

Pecyn Dogfen Gyhoeddus

Gareth Owens LL.B Barrister/Bargyfreithiwr
Chief Officer (Governance)
Prif Swyddog (Llywodraethu)



Swyddog Cyswllt:
Maureen Potter / 01352 702322
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At: Bob Aelod o'r Cyngor

Dydd Mercher, 18 Hydref 2023

Annwyl Gynghorydd,

RHYBUDD O GYFARFOD HYBRID
CYNGOR SIR Y FFLINT
DYDD MAWRTH, 24AIN HYDREF, 2023 1.00 PM

Yn gywir

Steven Goodrum
Rheolwr Gwasanaethau Democraidd

Sylwch: Gellir mynychu'r cyfarfod hwn naill ai wyneb yn wyneb yn Siambr Cyngor yr Arglwydd Barry Jones, Cyngor Sir y Fflint, Yr Wyddgrug, Sir y Fflint neu ar-lein.

Bydd y cyfarfod yn cael ei ffrydio'n fyw ar wefan y Cyngor. Bydd y ffrydio byw yn dod i ben pan fydd unrhyw eitemau cyfrinachol yn cael eu hystyried. Bydd recordiad o'r cyfarfod ar gael yn fuan ar ôl y cyfarfod ar <https://flintshire.publici.tv/core/portal/home>

Os oes gennych unrhyw ymholiadau, cysylltwch ag aelod o'r Tîm Gwasanaethau Democraidd ar 01352 702345.

R H A G L E N

1 YMDDIHEURIADAU AM ABSENOLDEB

Pwrpas: I dderbyn unrhyw ymddiheuriadau.

2 DATGAN CYSYLLTIAD

Pwrpas: I dderbyn unrhyw ddatganiad o gysylltiad a chynghori'r Aelodau yn unol a hynny.

3 CYHOEDDIADAU'R CADEIRYDD

Pwrpas: Derbyn unrhyw gyhoeddiad fel y'i dosbarthwyd.

4 DEISEBAU

Pwrpas: Mae hwn yn gyfle i Aelodau'r Cyngor gyflwyno deisebau ar ran pobl yn eu ward. Unwaith y byddant wedi dod i law, caiff deisebau eu pasio i'r Prif Swyddog priodol ar gyfer gweithredu ac ymateb iddynt.

PRIF EITEMAU BUSNES

5 ADRODDIAD BLYNYDDOL RHEOLI'R TRYSORLYS 2022/23 (Tudalennau 5 - 24)

Adroddiad Rheolwr Cyllid Corfforaethol -

Pwrpas: Cyflwyno Adroddiad Blynyddol Rheoli'r Trysorlys 2022/23 drafft i'r Aelodau.

6 YMGYNGHORIAD NEWYDD: BIL SENEDD CYMRU (AELODAU AC ETHOLIADAU) (Tudalennau 25 - 28)

Adroddiad Prif Swyddog (Llywodraethu) -

Pwrpas: Y Cyngor i' gael eu diweddarau ar yr ymgynghoriad newydd: Bydd Bil Senedd Cymru (Aelodau ac Etholiadau), os caiff ei basio, ymysg pethau eraill, yn cynyddu nifer Aelodau'r Senedd o 60 i 96, newid y ffordd caiff Aelodau eu hethol, gwneud darpariaethau mewn perthynas â ffiniau etholaeth y Senedd, a lleihau hyd o amser rhwng etholiadau'r Senedd o bum mlynedd i bedwar blynedd.

7 EITEM BRYD I'R CABINET AR 19 MEDI 2023 (CAFFAEL YMESTYN CONTRACT FFLYD) (Tudalennau 29 - 32)

Adroddiad Prif Swyddog (Llywodraethu) -

Pwrpas: Diweddarau'r Cyngor yn dilyn ystyried eitem brys (Caffael Ymestyn Contract Fflyd) yn y Cabinet ar 19 Medi 2023 yn unol â chyfansoddiad y Cyngor.

