourage people to recycle more and reduce fly tipping.
- Household black bin collections – some people were against moving to a three weekly collection services whilst others were in favour of moving to a four week collection service.
- Increase charges for non-statutory services e.g garden waste.
- Switching off/reducing street lighting through the night.
- Reduce grass cutting frequencies.
- Reviewing public transport services to ensure most efficient use resources.

7.18 Communication, consultation and engagement

Some welcomed the opportunity to have their say on the budget challenges, however, there was a general feeling that more could be done to improve communication, consultation and engagement with residents on a wide range of topics.

Internal communications between services was also highlighted as an area for improvement.

7.19 National Policy Decisions

A number of comments were received which related to national policy decisions and included:

- Spending on the introduction of 20mph speed limits across Wales.
- Benefits and universal credit.
- Free school meals.
- Free bus passes.
- NHS free prescriptions.
- Immigration.

The consultation process and which groups of people took part

Who could get involved:

Available online the consultation was open to everyone.

Elected members, town and community councils, the Council's workforce, professional, community and equality networks, social media and the press.

How people were engaged:

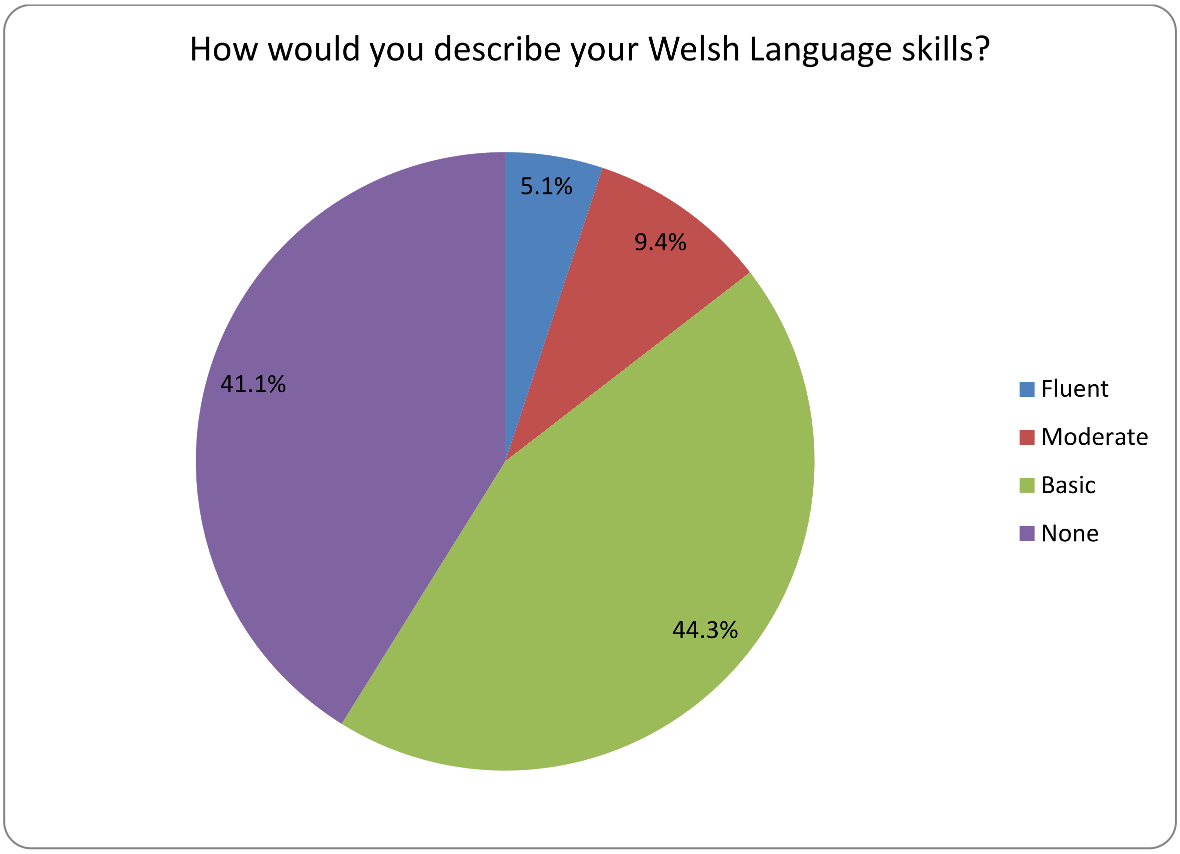
Targeted communications requesting support to amplify our communications were sent by email to:

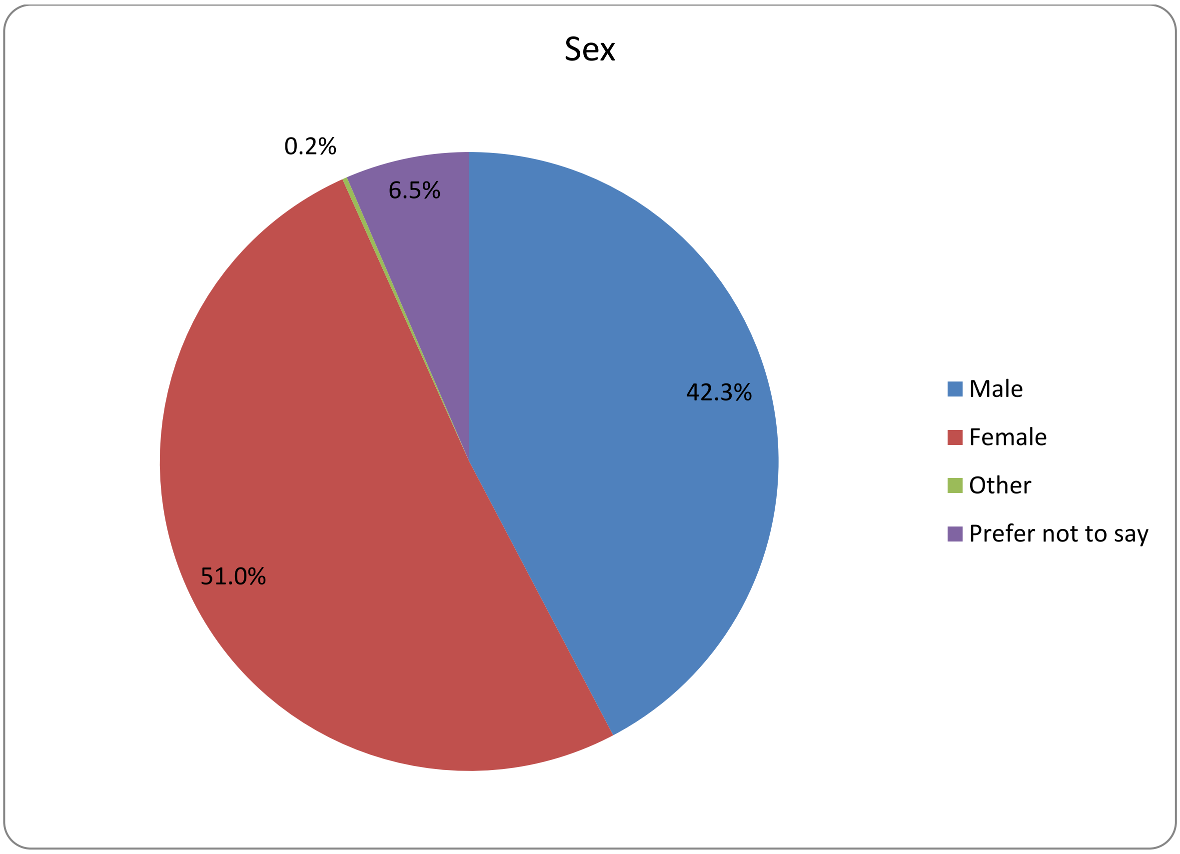
- FCC Councillors
- Town and Community Councils
- Professional networks / service user groups:
    - FCC workforce
    - Housing tenants
    - Schools
    - Older people
    - Young people
    - Families
    - Voluntary and charitable organisations
    - Businesses
    - Equality groups

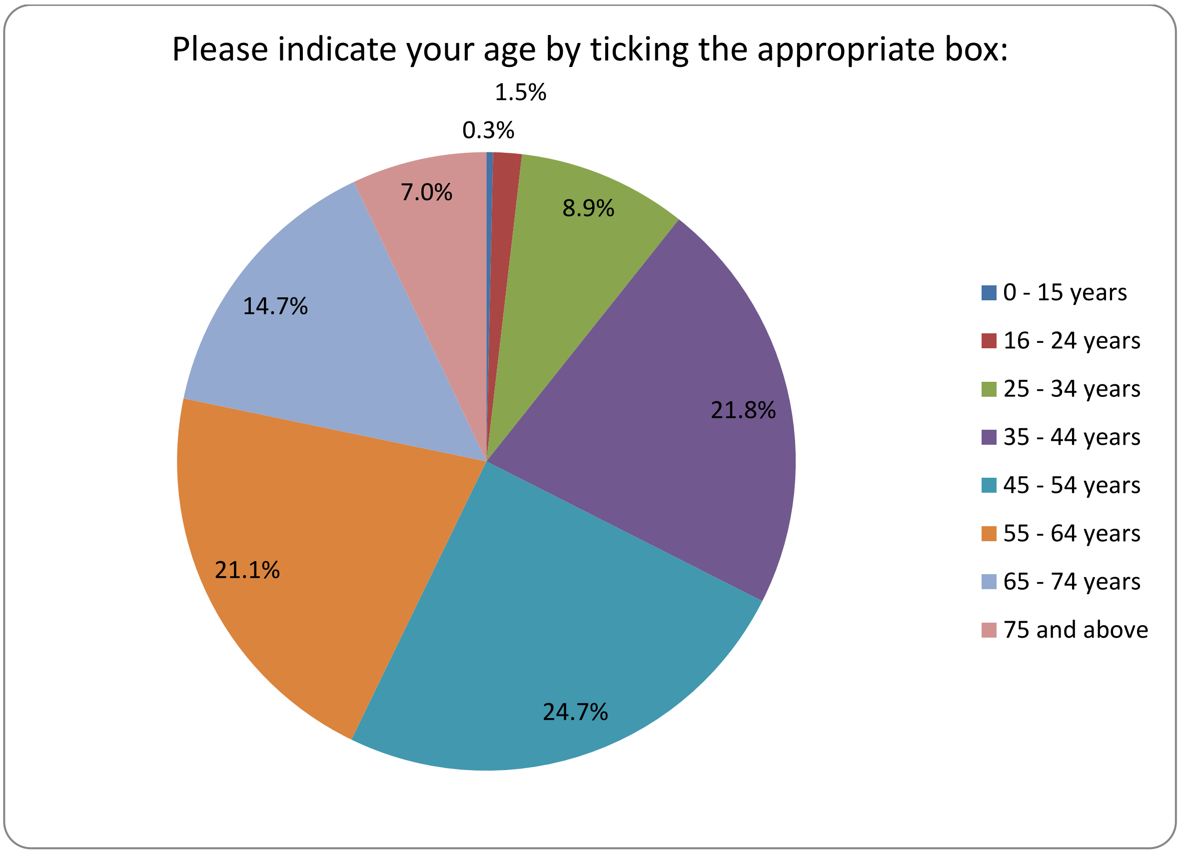
Communications were also issued through:

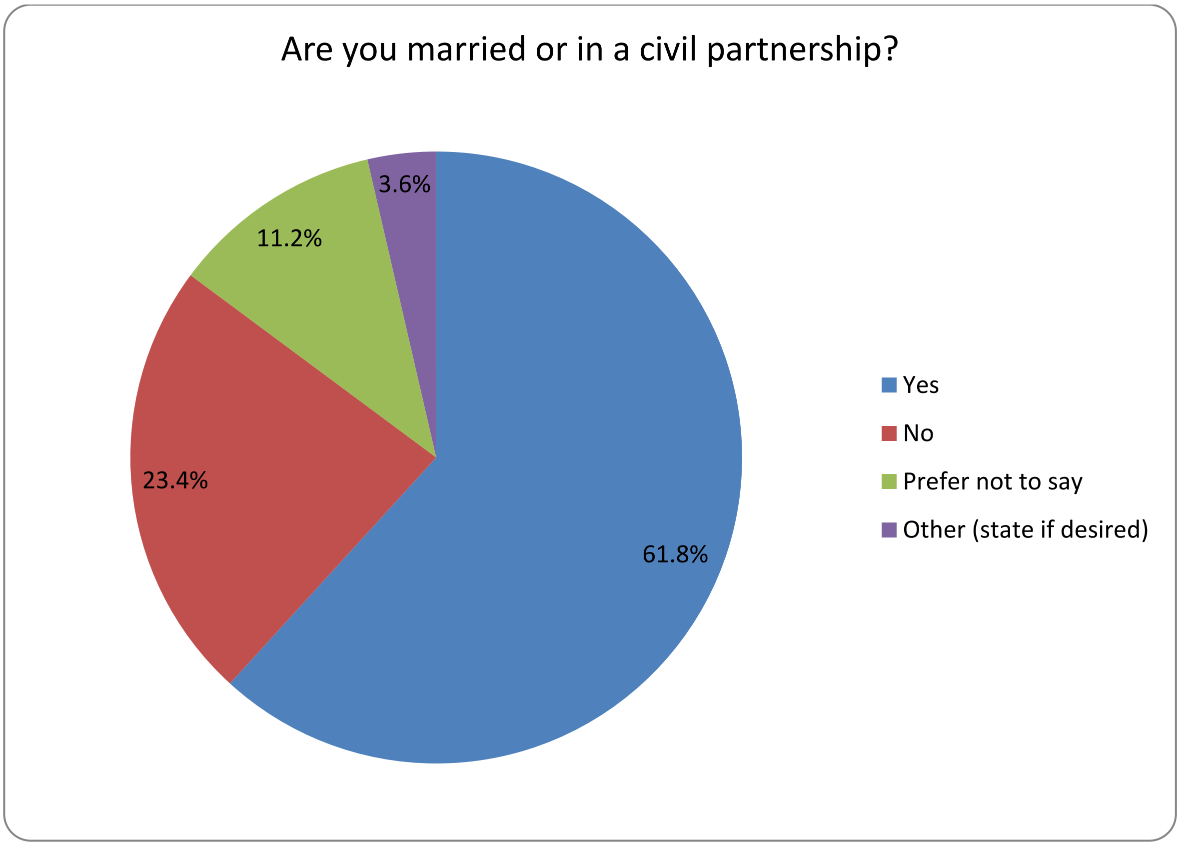
- Council's website – a main banner on the home page, through the consultation and engagement hub and pop up alerts on visits to the site
- A main banner on the Council's Infonet (intranet)
- Social Media
- Gov Notify (electronic news email to subscribers)
- Press release, media coverage

Groups of people who took part

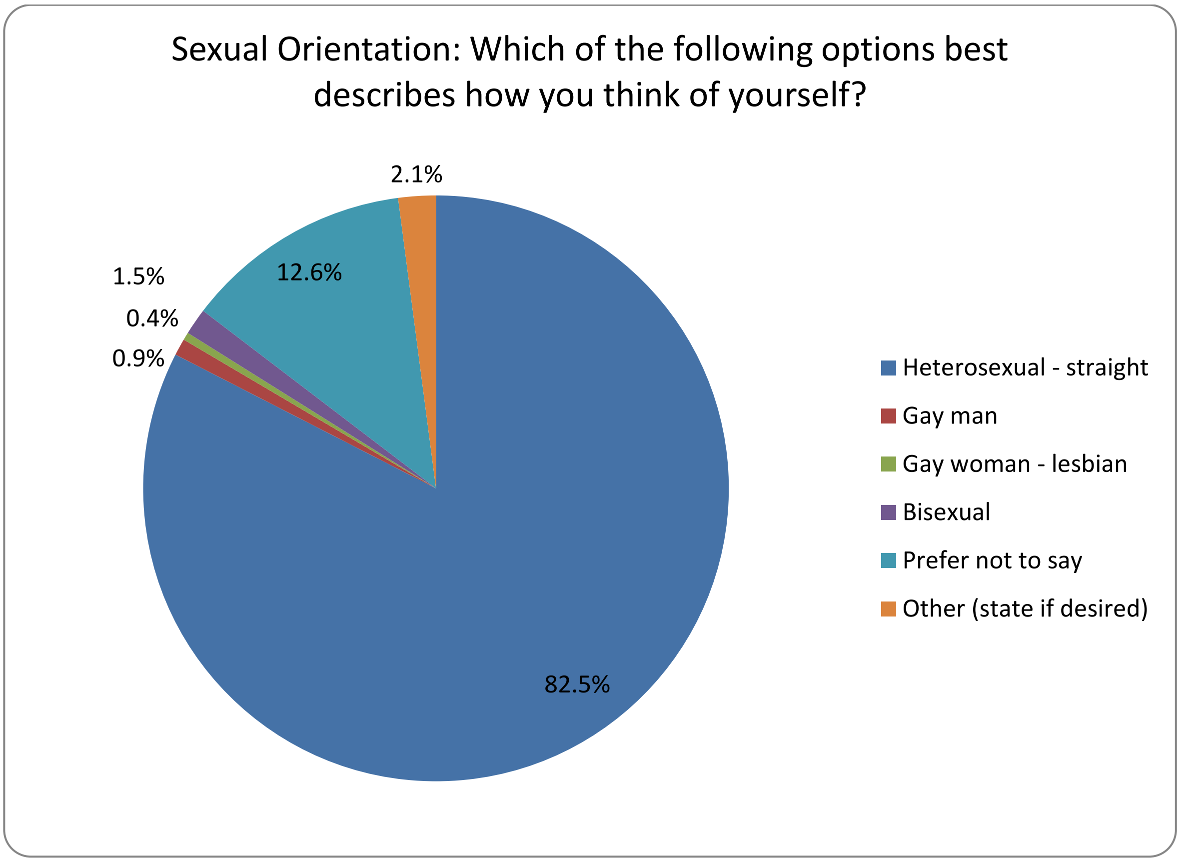


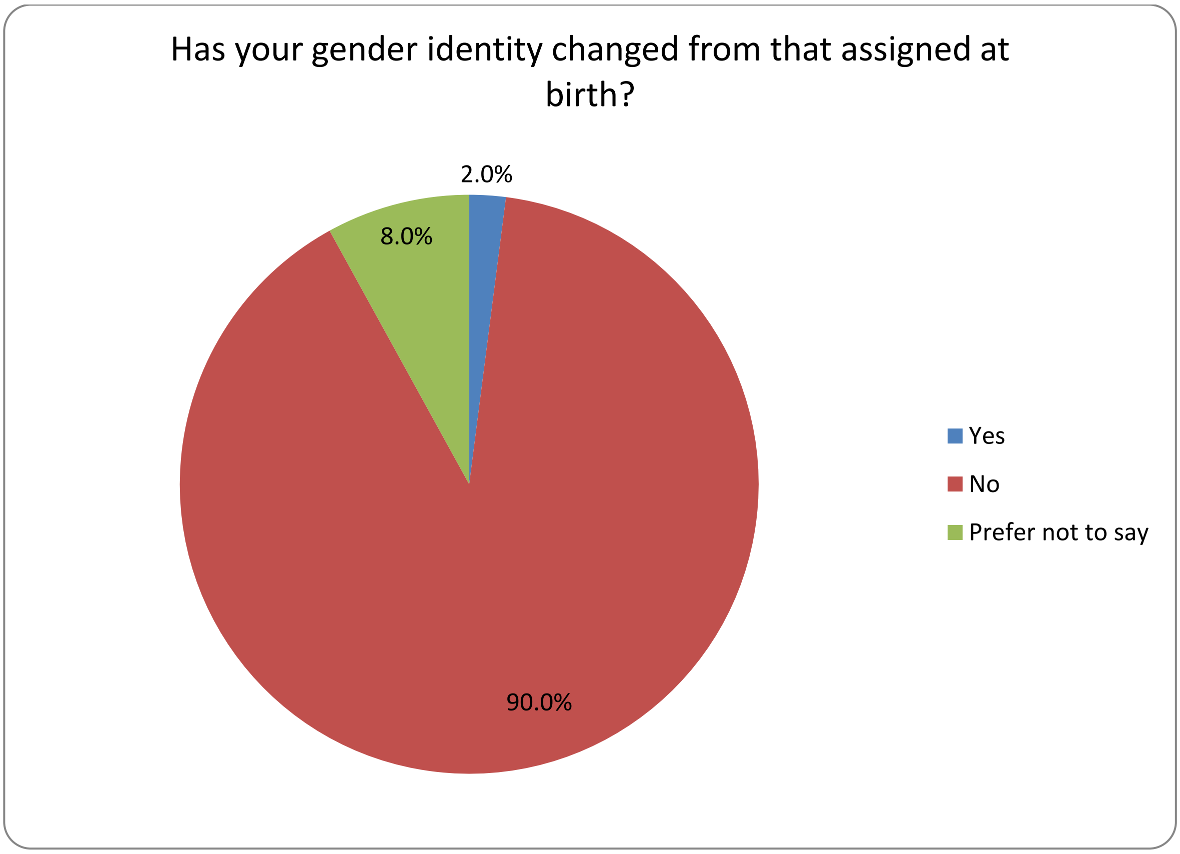


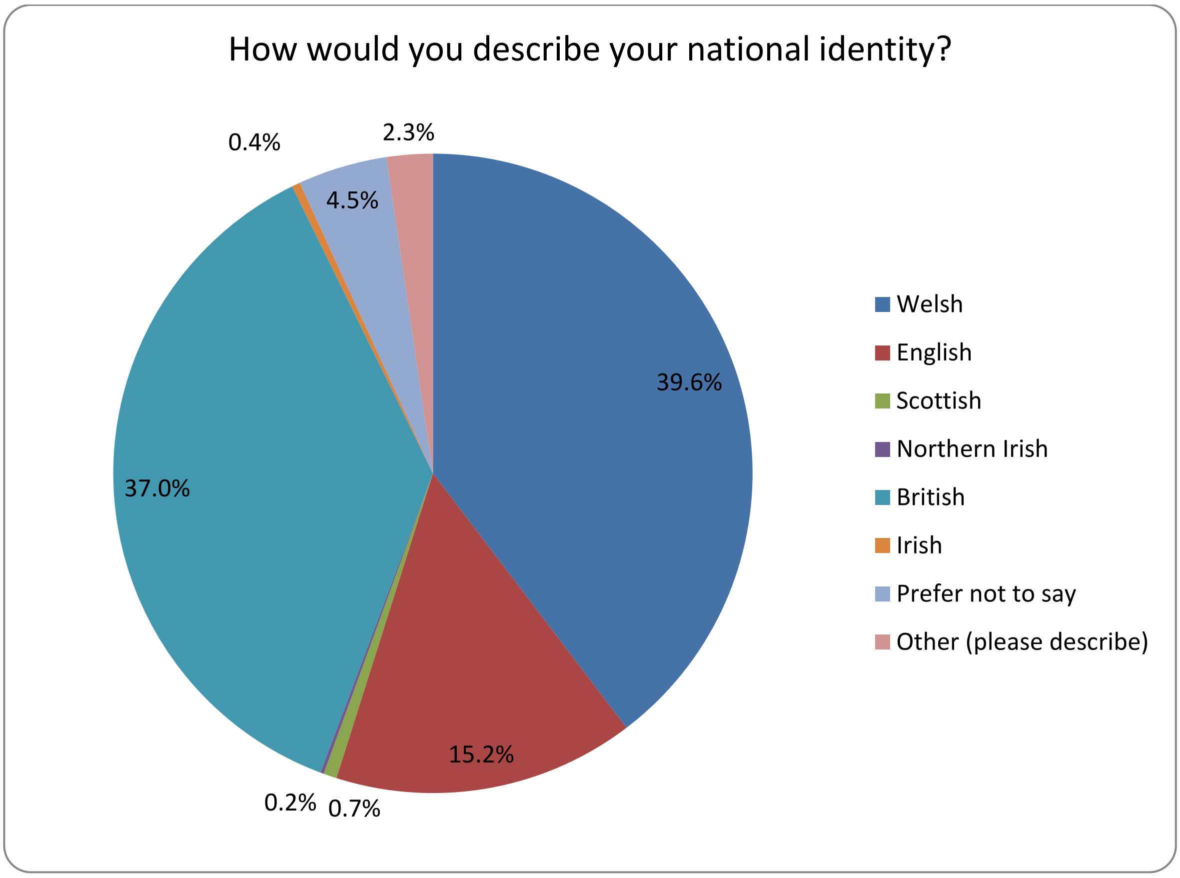

Please indicate your age by ticking the appropriate box:
1.5%
0.3%
7.0%
8.9%
14.7%
21.8%
21.1%
24.7%
0 - 15 years
16 - 24 years
25 - 34 years
35 - 44 years
45 - 54 years
55 - 64 years
65 - 74 years
75 and above