ER GWYBODAETH

8 CWESTIYNAU GAN Y CYHOEDD

Pwrpas: Derbyd Cwestiynau Cyhoeddus ar gyfer yr eitem hon: doedd dim wedi dod i law erbyn y dyddiad cau.

9 CWESTIYNAU (Tudalennau 33 - 34)

Pwrpas: Nodi'r atebion i unrhyw gwestiynau a gyflwynwyd yn unol â Rheol Sefydlog Rhif 9.4(A) y Cyngor Sir: derbyniwyd un erbyn y dyddiad cau ac maent ynghlwm.

10 CWESTIYNAU GAN AELODAU AM GOFNODION PWYLLGORAU

Pwrpas: Ystyried unrhyw faterion a godwyd gan yr Aelodau o Gofnodion cyfarfodydd y Cabinet, Pwyllgorau Craffu a Phwyllgorau eraill, ynghyd ag unrhyw gwestiynau a godwyd dan Adran 4.20 Cyfansoddiad y Cyngor. Os bydd angen, mae'n bosib cael gafael ar gopiâu o Gofnodion yr amrywiol gyfarfodydd a gynhaliwyd ers cyfarfod arferol diwethaf y Cyngor, sydd wedi'u cymeradwyo a'u cyhoeddi ar wefan yr Awdurdod, drwy fynd i'r Adran Pwyllgorau a Gwasanaethau'r Aelodau.

11 RHYBUDD O GYNNIG

Pwrpas: Mae'r eitem hon i dderbyn unrhyw Rybudd o Gynnig: doedd dim wedi dod i law erbyn y dyddiad cau.

Sylwch, efallai y bydd egwyl o 10 munud os yw'r cyfarfod yn para'n hirach na dwy awr.

Mae'r dudalen hon yn wag yn bwrpasol

Eitem ar gyfer y Rhaglen 5



FLINTSHIRE COUNTY COUNCIL

Date of Meeting	Tuesday, 24 th October 2023
Report Subject	Treasury Management Annual Report 2022/23
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The report presents the Treasury Management Annual Report 2022/23 for Member approval.

The Treasury Management Annual Report 2022/23 is attached as Appendix 1. As required by the Council's Financial Procedure Rules, this Annual Report was reviewed by the Governance and Audit Committee on 26th July and Cabinet on 19th September 2023.

RECOMMENDATIONS

1	That Council approves the Annual Treasury Management Report for 2022/23.
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REPORT DETAILS

1.00	EXPLAINING THE ANNUAL REPORT
1.01	On 15 th February 2022, following the recommendation of the Cabinet and consideration by the Governance and Audit Committee, the Council approved the Treasury Management Strategy 2022/23.
1.02	The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for execution and administration of treasury management decisions to the Corporate Finance Manager, who acts in accordance with the Council's Treasury Management Policy Statement, Strategy and Practices.
1.03	The Council has nominated the Governance and Audit Committee to be responsible for ensuring effective scrutiny of Treasury Management Strategy and Policies.
	<u>CONSIDERATIONS</u>
1.04	The Treasury Management Annual Report 2022/23 is attached as Appendix 1. As required by the Council's Financial Procedure Rules, this Annual Report was reviewed by the Governance and Audit Committee on 26 th July 2023 and Cabinet on 19 th September 2023, where no significant issues were raised.
	<u>Summary of Key Points</u>
1.05	<p>The war in Ukraine continued to keep global inflation above Central Bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during January to March continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.</p> <p>From 0.75% in March 2022, the Bank of England increased the official Bank Rate to 4.25% during the financial year. The annual CPI measure of UK inflation started the financial year at 5.5% then rose strongly and remained high in subsequent months. The annual headline CPI registered 10.4% in February.</p> <p>Section 2 of the report provides a full economic and interest rate review for 2022/23.</p>
1.06	<p>Due to increases in the UK bank rate, the short-term money market rates have been higher than expected. The average interest rate on the interest earned in the year was 1.87%.</p> <p>Section 4 provides further details of the Council's investment activity during the year.</p>
1.07	Public Works Loan Board (PWLB) long term rates increased during 2022/23 and a total of £5m PWLB loans were taken out during the year. Section 3

	provides more information on borrowing and debt management during the year.
1.08	Options for debt rescheduling were explored in conjunction with our treasury management advisors. The premium charged for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. As a consequence, no rescheduling activity was undertaken.
1.09	The treasury function operated within the limits detailed in the Treasury Management Strategy 2022/23.