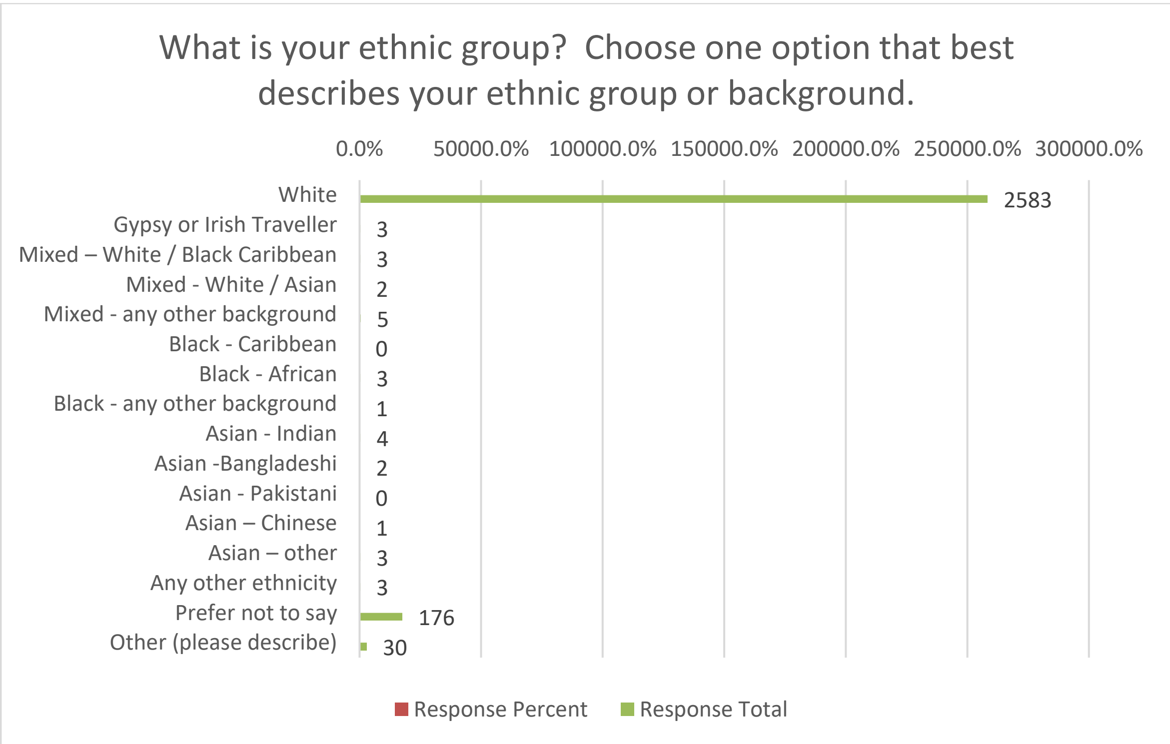

Are you married or in a civil partnership?
3.6%
11.2%
23.4%
61.8%
Yes
No
Prefer not to say
Other (state if desired)

16

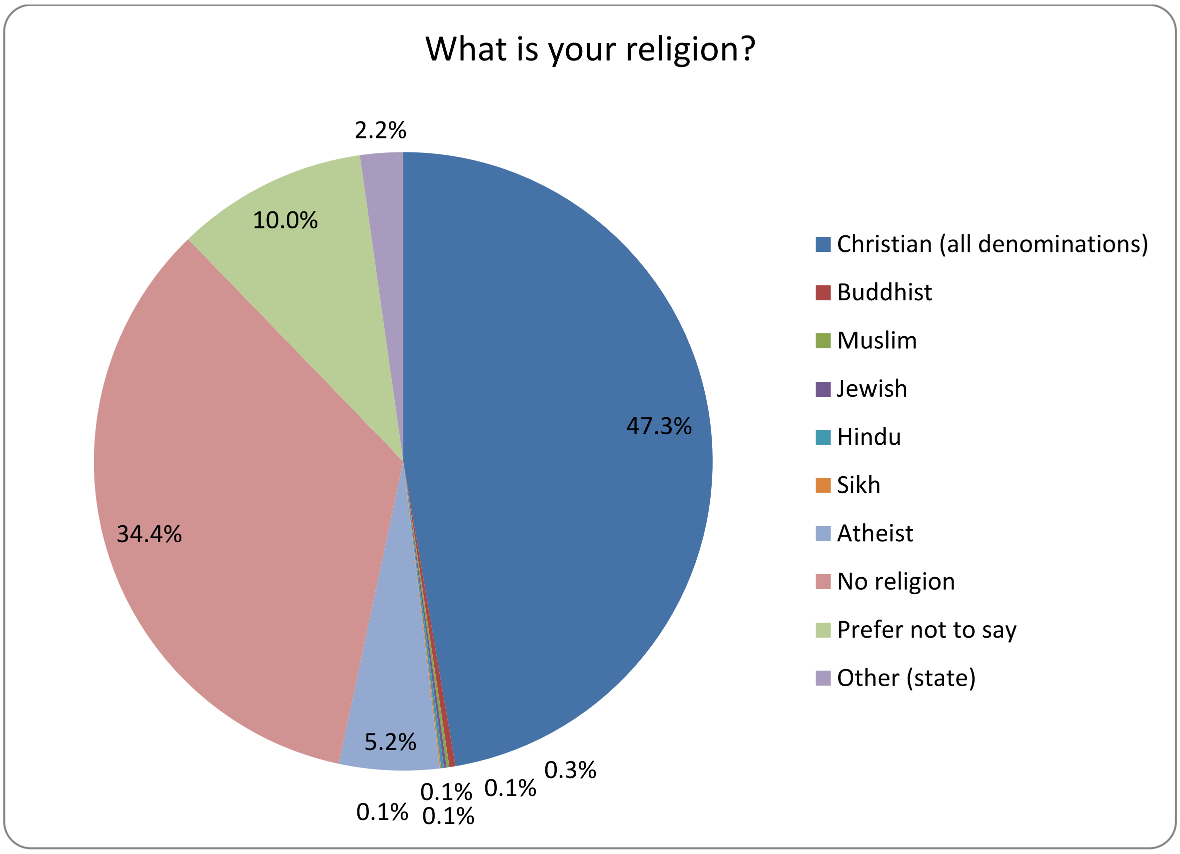

Sexual Orientation: Which of the following options best describes how you think of yourself?
2.1%
12.6%
1.5%
0.4%
0.9%
82.5%
Heterosexual - straight
Gay man
Gay woman - lesbian
Bisexual
Prefer not to say
Other (state if desired)

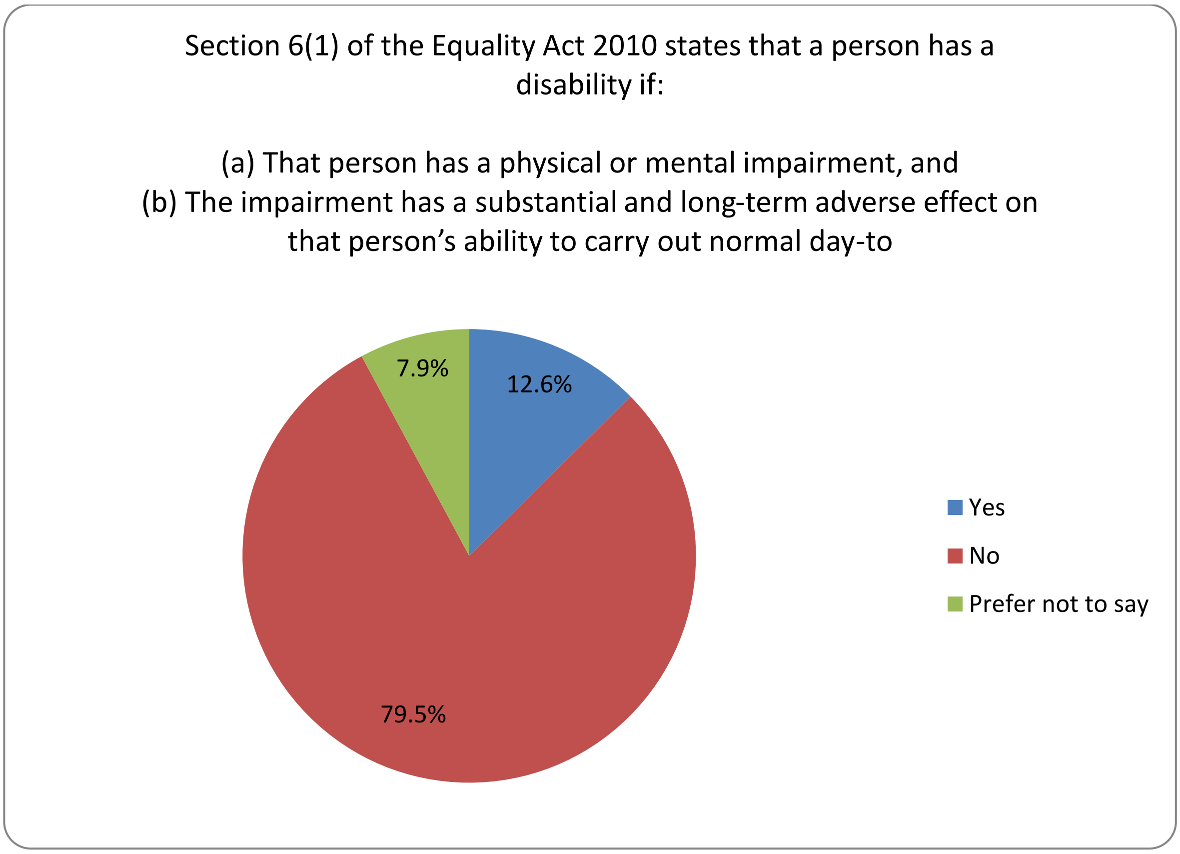

Has your gender identity changed from that assigned at birth?
2.0%
8.0%
90.0%
Yes
No
Prefer not to say

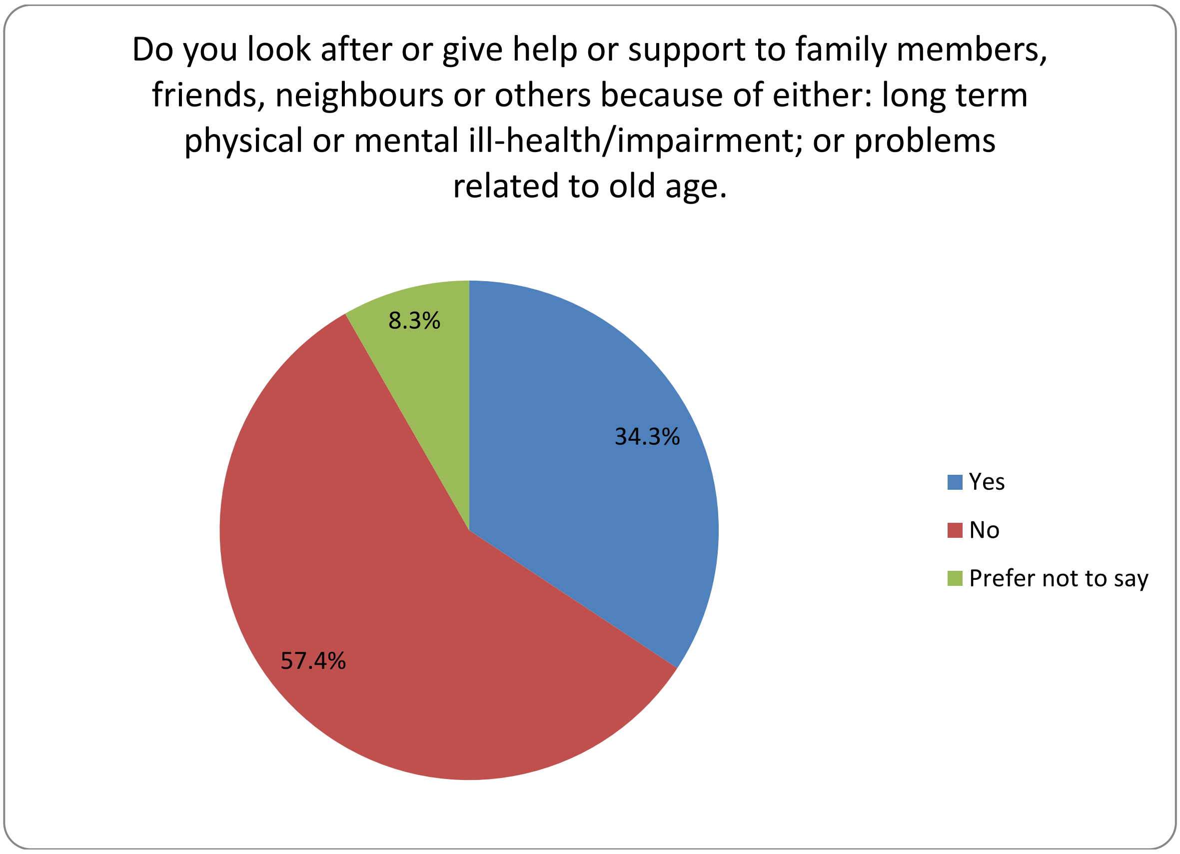

How would you describe your national identity?
0.4%
2.3%
4.5%
39.6%
37.0%
15.2%
0.2%
0.7%
Welsh
English
Scottish
Northern Irish
British
Irish
Prefer not to say
Other (please describe)


What is your ethnic group? Choose one option that best describes your ethnic group or background.
0.0%
50000.0%
100000.0%
150000.0%
200000.0%
250000.0%
300000.0%
White
2583
Gypsy or Irish Traveller
3
Mixed – White / Black Caribbean
3
Mixed - White / Asian
2
Mixed - any other background
5
Black - Caribbean
0
Black - African
3
Black - any other background
1
Asian - Indian
4
Asian -Bangladeshi
2
Asian - Pakistani
0
Asian – Chinese
1
Asian – other
3
Any other ethnicity
3
Prefer not to say
176
Other (please describe)
30
Response Percent
Response Total

18


What is your religion?
2.2%
10.0%
47.3%
34.4%
5.2%
0.3%
0.1%
0.1%
0.1%
0.1%
Christian (all denominations)
Buddhist
Muslim
Jewish
Hindu
Sikh
Atheist
No religion
Prefer not to say
Other (state)


Section 6(1) of the Equality Act 2010 states that a person has a disability if:
(a) That person has a physical or mental impairment, and
(b) The impairment has a substantial and long-term adverse effect on that person's ability to carry out normal day-to
7.9%
12.6%
79.5%
Yes
No
Prefer not to say


Do you look after or give help or support to family members, friends, neighbours or others because of either: long term physical or mental ill-health/impairment; or problems related to old age.
8.3%
34.3%
57.4%
Yes
No
Prefer not to say

APPENDIX A - Budget Consultation 2025/26 questions

1. Introduction

Flintshire County Council has forecast a **£38.4m** shortfall in the money it needs to spend in 2025/26.

Under the Local Government Finance Act 1988 it is illegal for any council in the UK to go into a new financial year without setting a budget that has balanced the money it receives with the money it needs to spend.

For well over a decade all councils in the UK have faced considerable financial challenges because of year on year underfunding from national governments.

Over this time Flintshire has cut it's spending **by more than £125m**.

68% of the funding Flintshire receives comes from Welsh Government and per head of population we are ranked 20 out of 22 councils in Wales for the money we receive to deliver services.

Every year it gets harder and we share our concerns that the gap between the money we are given and what we need to spend may be too big, but with a lot of hard work and some difficult decisions we just about manage to do it.

Over this time we've exhausted all the easy options to cut spending and we've also exhausted the moderate to difficult options. Without any additional funding from Welsh Government we are at a serious, critical stage where we are left with only hard choices that will significantly impact our residents and workforce.

Although we are working hard to identify solutions, it's no exaggeration when we say that 2025/26 may be year when we can't close the gap.

Why is 2025/26 so different to other years?

Welsh Government will announce its budget in December and without a significant increase in our funding we will be facing a major and serious challenge.

Each 1% of extra funding we receive from Welsh Government is worth £2.585m.

To shrink our gap by 50% (£19.202m) we would need a 7.4% increase from Welsh Government.

Independent analysis of Welsh Government's budget is telling us that at best we may only get 1% or less. We also can't rule out a 0% increase, so until we know more we must plan for this possibility.

To balance past budgets, Flintshire has already done much of what other councils across the UK are currently considering to cut spending. We have very few options left to cut more spending without our residents and workforce feeling the impact.

Considerations are now at a critical stage and Councillors would like to hear your views and opinions.

More information about our budget challenges can be found on our **website** (opens in new window).

To see how we will handle the information you give us go to our **website** (opens in new window).

2. Before we begin

1. Have you read the information on our website about the budget challenges facing Flintshire and councils across the whole of the UK? (link opens in new window)

- ☐ Yes
- ☐ No

3. What is important to you?

Before we begin we would like to understand what things are important to you.

2. How important are the services listed below to you?

	Very important	Important	Neutral	Not important	Not important at all
Adult social services	☐	☐	☐	☐	☐
Benefits and welfare services (e.g. Housing and Council Tax benefits)	☐	☐	☐	☐	☐
Carbon Reduction	☐	☐	☐	☐	☐
Children and families, early help services and youth services	☐	☐	☐	☐	☐
Children's social services	☐	☐	☐	☐	☐
Community and business protection (e.g. food safety, licensing, pollution contol, trading standards)	☐	☐	☐	☐	☐
Council running costs and support services	☐	☐	☐	☐	☐
Countryside and the natural environment	☐	☐	☐	☐	☐

	Very important	Important	Neutral	Not important	Not important at all
Culture, leisure, library and museums	☐	☐	☐	☐	☐
Economic growth (e.g. tourism, town centres, employability, business support)	☐	☐	☐	☐	☐
Education, schools and home to school transport	☐	☐	☐	☐	☐
Environmental maintenance (e.g. grass cutting and maintenance of public open spaces)	☐	☐	☐	☐	☐
Highways (e.g. repairs, street lighting, bridges and structures, car parking)	☐	☐	☐	☐	☐
Housing services	☐	☐	☐	☐	☐
Planning and development management services	☐	☐	☐	☐	☐
Transport (e.g. public transport, active travel solutions such as cycling and walking)	☐	☐	☐	☐	☐
Waste and Recycling (including Household Recycling Centres)	☐	☐	☐	☐	☐

4. Council Tax

When Welsh Government allocates funding to councils in Wales, it makes an assumption in its calculations that an additional amount of Council Tax will be raised locally to help pay for council services.

How much extra we will need to increase Council Tax next year will be influenced by how much funding we receive, how much income we can generate, how we can reduce the growing demand for services and what we can save by cutting back on spending.

For example an increase of ...

4% would raise £4.94m
7% would raise £8.25m
10% would raise £11.35m

To bridge the gap in 2024/25 Council Tax increased by 7.9% to pay for Council services with an additional 1.1% to cover the extra costs of the Fire and Rescue and Coroners Service. 9% in total. **Read more about this on our website** (opens in new window).

With the gap getting bigger every year and little options left open to us to cut back on spending it is not sustainable to expect Council Tax increases to bridge the gap.

3. Without any additional funding from governments, what are your thoughts on Council Tax being used as the solution to bridge bigger portions of underfunding in council budgets?

☐ Strongly Agree

☐ Agree

☐ Neutral

☐ Disagree

☐ Strongly Disagree

5. Generating Income

Flintshire County Council applies fees and charges for some of the services it delivers.

Wherever possible fees and charges are set to achieve full cost recovery - the income received must meet the full costs of delivering the service - e.g. Bereavement Services, Licensing.

Where it is not possible to achieve full cost recovery additional costs are subsidised by the Council e.g. domiciliary care for older people

A full list of **fees and charges** can be found on the Council's website. (link opens in new window).

4. Do you agree or disagree with the statements below about income generation?

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Don't know
The Council should review and adjust it's fees and charges every year.	☐	☐	☐	☐	☐	☐

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Don't know
Wherever possible the Council should aim to achieve full cost recovery.	☐	☐	☐	☐	☐	☐
The Council should continue to explore more opportunities to generate income.	☐	☐	☐	☐	☐	☐
The Council should seek opportunities to attract funding and investment.	☐	☐	☐	☐	☐	☐

6. Managing Demand Pressures

All UK councils are experiencing an increased demand for services.

This can range from things like more people needing social care or homelessness support, to a more general reluctance to change the way more routine services have always been delivered.

Finding ways to **reduce** service demands will be critical as we continue to deal with reduced funding and overstretched budgets potentially for many years to come.

5. Please share your views on the approaches listed below which have the potential to reduce service demands:

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Where possible provide early help and support to delay or possibly stop the need for more intensive support e.g. social care, housing.	☐	☐	☐	☐	☐
Support and empower people to become resilient and self reliant.	☐	☐	☐	☐	☐
Making the best use of digital technology.	☐	☐	☐	☐	☐
Introducing service changes designed to meet nationally set targets/standards to avoid expensive non-compliance fines.	☐	☐	☐	☐	☐

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Investing to save by extending some council services to meet rising demands which can be provided more cheaply by the Council than by commercial suppliers e.g. residential care for older people	☐	☐	☐	☐	☐
Communicating with residents and service users to help understanding about why things need to be done differently.	☐	☐	☐	☐	☐
Engaging residents to work with us to change the way some services are delivered.	☐	☐	☐	☐	☐

7. Prioritising our approach to spending

More information about how we've cut our spending over the past decade can be found on our **website** (opens in a new window).

Without additional government funding the Council will have no option but to make hard choices about where to cut spending. No decisions have yet been made.

Below you will see a list of things other councils are considering to cut spending.

6. We are not suggesting that these are things we will necessarily do here in Flintshire, they are being provided as examples of what others are considering.

How much do you agree or disagree with these approaches?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Reducing already stretched service budgets (e.g. highways, housing, education, social care)	☐	☐	☐	☐	☐
Reduce road and highways works and repairs	☐	☐	☐	☐	☐
Reduce investment in carbon reduction activities	☐	☐	☐	☐	☐
Reducing support for public transport	☐	☐	☐	☐	☐

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Reduce maintenance of /or access to parks and outdoor spaces	☐	☐	☐	☐	☐
Reduce investment into local businesses and town centres	☐	☐	☐	☐	☐
Reduce street cleaning	☐	☐	☐	☐	☐
Reduce homelessness services	☐	☐	☐	☐	☐
Reduce face to face customer contact and replace with automation and self services where possible.	☐	☐	☐	☐	☐
Reduce non statutory early help services for families and young people.	☐	☐	☐	☐	☐
Reducing the size of the Council's workforce (only where it is safe to do so)	☐	☐	☐	☐	☐

8. Any other information or ideas

7. Please use the box below to share any other information or ideas relating to the Councils budget.
(Maximum 250 words)

9. About you ...?

Before you go we would like to ask you one or two more questions. We will not ask you for any information that will personally identify you. Answers to questions in this section are **completely voluntary except for __question 11 – your age__**. The way you answer this question will make sure you are directed to the next appropriate set of questions. This is important for those under 16 years of age.

The answers you give in this section will be used to help us understand how many people from different groups respond, for example how many women, men, young people, older people, disabled people etc.

8. In what capacity are you completing this survey? Please select all that apply...

☐ Local resident

☐ Representative of a local business or commercial organisation

☐ Member of a local interest or community group

☐ Representative of a Town or Community Council

☐ Flintshire County Councillor

☐ Flintshire County Council Employee

☐ Visitor to Flintshire or a member of the public living elsewhere

☐ None of these

☐ Prefer not to say

☐ Other (please specify):

9. Your postcode
Please only provide the first part and the first number of the second part of your postcode e.g. CH7 6
Providing your postcode in this way will not identify you as an individual.

10. How would you describe your Welsh Language skills?

☐ Fluent ☐ Moderate

☐ Basic ☐ None

11. Sex

- [ ] Male
- [ ] Female
- [ ] Other
- [ ] Prefer not to say

12. Please indicate your age by ticking the appropriate box:

- [ ] 0 – 15 years
- [ ] 16 – 24 years
- [ ] 25 – 34 years
- [ ] 35 – 44 years
- [ ] 45 – 54 years
- [ ] 55 – 64 years
- [ ] 65 – 74 years
- [ ] 75 and above

10.

13. Are you married or in a civil partnership?

- [ ] Yes
- [ ] No
- [ ] Prefer not to say
- [ ] Other (state if desired)

14. Sexual Orientation: Which of the following options best describes how you think of yourself?

- [ ] Heterosexual – straight
- [ ] Gay man
- [ ] Gay woman – lesbian
- [ ] Bisexual
- [ ] Prefer not to say
- [ ] Other (state if desired)

15. Has your gender identity changed from that assigned at birth?

- [ ] Yes
- [ ] No
- [ ] Prefer not to say

11.

16. How would you describe your national identity?

- [ ] Welsh
- [ ] English
- [ ] Scottish
- [ ] Northern Irish
- [ ] British
- [ ] Irish
- [ ] Prefer not to say
- [ ] Other (please describe)

17. What is your ethnic group? Choose one option that best describes your ethnic group or background.

- [ ] White
- [ ] Gypsy or Irish Traveller
- [ ] Mixed – White / Black Caribbean
- [ ] Mixed - White / Asian
- [ ] Mixed - any other background
- [ ] Black - Caribbean
- [ ] Black - African
- [ ] Black - any other background
- [ ] Asian - Indian
- [ ] Asian -Bangladeshi
- [ ] Asian - Pakistani
- [ ] Asian – Chinese
- [ ] Asian – other
- [ ] Any other ethnicity
- [ ] Prefer not to say

☐ Other (please describe)

18. What is your religion?

☐ Christian (all denominations)

☐ Buddhist

☐ Muslim

☐ Jewish

☐ Hindu

☐ Sikh

☐ Atheist

☐ No religion

☐ Prefer not to say

☐ Other (state)

19. Section 6(1) of the Equality Act 2010 states that a person has a disability if:

(a) That person has a physical or mental impairment, and
(b) The impairment has a substantial and long-term adverse effect on that person's ability to carry out normal day-to-day activities.

Using this definition, do you consider yourself to be disabled?

☐ Yes ☐ No ☐ Prefer not to say

20. Do you look after or give help or support to family members, friends, neighbours or others because of either: long term physical or mental ill-health/impairment; or problems related to old age.

☐ Yes ☐ No ☐ Prefer not to say

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CABINET

Date of Meeting	Monday 24th February 2025
Report Subject	Treasury Management Strategy 2025/26
Cabinet Member	Cabinet Member for Finance and Social Value
Report Author	Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

This report presents the draft Treasury Management Strategy 2025/26 for recommendation to Council. The report was considered in detail by the Governance and Audit Committee on 22nd January 2025 and there are no specific matters to bring to the attention of Cabinet.

The Treasury Management Strategy for 2025/26 is attached as Appendix 1 for review and a summary of the key points are included in the report.

This report is supplemented by treasury management training that was provided for Members of the Council on 5th December 2024.

RECOMMENDATIONS	
1	That Cabinet recommends the draft Treasury Management Strategy 2025/26 to County Council for approval.