2.00	RESOURCE IMPLICATIONS
2.01	Financial implications are addressed in the report; no other resource implications directly as a result of this report.

3.00	CONSULTATIONS REQUIRED AND UNDERTAKEN
3.01	Arlingclose Ltd, being the Council's treasury management advisors.

4.00	RISK MANAGEMENT
4.01	Risk Management directly addressed within the report and appendices including identification of risks and measures to mitigate likelihood and impact of risks identified.

5.00	APPENDICES
5.01	Treasury Management Annual Report 2022/23

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None 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.

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%.

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.

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.

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.

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

Debt Management Office (DMO): The DMO is an Executive Agency of Her 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.

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.

IFRS: International Financial Reporting Standards.

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.

Monetary Policy Committee (MPC): Government Body that sets the Bank Rate. Its primary target is to keep 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.

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.

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): In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy.

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

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.

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

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.

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.

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

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.

Mae'r dudalen hon yn wag yn bwrpasol



FLINTSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT

ANNUAL REPORT 2022/23

1.00 INTRODUCTION

The Council approved the Treasury Management Strategy 2022/23 (the Strategy) including key indicators, limits and an annual investment strategy on 15th February 2022.

The Strategy was produced based on the 2017 edition of the *CIPFA Treasury Management in the Public Services: Code of Practice*.

The purpose of this report is to review the outcomes from 2022/23 treasury management operations and compare these with the Strategy.

Treasury management comprises the management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2.00 ECONOMIC & INTEREST RATE REVIEW 2022/23

This is provided by Arlingclose Ltd, the Council's treasury management advisors.

2.01 Economic background

The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could

charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.

The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%.

The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.

Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.

The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.

From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit

facility rate to 3.0% and the main refinancing rate to 3.5%.

2.02 Financial markets

Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

3.00 BORROWING REQUIREMENTS AND DEBT MANAGEMENT

3.01 PWLB (Public Works Loans Board) Certainty Rate

The Council qualified for the PWLB Certainty Rate, allowing the authority to borrow at a reduction of 20 basis points on the Standard Rate for a further 12 months from April 2022.

3.02 Borrowing Activity in 2022/23.

The total long-term borrowing outstanding, brought forward into 2022/23 was £294.6 million.

	Balance 01/04/2022 £m	Debt Maturing £m	New Debt £m	Balance 31/03/2023 £m
Capital Financing Requirement	352.6	(6.2)	8.9	355.3
Short Term Borrowing	10.0	(10.0)	12.0	12.0
Long Term Borrowing	294.6	(4.8)	5.4	295.2
TOTAL BORROWING	304.6	(14.8)	17.4	307.2
Other Long-Term Liabilities	3.3	(0.6)	0.00	2.7
TOTAL EXTERNAL DEBT	307.9	(15.4)	17.4	309.9
Increase/ (Decrease in Borrowing (£m))	-	-	2.0	

The Council's Capital Programme is financed by a combination of capital receipts and grants, capital expenditure charged to the revenue account (CERA) and borrowing. The borrowing strategy in recent years, in accordance with advice received from the Council's treasury management advisors, Arlingclose, has been to use existing cash balances and short-term borrowing to confirm the long-term borrowing requirement. This is to ensure that the Council does not commit to long-term borrowing too early and borrow unnecessarily, which will be costly. This is balanced against securing low interest costs and achieving cost certainty over the period for which the funds are required so as not to compromise the long-term stability of the portfolio.

Short term borrowing continued to be available throughout the year and was utilised as far as possible without exposing the Council to excessive refinancing risk. The total short term (temporary) borrowing as at 31st March 2023 was £12m with an average rate of 4.55%.