REPORT DETAILS

1.00	**EXPLAINING THE STRATEGY**
	BACKGROUND
1.01	The Local Government Act 2003 requires all local authorities to have due regard to both the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (The CIPFA Code of Practice) and Welsh Government guidance on Local Authority Investments.
1.02	In April 2023 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice, 2021 Edition* (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year. The CIPFA Code of Practice (2021 edition) requires: - • The Council to create and maintain a Treasury Management Policy Statement which states the Council's policies, objectives and approach to risk management of its treasury management activities. • The Council to create and maintain suitable Treasury Management Practices (TMPs) and accompanying schedules, stating how those policies and objectives will be achieved and prescribing how those activities will be managed and controlled. • The Council to create and maintain suitable investment management practices (IMPs) for investments that are not for treasury management purposes, within the TMP's. • The Council to receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs. • Responsibility for treasury management to be clearly defined. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Corporate Finance Manager, who will act in accordance with the organisation's policy statement and TMPs and, CIPFA's *Standard of Professional Practice on Treasury Management*. • A body to be responsible for the scrutiny of Treasury Management Policy, Strategy and Practices. The Council has nominated the Governance and Audit Committee to be responsible for ensuring effective scrutiny of the treasury management function. The Governance and Audit Committee has previously agreed to include treasury management as a standing item on each quarterly agenda to receive an update.

1.03	The Welsh Government issues guidance on local authority investments that requires the Council to prepare an investment strategy before the start of each financial year. The guidance was updated in November 2019 and came into force from 1st April 2020.
1.04	In preparation for approving the 2025/26 Treasury Management Strategy, training for all Members was held on 5th December 2024. The workshop, presented by Arlingclose, the Council's treasury management advisors, covered: 1) the regulatory framework and the role of the elected Member in scrutinising the treasury management function; 2) an overview of the Council's treasury position and future; 3) a section on capital expenditure and financing, borrowing and debt restructuring; 4) a section on risk management and economic outlook, and 5) investment management.
	CONSIDERATIONS
	2025/26 Treasury Management Policy Statement, Strategy and Practices
1.05	The Treasury Management Policy Statement was approved by Council in February 2023 and covers the 3-year period from 2023/24 to 2025/26. This document defines the Council's Treasury Management activities, sets out the Council's criteria to measure the effectiveness of Treasury Management activities and includes the Council's high-level policies for borrowing and investments. Once approved, it was agreed that the document only be reported to Members during its lifetime in the event of any significant changes. There is no change to this document.
1.06	Similarly, the Treasury Management Practices (TMPs) and accompanying schedules to cover the 3-year period from 2023/24 to 2025/26 were approved by Council in February 2023 and it was agreed that these operational documents will only be reported to Members during their lifetime in the event of any significant changes. The TMPs and schedules state how treasury management policies and objectives will be achieved and give specific details of the systems and routines employed and the records to be maintained, including: • TMP 1 Treasury risk management • TMP 2 Performance measurement • TMP 3 Decision-making and analysis • TMP 4 Approved instruments, methods and techniques • TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements • TMP 6 Reporting requirements and management information arrangements • TMP 7 Budgeting, accounting and audit arrangements • TMP 8 Cash and cash flow management • TMP 9 Money laundering • TMP 10 Staff training and qualifications • TMP 11 Use of external service providers • TMP 12 Corporate governance

	Treasury Management Strategy 2025/26
1.07	The 2025/26 Treasury Management Strategy is attached at Appendix 1 for review and discussion. The Strategy is updated and reported annually to Members in accordance with the CIPFA Code of Practice and Welsh Government guidance. The Treasury Management Strategy details the approach the Council will take for investing and borrowing over the next year, including the budgetary implications of the planned investment, and borrowing strategy, and a number of treasury management indicators that the CIPFA Code requires.
1.08	The main body of the 2025/26 Strategy has not changed significantly from that of the 2024/25 Strategy. Matters that merit the attention of Members are summarised below: • Section 2 – Economic context, provided by Arlingclose, highlights the impact on the UK from the government's Autumn Budget. Slower expected interest rate cuts and modestly weaker economic growth over the medium term, together with the impact from the US election, will be major influences on the Council's treasury management strategy for 2025/26. The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25bp cut in August. • Section 4 – Local context. This section summarises the Council's anticipated treasury position in 2025/26. Activity in 2025/26 is expected to focus more on borrowing and less on investing as the Council's requirement to borrow is forecast to grow due to a planned increase in capital expenditure. • Section 5 - Borrowing strategy. This section is largely a continuation of the 2024/25 strategy. The Council continues to forecast a significant long-term borrowing requirement. The required amounts need to be confirmed before a commitment to long term borrowing is made and the use of short-term borrowing will be used to assist during this period. • Section 6 – Treasury Investment Strategy. Again, this section is largely a continuation of the Council's 2024/25 strategy, the aim being to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.
1.09	The Governance and Audit Committee reviewed the draft Treasury Management Strategy at its meeting on 22nd January 2025. Questions raised at the Committee were all answered to members satisfaction. There were no issues raised by the Committee for Cabinet.

2.00	**RESOURCE IMPLICATIONS**
2.01	Financial implications are set out within this report and supporting appendices; there are no other resource implications directly as a result of this report.

3.00	**IMPACT ASSESSMENT AND RISK MANAGEMENT**
3.01	Risk Management directly addressed within the report and appendices including identification of risks and measures to mitigate likelihood and impact of risks identified.
3.02	Ways of Working (Sustainable Development) Principles Impact

Long-term	Positive. The Treasury Management Strategy considers the long-term impact of investing and borrowing decisions.
Prevention	No change
Integration	No change
Collaboration	No change
Involvement	No change

3.03	Well-being Goals Impact

Prosperous Wales	No impact
Resilient Wales	No impact
Healthier Wales	No impact
More equal Wales	No impact
Cohesive Wales	No impact
Vibrant Wales	No impact
Globally responsible Wales	No impact

4.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
4.01	Arlingclose Ltd, being the Council’s treasury management advisors.

5.00	**APPENDICES**
5.01	Appendix 1 - Draft Treasury Management Strategy 2025/26

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	**Contact Officer:** Chris Taylor – Strategic Finance Manager **Telephone:** 01352 703309 **E-mail:** Christopher.taylor@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	**Authorised Limit:** A statutory limit that sets the maximum level of external debt for the Council. **Balances and Reserves:** Accumulated sums that are held, either for specific future costs or commitments (known as earmarked) or generally held to meet unforeseen or emergency expenditure. **Bank Rate:** The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". **Basis Point:** A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in interest rates and bond yields. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points. **Bond:** A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life. **Capital Expenditure:** Expenditure on the acquisition, creation or enhancement of capital assets. **Capital Financing Requirement (CFR):** The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed. **Certificates of Deposits (CD's):** A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks. The term of a CD generally ranges from one month to five years. **Consumer Price Index (CPI):** The UK's main measure of inflation (along with Retail Price Index or 'RPI') The Monetary Policy Committee of the Bank of England set the Bank Rate in order to try and keep CPI at or close to the target set by the Government. The calculation of CPI includes many items of normal household expenditure but excludes some items such as mortgage interest payments and Council Tax. **Corporate Bonds:** Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by

governments in their own currencies and includes issues by companies, supranational organisations and government agencies.

Cost of Carry: The "cost of carry" is the difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%.

Counterparty List: List of approved financial institutions with which the Council can place investments.

Credit Rating: Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

Debt Management Office (DMO): The DMO is an Executive Agency of His Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the Debt Management Account Deposit Facility (DMADF). All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign credit rating.

Federal Reserve: The US central bank, the equivalent of the Bank of England. (Often referred to as "the Fed").

Financial Instruments: Financial instruments are tradable assets of any kind. They can be cash, evidence of an ownership interest in an entity, or a contractual right to receive or deliver cash or another financial instrument.

Gilts: Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged'. They are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.

IFRS: International Financial Reporting Standards.

LIBID: The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks).

LIBOR: The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.

LOBO: Stands for Lender Option Borrower Option. The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.

Maturity: The date when an investment or borrowing is repaid.

Maturity Structure / Profile: A table or graph showing the amount (or percentage) of debt or investments maturing over a time period.

MiFID II (Markets in Financial Instruments Directive): EU legislation that regulates firms who provide services to clients linked to 'financial instruments'. As a result of MiFID II, from 3rd January 2018 local authorities will be treated as retail clients but can "opt up" to professional client status, providing that they meet certain qualitative and quantitative criteria.

Minimum Revenue Provision (MRP): An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.

Monetary Policy Committee (MPC): A committee of the Bank of England, which meets to decide the Bank Rate. Its primary target is to keep CPI inflation within 1% of a central target of 2%. Its secondary target is to support the Government in maintaining high and stable levels of growth and employment.

Money Market Funds (MMF): Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

Non Specified Investment: Investments which fall outside the WG Guidance for Specified investments (below).

Operational Boundary: This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Premiums and Discounts: In the context of local authority borrowing,
(a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and
(b) the discount is the gain arising when a loan is redeemed prior to its maturity date.

Prudential Code: Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

Prudential Indicators: Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators.

Public Works Loans Board (PWLB): The PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Quantitative Easing (QE): QE is a form of monetary policy where a Central Bank creates new money electronically to buy financial assets, like government bonds. This cash injection lowers the cost of borrowing and boosts asset prices to support spending.

Retail Price Index (RPI): A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent.

Revenue Expenditure: Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.

Specified Investments: Term used in the Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than one year. UK government, local authorities and bodies that have a high credit rating.

Supported Borrowing: Borrowing for which the costs are supported by the government or third party.

Supranational Bonds: Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.

Temporary Borrowing: Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.

Term Deposits: Deposits of cash with terms attached relating to maturity and rate of return (Interest).

Treasury Bills (T-Bills): Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. They are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have an AAA-rating.

Treasury Management Code: CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009 and 2011.

Treasury Management Practices (TMP): Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.

	Unsupported Borrowing: Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing. **Yield:** The measure of the return on an investment instrument.

APPENDIX 1

FLINTSHIRE COUNTY COUNCIL

DRAFT

TREASURY MANAGEMENT STRATEGY

2025/26

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Treasury Management Strategy Report 2025/26

The Council is recommended to:

- **Approve the Treasury Management Strategy for 2025/26**
- **Approve the Treasury Management Indicators for 2025/26**

1.0 Introduction

In April 2023 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice, 2021 Edition* (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year.

In addition, the Welsh Government (WG) issues guidance on local authority investments that requires the Council to approve an investment strategy before the start of each financial year. WG updated this guidance in November 2019.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and WG Guidance.

The successful identification, monitoring and control of risk are central to the Council's Treasury Management Strategy as the Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks, including the loss of invested funds and the revenue impact of changing interest rates.

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

2.0 Economic Context (including interest rate forecast) – as provided by Arlingclose Ltd, December 2024

Economic background: The impact on the UK from the government's Autumn Budget, slower expected interest rate cuts, a short-term boost to but modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Council's treasury management strategy for 2025/26.

The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25bp cut from the 5.25% peak at the August MPC meeting. At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%.

The November quarterly Monetary Policy Report (MPR) expected Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker. Current GDP growth was shown to be zero (0.0%) between July and September 2024 and 0.4% between April and June 2024, a further downward revision from the 0.5% rate previously reported by the Office for National Statistics (ONS).

ONS figures reported the annual Consumer Price Index (CPI) inflation rate at 2.6% in November 2024, up from 2.3% in the previous month and in line with expectations. Core CPI also rose, but by more than expected, to 3.6% against a forecast of 3.5% and 3.3% in the previous month. The outlook for CPI inflation in the November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.

The labour market appears to be easing slowly, but the data still require treating with some caution. The latest figures reported the unemployment rate rose to 4.3% in the three months to October 2024 and economic inactivity fell to 21.7%. Pay growth for the same period was reported at 5.2% for both regular earnings (excluding bonuses) and for total earnings. Looking ahead, the BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.

The US Federal Reserve has continued cutting interest rates, bringing down the Fed Funds Rate by 0.25% at its December 2024 monetary policy meeting to a range of 4.25%-4.50%, marking the third consecutive reduction. Further interest rate cuts are expected, but uncertainties around the potential inflationary impact of incoming President Trump's policies may muddy the waters in terms of the pace and magnitude of further rate reductions. Moreover, the US economy continues to expand at a decent pace, rising at an (upwardly revised) annual rate of 3.1% in the third quarter of 2024, and inflation remains elevated suggesting that monetary policy may need to remain more restrictive in the coming months than had previously been anticipated.

Euro zone inflation rose above the European Central Bank (ECB) 2% target in November 2024, hitting 2.2% as was widely expected and a further increase from 2% in the previous month. Despite the rise, the ECB continued its rate cutting cycle and reduced its three key policy rates by 0.25% in December. Inflation is expected to rise further in the short term, but then fall back towards the 2% target during 2025, with the ECB remaining committed to maintaining rates at levels consistent with bringing inflation to target, but without suggesting a specific path.

Credit outlook: Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.

Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.

Moreover, while a potential easing of US financial regulations under a Donald Trump Presidency may aid their banks' competitiveness compared to institutions in the UK and other regions, it is unlikely there will be any material impact on the underlying creditworthiness of the institutions on the counterparty list maintained by Arlingclose, the council's treasury adviser.

Overall, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast (December 2024): The Council's treasury management adviser Arlingclose expects the Bank of England's MPC will continue reducing Bank Rate through 2025, taking it to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

Table 1: Interest rate forecast

	Bank Rate	3-month Money Market Rate	5-year Gilt Yield	20-year Gilt Yield	50-year Gilt Yield
Q1 2025	4.75	4.90	4.34	5.05	4.52
Q2 2025	4.50	4.60	4.30	5.00	4.70
Q3 2025	4.25	4.35	4.20	4.90	4.60
Q4 2025	4.00	4.10	4.10	4.80	4.50
Q1 2026	3.75	3.90	4.00	4.70	4.40
Q2 2026	3.75	3.85	3.90	4.65	4.35
Q3 2026	3.75	3.85	3.90	4.65	4.35
Q4 2026	3.75	3.85	3.95	4.65	4.35
Q1 2027	3.75	3.85	4.00	4.65	4.35
Q2 2027	3.75	3.85	4.05	4.65	4.35
Q3 2027	3.75	3.85	4.05	4.65	4.35

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 4.08, and that new long-term loans will be borrowed at an average rate of 5.4%.

3.0 Current Treasury Portfolio

The Council's treasury portfolio as of 31st December 2024 was as follows:

Table 2: Current Treasury Portfolio

	Principal £m	Interest rate %
Investments:		
Call accounts	3.0	4.62
Money market funds	19.2	4.75
Short-term deposits	5.0	5.66
Long-term deposits	0.0	n/a
Total Investments	**27.2**	
Borrowing:		
Short-term loans	19.0	5.02
Long-term PWLB loans (fixed)	301.6	4.56
Long-term market loans (LOBOs)	18.9	4.53
Other Government loans	3.9	0.00
Total Borrowing	**343.4**	
Net Borrowing	**316.2**	

4.0 Local Context

Forecast changes in the sums in section 3 are shown in the balance sheet analysis in the table below.

Table 3: Balance Sheet Summary and Forecast

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Estimate £m	31.3.27 Estimate £m	31.3.28 Estimate £m
Council Fund Capital Financing Requirement (Borrowing only)	220	237	248	263	278
Housing Revenue Account Capital Financing Requirement (Borrowing only)	133	132	139	142	145
Capital Financing Requirement (Borrowing only)	**353**	**369**	**387**	**405**	**423**
Less: Current ST borrowing Less: Current LT borrowing	(30) (302)	(295)	(289)	(283)	(276)
Funding Required	**21**	**74**	**98**	**122**	**147**
Less: Usable reserves	(87)	(59)	(54)	(52)	(52)
Adj: Working capital	28	10	10	10	10
Investments / (New borrowing)	**38**	**(25)**	**(54)**	**(80)**	**(105)**

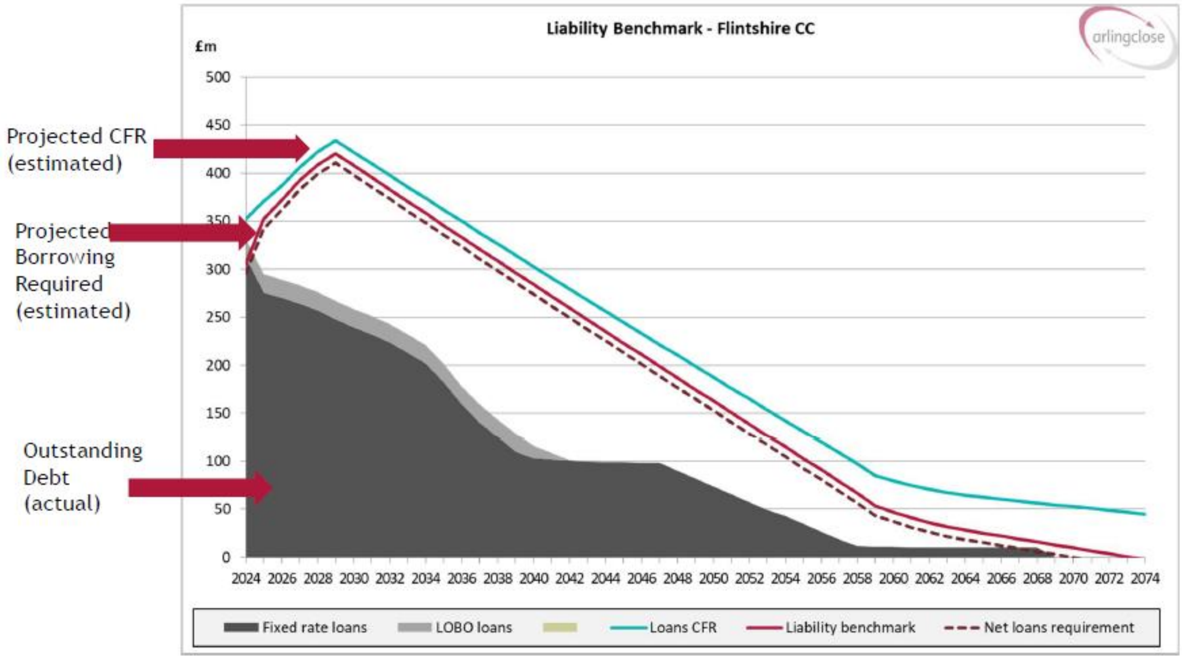
The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their under-lying levels, sometimes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

Table 3 shows the Council's CFR increases during 2025/26, this is linked with the capital programme (examples of schemes funded by borrowing include the Sustainable Communities for Learning schools programme, development of children's residential care and the HRA capital programme, which includes building new social housing). The level of reserves the Council has is expected to fall in 2024/25 as funding earmarked for specific purposes falls due for payment. The combination of the increase in capital expenditure and a reduction in reserves, results in a sustained requirement for new borrowing over the medium term.

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 3 above, but that cash and investment balances are kept to a minimum level to maintain sufficient liquidity but minimise credit risk.

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing that the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 4: Liability Benchmark - Flintshire County Council (December 2024)



The graph in Table 4 shows the Council's anticipated liability benchmark over the next 50 years, being the net requirement for borrowing after considering resources available from reserves and working capital. The rise in the liability benchmark corresponds with the need to borrow to fund the increase in capital expenditure described above. The strategy in 2025/26, the same as in previous years, is to ensure that any new borrowing undertaken does not exceed the liability benchmark and cause the council to borrow more than it needs.

<u>Budget implications</u>

The budget for investment income in 2025/26 is £1.4m, based on an average investment portfolio of £35.4m at an average interest rate of 4.08%. The budget for interest on long-term loans in 2025/26 is £15.2m, based on long-term loans of £349m at an average interest rate of 4.56%. The budget for interest on short-term loans is £1.1m based on an average borrowing over recent years. Interest paid will be apportioned between the Council Fund and the HRA. If levels of investments, borrowing and interest rates differ from those forecast, performance against budget will be correspondingly different.

5.0 Borrowing Strategy

As at 31st December 2024, the Council held £324.4m of long-term loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in section 4 shows that the Council expects to need to undertake new borrowing during 2025/26.

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

The Council's capital expenditure plans will continue to be monitored throughout 2025/26 to inform and confirm the Council's long-term borrowing need (figures in section 4 are an estimate). This is to ensure that the Council does not commit to long-term borrowing too early and borrow unnecessarily which will be costly. The use of short-term borrowing will assist with such. This will be balanced against securing low long term interest rates currently being forecast.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk, credit risk as a result of bail-in legislation in particular. The benefit of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when the long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2025/26 with a view to keeping future interest costs low, even if this causes additional costs in the short-term.

The Council has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow for short periods of time to cover unexpected cash flow shortages.

Sources of borrowing

The approved sources of long-term and short-term borrowing will be:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK.
- any other UK public sector body
- UK public and private sector pension funds (except Clwyd Pension Fund)
- insurance companies
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- National Wealth Fund Ltd. (formerly UK Infrastructure Bank Ltd).
- Retail Investors via a regulated peer-to-peer platform

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- WG Mutual Investment Model
- similar asset based finance

Municipal Bonds Agency:

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

LOBOs

The Council holds £18.95m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOs have options during 2025/26, and with interest rates having risen recently, there is now a good chance that lenders will exercise their options. If they do, the Council will take the option to repay LOBO loans to reduce refinancing risk in later years.

Short-term and Variable Rate loans

As at 31st December 2024, the Council held £19m short term (temporary) loans.

Any short-term loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators in section 7. Financial derivatives may be used to manage this interest rate risk (see section below).

Debt Rescheduling

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

Planned borrowing strategy for 2025/26.

The Corporate Finance Manager will:

- Manage the Council's debt maturity profile, i.e., to leave no one future year with a high level of repayments that could cause problems in re-borrowing with the limits stated in this Strategy Statement. Appendix A analyses the debt portfolio of the Council as of 31st December 2024.

- Effect any borrowing that may be required in 2025/26 at the cheapest cost commensurate with future risk based on interest rate forecasts.

- Monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movements, within the limits stated in this Strategy.

- Continue to monitor options for debt-restructuring and debt re-payment.

The Corporate Finance Manager will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances, reporting any decisions and actions taken under delegated powers to Cabinet via the Governance and Audit Committee.

6.0 Treasury Investment Strategy

The Council holds surplus funds, representing income received in advance of expenditure, plus balances and reserves held. In the past 12 months, the Council's treasury average investment balance was £40.6m with similar or slightly lower levels expected to be maintained in the forthcoming year.

Non-treasury investments, including loans to subsidiaries and purchases of investment property, are not normally considered to be treasury investments, and these are therefore covered separately in Appendix B.

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

Strategy

As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

ESG policy:

Environmental, social and governance (ESG) and Green Finance considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Investment criteria and limits

The Council may invest its surplus funds with any of the counterparties in the following table, subject to the monetary and time limits shown.

Table 5: Treasury investment counterparties and limits

This table must be read in conjunction with the notes below.

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£4m	Unlimited
Secured investments *	25 years	£3m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£3m	Unlimited
Registered providers (unsecured) *	5 years	£2m	Unlimited
Money market funds *	n/a	£4m	Unlimited
Strategic pooled funds	n/a	£1m	£5m
Real estate investment trusts	n/a	£1m	£1m
Other investments *	5 years	£2m	£10m

*** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors, including external advice, will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £100k per counterparty as part of a diversified pool.

UK Government: Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Local authorities and other government entities: Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Welsh Government. As providers of public services, they retain the likelihood of receiving government support if needed.

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

Strategic pooled funds: Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Council’s investment objectives will be monitored regularly.

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

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

Operational bank accounts: The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept as low as possible. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings.

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

Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade (also known as "negative watch") so that it is likely to fall below the above criteria, then no further investments will be made in that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Reputational aspects: The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

Other information on the security of investments

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of “high credit quality” are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Specified investments.

The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement unless the counterparty is a local authority,
- not defined as capital expenditure by legislation, and
- invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of ‘high credit quality’.

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

Non-Specified Investments

Any financial investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments in foreign currencies. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies. Limits on non-specified investments are shown in the table below. The Council confirms that its current non-specified investments remain within these limits.

Table 6: Non-Specified Investment Limits

	Cash Limit
Total invested in pooled funds without credit rating	£5m
Shares in real estate investment trusts	£1m
Shares in local organisations	£1m
Total non-specified investments	**£7m**

Foreign countries

Investments in foreign countries will be limited to a maximum of £5 million per foreign country. Investments in countries whose lowest sovereign rating is not AAA will be limited to one year’s duration. No country limit will apply to investments in the UK, irrespective of the sovereign credit rating.

Liquidity management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

The Council will endeavour, were possible, to spread its liquid cash over at least [four] providers (e.g. bank accounts and money market funds), of which at least [two] will be UK domiciled, to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Business models

Under the International Financial Reporting Standard (IFRS) 9, the accounting for certain investments depends on the Council's 'business model' for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

7.0 Treasury Management Prudential Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators. The Council is asked to approve the following indicators:

Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. Estimates of the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**
Estimate of one-year revenue impact of a 1% rise in interest rates	(0.052)	(0.016)	0.019
Estimate of one-year revenue impact of a 1% fall in interest rates	0.198	0.205	0.170

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity structure of borrowing

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

	Lower	Upper
Under 12 months	0%	20%
12 months and within 24 months	0%	20%
24 months and within five years	0%	30%
Five years and within 10 years	0%	50%
10 years and above	0%	100%

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

Long-term treasury management investments:

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

Price risk indicator	2025/26	2026/27	2027/28
Limit on total principal invested beyond year end	£5m	£5m	£5m

Any long-term investments carried forward from previous years will be included in each year's limit.

Borrowing limits

The Council is being asked to approve these Prudential Indicators as part of the Capital Strategy report. However, they are repeated here for completeness.

	2025/26	2026/27	2027/28
Operational boundary – borrowing	£408m	£427m	£443m
Operational boundary – other long-term liabilities	£75m	£73m	£71m
Operational boundary – TOTAL	£483m	£500m	£514m
Authorised limit – borrowing	£483m	£500m	£514m
Authorised limit – other long-term liabilities	£35m	£35m	£35m
Authorised limit – TOTAL	£518m	£535m	£549m

8.0 Other Matters

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

Financial derivatives:

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in section 24 of the Local Government and Elections (Wales) Act 2021 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

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

Policy on Apportioning Interest to HRA

The Council has adopted a single pool of loans which funds the capital expenditure of both Council Fund and HRA activities. The interest payable and other costs/income arising from long term loans (e.g., premiums and discounts on early redemption) is apportioned between the revenue accounts using the average Capital Financing Requirement (which measures the underlying need to borrow to fund capital expenditure) during the year.

Given that the HRA has minimal level of reserves compared to the total level of reserves held by the Council, any interest received on investments will be credited to the Council Fund revenue account.

Markets in Financial Instruments Directive

The Council has opted up to professional client with its providers of financial services, including advisers, banks, and brokers, allowing it access to a range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Corporate Finance Manager believes this to be the most appropriate status.

Welsh Government Guidance

The WG Investment Guidance requires the Council to note the following matters each year as part of the investment strategy:

Treasury Management Advisers: The Council's treasury management adviser, Arlingclose continues to provide advice and information on the Council's investment and borrowing activities, although responsibility for final decision making remains with the Council and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of this service is controlled by Financial Procedure Rules and Contract Procedure Rules.

Capacity and skills training

The needs of the Council's treasury management team for training in treasury management are assessed as part of the employee appraisal process, and additionally when the responsibilities of individual members of the treasury team change.

Employees regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant employees are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.

Training for elected Members is provided by Arlingclose on an annual basis and by the treasury management team on an ongoing basis.

Training ensures that those elected members and statutory officers involved in the investments decision-making process have appropriate capacity, skills and information to enable them to: 1. take informed decisions as to whether to enter into a specific investment; 2. assess individual investments in the context of the strategic objectives and risk profile of the Council; and 3. understand how the quantum of these decisions have changed the overall risk exposure of the Council.

The Council ensures that those negotiating deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.

Investment of Money Borrowed in Advance of Need

Welsh Government guidance states that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

The Council will not borrow more than or in advance of their needs to profit from the investment but may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money for example in a climate of rising interest rates. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £518 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

Climate change

WG has set out its legal commitment to achieve net zero emissions by 2050 and work towards a net zero public sector in Wales by 2030. One of the Council's key priorities within the Council Plan is to become a net zero carbon Council by 2030. The Council has developed a Climate Change Strategy and action plan which sets the initial route map to support this wider decarbonisation actions across the County. The Council will continue to review with Arlingclose what options are available for investments that support a low carbon economy.

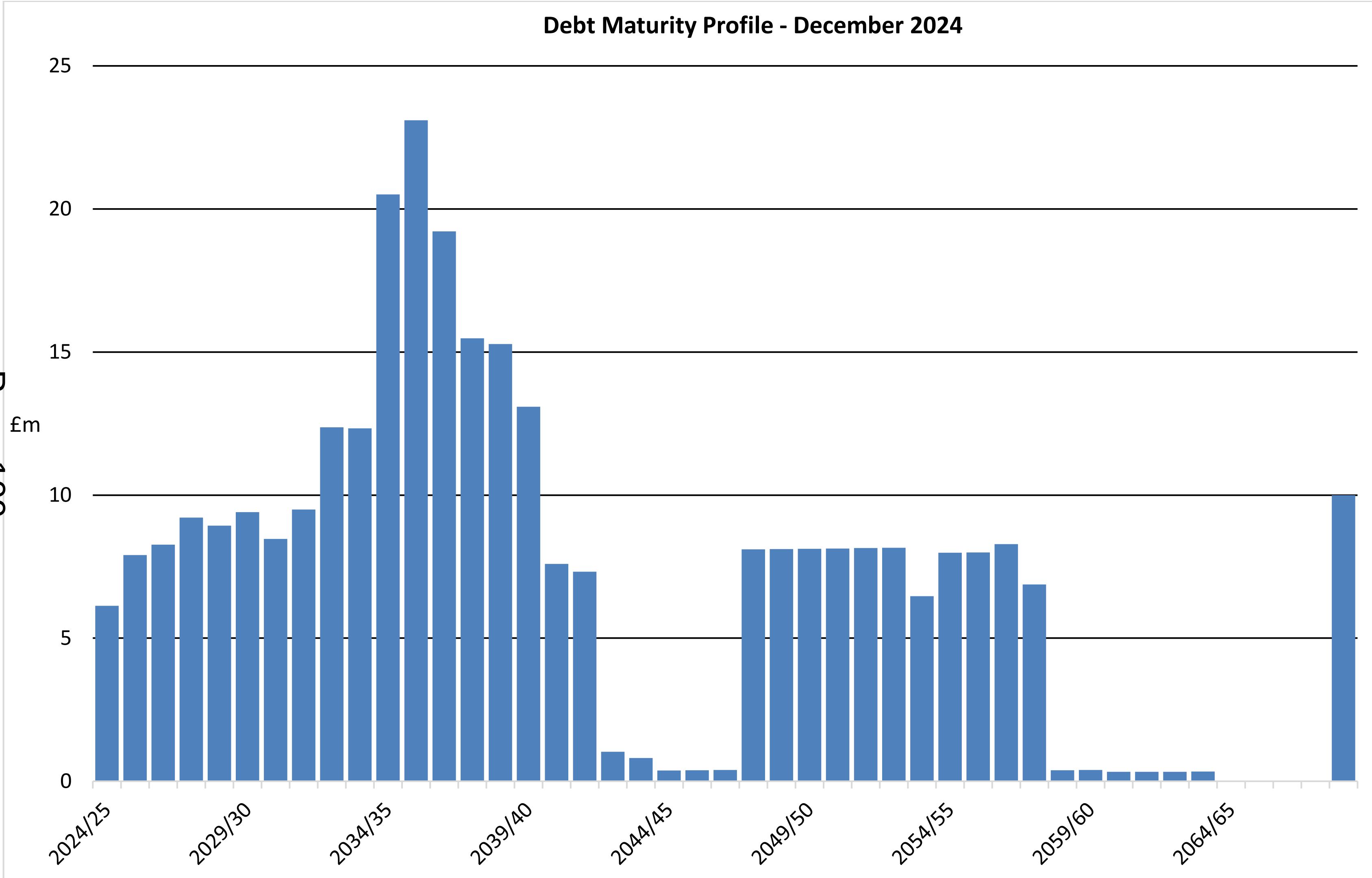
Other Options Considered

The WG Investment Guidance and the CIPFA Code of Practice do not prescribe any particular treasury management strategy for local authorities to adopt. The Corporate Finance Manager believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in the following table.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter periods.	Interest income will be lower	Reduced risk of losses from credit related defaults, but any such losses may be greater.
Invest in a wider range of counterparties and/or for longer periods.	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller.

Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain.
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs will be less certain.
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain.

APPENDIX A – DEBT MATURITY PROFILE



APPENDIX B: *Additional requirements of Welsh Government Investment Guidance – Non-Treasury Investments*

The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local authorities and covers investments that are not part of treasury management. In this appendix the Council sets out the information required to comply with the WG guidance for non-treasury investments.

The Council has given loans to wholly owned companies for service purposes and has historical non-financial investments in property defined as Investment Properties within the Council's Statement of Accounts. The Council considers both to be non-treasury investments.

Loans to Wholly Owned Subsidiaries

The WG guidance defines a loan as a written or oral agreement where the Council temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local authority.

Contribution

The Council's investments in the form of loans to wholly owned companies contribute to its service delivery objectives and/or to promote wellbeing as follows:

> The Council has embarked on an ambitious house building programme as part of its Strategic Housing and Regeneration Programme (SHARP). This plan aims to deliver 500 new homes will be built at a range of sites across the county, a mixture of new council houses and affordable homes, alongside commissioning a range of linked regeneration initiatives and community benefits.
>
> Affordable homes are being developed through the Council's wholly owned subsidiary North East Wales Homes Limited (NEW Homes) in partnership with the Council. Affordable homes for rent are built or purchased by NEW Homes funded by loans from the Council. New affordable homes for rent have been built in Flint, Penyffordd (Holywell), Dobshill, Bryn-y-Baal, Northop and Saltney.

Controls and Limits

The Council considers that its financial exposure to loans to wholly owned companies is proportionate and has set the limits in table B1. The Council's loan book is currently within these self-assessed limits.

NEW Homes was established on 3rd April 2014 to own, lease and manage properties with the aim of increasing the quantity and quality of affordable housing across the county.

NEW Homes is a company limited by shares, wholly owned by the Council (1 at £1 par value), established under section 95 of the Local Government Act 2003. The

Council has a high level of control over NEW Homes as the single shareholder, approving:

- the issue of share capital
- the distribution of trading surplus
- the annual business plan
- any asset disposals
- any borrowing against assets
- appointment of directors to the board

Table B1: Loan limits

Borrower	Cash Limit
Wholly owned companies	£40m
Treasury management investments meeting the definition of a loan	Unlimited

The Council, as required, has considered allowing for an ‘expected credit loss’ model for loans and receivables as set out in IFRS 9: *Financial Instruments*, as adopted by proper practices, to measure the credit risk of its loan portfolio. When calculated, the expected credit loss was very small. Given the high level of control the Council has over NEW Homes and the security arrangements, the Council decided against setting up a provision for expected credit loss from the loans to NEW Homes.

Appropriate consideration is given to state aid rules and competition law. The Council sought specific legal and finance advice to ensure existing and future loans are compliant with State Aid regulations. The rates applied are below what NEW Homes would receive on the open market, and therefore are granted to NEW Homes under the Services of General Economic Interest Decision (a State Aid exemption). Arrangements are in place to monitor and ensure that the amount of aid granted through the loan does not exceed the net cost of providing the Service of General Economic Interest. A deed of entrustment is in place to clearly set out the requirements of both parties.

<u>Liquidity</u>

The Council has borrowed from the PWLB to on-lend at a small margin to NEW Homes on the same terms and conditions, therefore the impact on the Council’s Treasury Management activities is limited.

The length of the loans has been determined by assessing the cash flow of each housing development scheme to ensure over the long-term affordable rents are sufficient to repay borrowing, interest, management costs, cyclical maintenance costs and reasonable allowances for voids and bad debts. Most schemes require an annuity loan commitment of 45 years, the maximum the Council would commit to is 50 years.

Agreements are in place ensuring that the Council has security on all NEW Homes properties which includes properties built using the loan funding and also other properties that NEW Homes owns outright (acquired from developers as part of Section 106 Planning Act agreements to provide affordable housing). In the event of a default, the Council could either sell the properties to repay its borrowing or include them within the Housing Revenue Account and continue to rent at social housing rent levels.

Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. The Council accepts that the invested funds have been invested in NEW Homes for the length of the loans – approx. 45 years – and cannot readily be accessed for other purposes.

Yield (net profit)

The loans generate a small income for the Council as there is a margin of approx. 0.25% charged to NEW Homes on the Council's borrowing rate from the PWLB. The income makes a very small contribution to achieving a balanced revenue budget.

Investment Properties

The Welsh Government guidance includes an investment category covering non-financial assets held primarily or partially to generate a profit, primarily investment property. Proper accounting practice defines an investment property as those that are held solely to earn rent and / or for capital appreciation.

The Council has a portfolio of investment properties, in the form of agricultural property and industrial units. Although these are classified as investment properties, they are legacy assets, and the council is managing down its agricultural portfolio and is reviewing its position in regard to industrial units.

Contribution

The Council's investments, in the form of investment properties, contribute to its service delivery objectives and/or to promote wellbeing by providing a net financial surplus that is reinvested into local public services.

Security

The Welsh Government guidance requires that security is determined by comparing each asset's purchase price to its fair value using the model in International Accounting Standard 40: *Investment Property*, as adapted by proper practices.

As the Council's investment portfolio is of a historic nature, built up over many years, property purchase prices are not readily available to compare with current fair values. The table below shows the fair values of the current portfolio over the last 5 years demonstrating that the historic capital invested has remained stable over the past 5 years.

Table B2: Fair Value of Investment Properties

	31.3.2024 £m	31.3.2023 £m	31.3.2022 £m	31.3.2021 £m	31.3.2020 £m
Fair Value Inv. Properties	29.3	29.1	27.6	25.2	25.0

Liquidity

The Council's investment properties are historical investment decisions and therefore will have limited impact on the Council's liquidity. No recent investment has taken place in investment properties, and therefore there is no recent borrowing associated.

Yield (net profit)

The profit generated by investment activity makes a small contribution to achieving a balanced revenue budget. Table B3 below details the extent to which funding expenditure to meet the service delivery objectives and or promote wellbeing in the Council is dependent on achieving the expected yield over the life cycle of the Medium-Term Financial Plan.

Table B3: Proportionality of Investment Properties

	2023/24 Actual £m	2024/25 Budget £m	2025/26 Budget - Estimated £m
Net Revenue Budget	352.121	368.106	384.202
Net Investment income	1.71	1.67	1.67
Proportion	0.49%	0.45%	0.43%

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CABINET

Date of Meeting	Monday 24th February 2025
Report Subject	Minimum Revenue Provision – 2025/26 Policy
Cabinet Member	Cabinet Member for Finance and Social Value
Report Author	Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

Local authorities are required to set a Minimum Revenue Provision (MRP) policy each financial year.

Each year, local authorities are required to set aside some of their revenue resources as provision for the repayment of debt.

Regulations require an authority to make an amount of MRP which it considers to be ‘prudent’. The Regulations themselves do not define ‘prudent’ provision. Welsh Government (WG) has provided guidance which makes recommendations to local authorities on the interpretation of the term and authorities are required to prepare an annual statement of their policy on making minimum provision.

The Council, as part of the budget strategy, conducted detailed reviews of its MRP policy in 2016/17 and 2017/18 and amended the policy as a result.

No changes are required to the Policy for 2025/26.

The Policy is presented to Members in conjunction with the 2025/26 budget setting report (separate item on the agenda).

RECOMMENDATIONS	
1	Members approve and recommend to County Council for Council Fund (CF) outstanding debt that:- • Option 3 (Asset Life Method) be used for the calculation of the MRP in financial year 2025/26 for the balance of outstanding capital expenditure funded from supported borrowing fixed as at 31st March 2017. The calculation will be the ‘annuity’ method over 49 years.

	• Option 3 (Asset Life Method) be used for the calculation of the MRP in 2025/26 for all capital expenditure funded from supported borrowing from 1st April 2016 onwards. The calculation will be the 'annuity' method over an appropriate number of years, dependent on the period of time that the capital expenditure is likely to generate benefits. • Option 3 (Asset Life Method) be used for the calculation of the MRP in 2025/26 for all capital expenditure funded from unsupported (prudential) borrowing or credit arrangements, including MIM. The calculation will be the 'annuity' method over an appropriate number of years, dependent on the period of time that the capital expenditure is likely to generate benefits.
2	That Members approve and recommend to the County Council for Housing Revenue Account (HRA) outstanding debt:- • Option 3 (Asset Life Method) be used for the calculation of the HRA's MRP in 2025/26 for the balance of outstanding capital expenditure funded from debt fixed as at 31st March 2021. The calculation will be the 'annuity' method over 50 years. • Option 3 (Asset Life Method) be used for the calculation of the HRA's MRP in 2025/26 for all capital expenditure funded from debt from 1st April 2021 onwards. The calculation will be the 'annuity' method over an appropriate number of years, dependent on the period of time that the capital expenditure is likely to generate benefits.
3	Members approve and recommend to County Council that MRP on loans from the Council to NEW Homes to build affordable homes through the Strategic Housing and Regeneration Programme (SHARP) (which qualify as capital expenditure in accounting terms) be as follows:- • No MRP is made during the construction period (of short duration) as the asset has not been brought into use and no benefit is being derived from its use. • Once the assets are brought into use, capital (loan) repayments will be made by NEW Homes. The Council's MRP will be equal to the repayments made by NEW Homes. The repayments made by NEW Homes will be classed, in accounting terms, as capital receipts, which can only be used to fund capital expenditure or repay debt. The capital repayment / capital receipt will be set aside to repay debt, and is the Council's MRP policy for repaying the loan.

REPORT DETAILS

1.00	EXPLAINING THE MINIMUM REVENUE PROVISION
	Background to Capital Expenditure and Financing
1.01	Capital expenditure is defined as expenditure to acquire, enhance or prolong the useful life of non-current assets, those which have a useful life of more than one year e.g. buildings or infrastructure improvements. Capital expenditure is funded from a combination of capital receipts, revenue contributions, specific or general grants and debt in the form of borrowing or other long term financing arrangements such as leasing. Borrowing can be either: • Supported borrowing - funding is provided by Welsh Government through the Revenue Support Grant to cover the revenue debt financing costs of interest and repayment costs; or • Unsupported borrowing (commonly referred to as prudential borrowing) – Councils have the freedom to determine the level of borrowing considered affordable in revenue debt financing costs with no support from Welsh Government.
1.02	The annual charge to the revenue account for repaying debt is known as the Minimum Revenue Provision (MRP). Local authorities are required each year, under the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008, to set aside some of their revenue resources as provision for the repayment of debt. Regulation 22 of the 2008 Regulations requires an authority to make an amount of MRP each year which it considers to be 'prudent', though the Regulations themselves do not define 'prudent' provision. Regulation 21(B) of the 2008 Regulations requires local authorities to have regard to guidance issued by Government.
1.03	The Welsh Government has issued guidance for the setting of MRP policy. It states that the broad aim of prudent provision is to ensure that the debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The WG guidance provides 4 options for making 'prudent provision' outlined below, but states that: *'This does not rule out or otherwise preclude a local authority from using alternative approaches differing from those exemplified should it decide that it is more appropriate.'*
1.04	In a letter to all local authorities the Auditor General for Wales concurred that it is for each authority to determine what a 'prudent' policy is.

	Options for prudent provision within WG guidance
1.05	Option 1 - Regulatory Method For capital expenditure funded from supported borrowing which is supported through funding in the Revenue Support Grant (RSG), authorities may continue to use the formula specified in the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (the regulations which preceded the 2008 Regulations). Under this method the outstanding capital expenditure (known as the Capital Financing Requirement CFR) funded from supported borrowing less Adjustment A is written down annually by 4% on a reducing balance basis. Adjustment A is a commutation adjustment, a fixed value determined by changes to statutory regulations referred to above (which all Welsh Council's will have). The method implies that borrowing will be repaid over a 25 year period (in that 100% / 4% = 25), however as the calculation applies the 4% to the reducing balance it takes much more than 25 years to fully repay the borrowing. The method is commensurate with the methodology used in the Revenue Support Grant to allocate revenue funding from WG to finance debt, as it also uses the 4% reducing balance method on notional outstanding debt.
1.06	Option 2 - Capital Financing Requirement Method The same as Option 1 without adjusting for Adjustment A, which results in a higher charge.
1.07	Option 3 - Asset Life Method Provision is made over the estimated life of the asset for which debt is undertaken. This can be calculated using the 'straight line' method or the 'annuity' method. To illustrate the difference, as an example, an asset which is purchased at a cost of £4m which has an estimated useful life of 50 years: • Straight line method - equal annual MRP charge £4m / 50 years = £0.080m • Annuity or inflation method – annual MRP charge that takes the time value of money in the form of inflation into consideration Year 1 = £0.047m Year 2 = £0.048m Year 3 = £0.049m Year 4 = £0.050m Year 5 = £0.051m … … ... Year 50 = £0.125m

1.08	Option 4 - Depreciation Method Alternatively, provision is made in accordance with the standard rules for depreciation accounting. The method is similar to option 3 above
1.09	WG guidance requires that either option 3 or 4 be used for all capital expenditure which is to be financed by unsupported borrowing or other long-term liabilities. Options 1 and 2 are not permitted for this use.
	Housing Revenue Account (HRA)
1.10	Following the introduction of self-financing for the HRA and the voluntary exit from the negative subsidy system on 31st March 2015, from 1st April 2015 the options to calculate the HRA MRP are now similar to the Council Fund as set out above, with the following modifications: • Options 1 and 2 - the percentage is 4% for the Council Fund and 2% for the HRA; and • Options 1 and 2 can be used in relation to debt incurred before 1st April 2021. After that date only Options 3 and 4 may be used. The MRP Policy for 2025/26 reflects the changes required to the HRA MRP method, as indicated in the HRA manual. Option 3 (the asset life annuity method) will be used in relation to debt incurred both before and after 1st April 2021. In relation to debt incurred before 1st April 2021 the MRP will be over 50 years, in relation to debt incurred after 1st April 2021 the MRP will be over an appropriate number of years, dependent on the period of time that the capital expenditure is likely to generate benefits. This ensures new borrowing is written down over the life of the asset that it is financing, which is more in line with proper accounting practice.
1.11	The Council approves loans to its wholly owned subsidiary NEW Homes for the purpose of building affordable homes. The loans qualify as capital expenditure and therefore need to be part of the MRP policy. At its meeting on 14th June 2016 the Council approved the MRP calculation for loans to NEW Homes as outlined in recommendation 3 above.
	Practical Considerations
1.12	The useful life of an asset will vary depending on the class of asset concerned; a vehicle or ICT equipment may be financed over 5 years, whereas a new school over 50 years. Judgements about the useful life will need to be made on an individual basis as expenditure is incurred.
1.13	Large capital projects may take a number of years to complete, for example the Sustainable Communities for Learning building programme. In this instance the MRP is incurred in the year after the asset has become operational, rather than during the construction phase.
1.14	It is important to note that the capital financing position on outstanding capital expenditure (the Capital Financing Requirement) and the Council's level of external borrowing are not the same.

	Regulations stipulate that the Council can only borrow for capital purposes. However, in day to day cash management, no distinction can be made between revenue cash and capital cash. External debt arises as a consequence of all the financial transactions of the Council and not simply those arising from capital spending. Nevertheless, checks are in place to ensure the Council does not borrow in the medium to long term for revenue purposes, as referred to in the Capital Strategy report approved by Council in December 2024. In practice, the Council is under borrowed, this arises when the level of external borrowing is below the capital financing position on outstanding capital expenditure. The Council, through its treasury management processes, makes use of available cash arising from reserves etc. to fund capital expenditure and has ‘internally’ borrowed to an extent. By doing so, the Council is able to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk. Such activities are considered best practice and are undertaken in accordance with the Council’s Treasury Management Policy Statement, Strategy, Schedules and Practices.

2.00	**RESOURCE IMPLICATIONS**
2.01	The 2025/26 Council Fund and HRA budgets provide for the MRP charges in accordance with the calculations set out in the report.
2.02	There are no other resource implications as a direct result of this report.

3.00	**IMPACT ASSESSMENTS AND RISK MANAGEMENT**
3.01	An MRP policy has long term effects that cannot be readily undone and therefore has associated risks for future generations in terms of Council Tax and Housing Rents levels. The Well-being of Future Generations (Wales) Act 2015, puts in place a requirement to: *“act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs”.* It also requires that authorities take account of, amongst other things: *“the importance of balancing short term needs with the need to safeguard the ability to meet long term needs”.* The MRP policy ensures that costs are spread equally in real terms amongst the tax and rent payers benefiting from the capital expenditure. This is not considered as compromising the ability of future generations to

	meet their own needs, merely that future generations pay for assets from which they benefit from using equally to current tax payers.
3.02	**Ways of Working (Sustainable Development) Principles Impact**

Long-term	Positive - balancing short-term and long-term needs. The MRP policy ensures that costs are spread equally in real terms amongst the tax and rent payers benefiting from the capital expenditure.
Prevention	No impact
Integration	No impact
Collaboration	No impact
Involvement	No impact

Well-being Goals Impact

Prosperous Wales	No impact
Resilient Wales	No impact
Healthier Wales	No impact
More equal Wales	No impact
Cohesive Wales	No impact
Vibrant Wales	No impact
Globally responsible Wales	Financial decisions that enable future generations to thrive. Positive – the MRP policy ensures that costs are spread equally in real terms amongst the tax and rent payers benefiting from the capital expenditure.

4.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
4.01	In changing the Council's MRP policy during 2017/18 and 2016/17 detailed discussions took place with the Council's Treasury Management advisors, senior internal officers and key Cabinet Members. Audit Wales was also consulted as external auditors.
4.02	The revised MRP policy was considered by Council as part of setting the 2018/19 budget in March 2018.

5.00	**APPENDICES**
5.01	None.

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	Council Fund Budget 2018/19 report to Council 1st March 2018

7.00	**CONTACT OFFICER DETAILS**
7.01	**Contact Officer:** Chris Taylor – Strategic Finance Manager **Telephone:** (01352) 703309 **E-mail:** christopher.taylor@flintshire.gov.uk

8.00	**GLOSSARY OF TERMS**
8.01	**Capital Expenditure:** Expenditure on the acquisition of non-current assets or expenditure that extends the life or value of an existing asset **Capital Financing Requirement (CFR):** A measure of the capital expenditure incurred historically by an authority that has yet to be financed from capital receipts, capital grants or revenue financing. **Council Fund (CF):** The fund to which all the Council's revenue and capital expenditure is charged. **Housing Revenue Account (HRA):** The fund to which all the Council's revenue and capital expenditure relating to its housing stock is charged. **Minimum Revenue Provision (MRP):** A charge made to the Council Fund to repay borrowing taken out for capital expenditure. Authorities must determine their own prudent MRP charge each year, taking into consideration statutory guidance issued by the Government. **Prudential Code:** The code of practice drawn up by the Chartered Institute of Public Finance and Accountancy (CIPFA) to underpin the requirements of the Local Government Act 2003 in respect of an authority's duty to determine the affordability, prudence and sustainability of its capital investment needs. **Revenue Expenditure:** All expenditure incurred by an authority that cannot be classified as capital expenditure **Revenue Support Grant (RSG):** Is paid to each authority to cover the cost of providing standard services less the Council Tax income at the standard level.

	Unhypothecated Supported Borrowing (USB), commonly referred to as Supported Borrowing: Each year Welsh Government provide Council's with a Supported Borrowing allocation. Council's borrow to fund capital expenditure equivalent to that annual allocation, Welsh Government then include funding to cover the revenue costs associated with the borrowing for future years within the Revenue Support Grant. The Council decides how this funding is spent. **Unsupported Prudential Borrowing:** Borrowing administered under the **Prudential Code**, whereby authorities can set their own policies on acceptable levels and types of borrowing. The Prudential Framework allows authorities to take out loans in response to overall cash flow forecasts and other factors provided they can show that the borrowing is to meet planned capital expenditure in the current year or the next three years.

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