The relative costs and benefits of internal / short-term borrowing and long-term borrowing were monitored closely, in conjunction with Arlingclose, throughout the year. Although Arlingclose's advice was to keep borrowing short, the Council continued to have a long-term borrowing requirement. In February, the borrowing rates became volatile and fell to a low level. After discussing with Arlingclose, the following loan was taken out:

Start Date	Maturity Date	Amount	Rate	Loan Type
10 Feb 2023	10 Feb 2041	£5.0m	3.91%	EIP

On 31st March 2023, £271.5m of the Council's loans were in the form of fixed rate with the PWLB, £18.95m were variable rate in the form of LOBOs (Lender Option Borrower Option) and £4.71m were interest free loans from the Government, available for specific schemes. The Council's average rate for long term borrowing was 4.53%.

The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31st March 2023 was £355.3m. The Council's total external debt was £309.9m.

3.03 Lender Option Borrower Option loans (LOBOs)

The Council holds £18.95m of LOBOs, 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 these LOBOs had options during the year, none of which were exercised by the lender.

3.04 Debt Rescheduling

Options for debt rescheduling were explored in conjunction with the Council's treasury management advisors. The premium charged for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. As a consequence, no rescheduling activity was undertaken.

The Corporate Finance Manager, in conjunction with the Council's treasury management advisors, will continue to review any potential opportunities for restructuring the Council's debt in order to take advantage of potential savings as interest rates change and to enhance the balance of the long-term portfolio (amend the maturity profile and/or the balance of volatility).

3.05 CIPFA Prudential Code Update

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

The Council will follow the same process as the Prudential Code.

4.00 **INVESTMENT ACTIVITY**

4.01 **Guidance**

The Welsh Government's Investment Guidance gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

4.02 **Investment Activity in 2022/23**

Summary of investments as at 31st March 2023.

Country	Total	<1 month	1 –12 months	>12 months
	£m	%	£m	£m
UK BANKS	1.0	1.0		
UK BUILDING SOCIETIES				
OVERSEAS				
MMF's	28.0	28.0		
LOCAL AUTHORITIES				
DMO	5.0		5.0	
<u>TOTAL</u>	34.00	29.00	5.00	

The investment for £5m was classified as a short-term investment in the Council's Balance Sheet. The remainder of the investments had maturities of less than 3 months, so were classified as cash.

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Strategy for 2022/23. Investments during the year included:

- Deposits with the Debt Management Office
- Deposits with other local authorities
- Investments in AAA-rated Low Volatility Net Asset Value (LVNAV) money market funds
- Call accounts and deposits with banks and building societies

4.03 **Credit Risk**

The Council assessed and monitored counterparty credit quality with reference to credit ratings, credit default swaps, GDP of the country in which the institution

operate, the country's net debt as a percentage of GDP, and share price. The minimum long-term counterparty credit rating determined by the Council for the 2022/23 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's.

4.04 Counterparty Update

Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.

In July, Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September, S&P revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.

The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander. During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.

Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.

As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114

notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree of caution is merited with certain authorities.

4.05 Liquidity

In keeping with the WG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of money market funds and call accounts.

4.06 Yield

Due to the increases in the UK bank rate, the short-term money market rates have been higher than expected. The Council's budgeted investment income for the year had been prudently estimated at £0.010m, based on an average rate of 0.1%. The average investment balance was £49.7m during the period and interest earned was £0.940m, at an average interest rate of 1.87%.

4.07 Loans to NEW Homes

The loans to NEW Homes do not meet the definition of an investment and are not therefore included in the Council's investment figures. They are classed as capital expenditure.

5.00 COMPLIANCE

The Council can confirm that it has complied with its Prudential Indicators for 2022/23. These were approved by Council as part of the Treasury Management Strategy on 15th February 2022.

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2022/23. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

The treasury function operated within the limits detailed in the Treasury Management Policy and Strategy Statement 2022/23.

6.00 OTHER ITEMS

The following were the main treasury activities during 2022/23:

- The Council's Governance and Audit Committee received a Mid-Year Report on 14th November 2022.

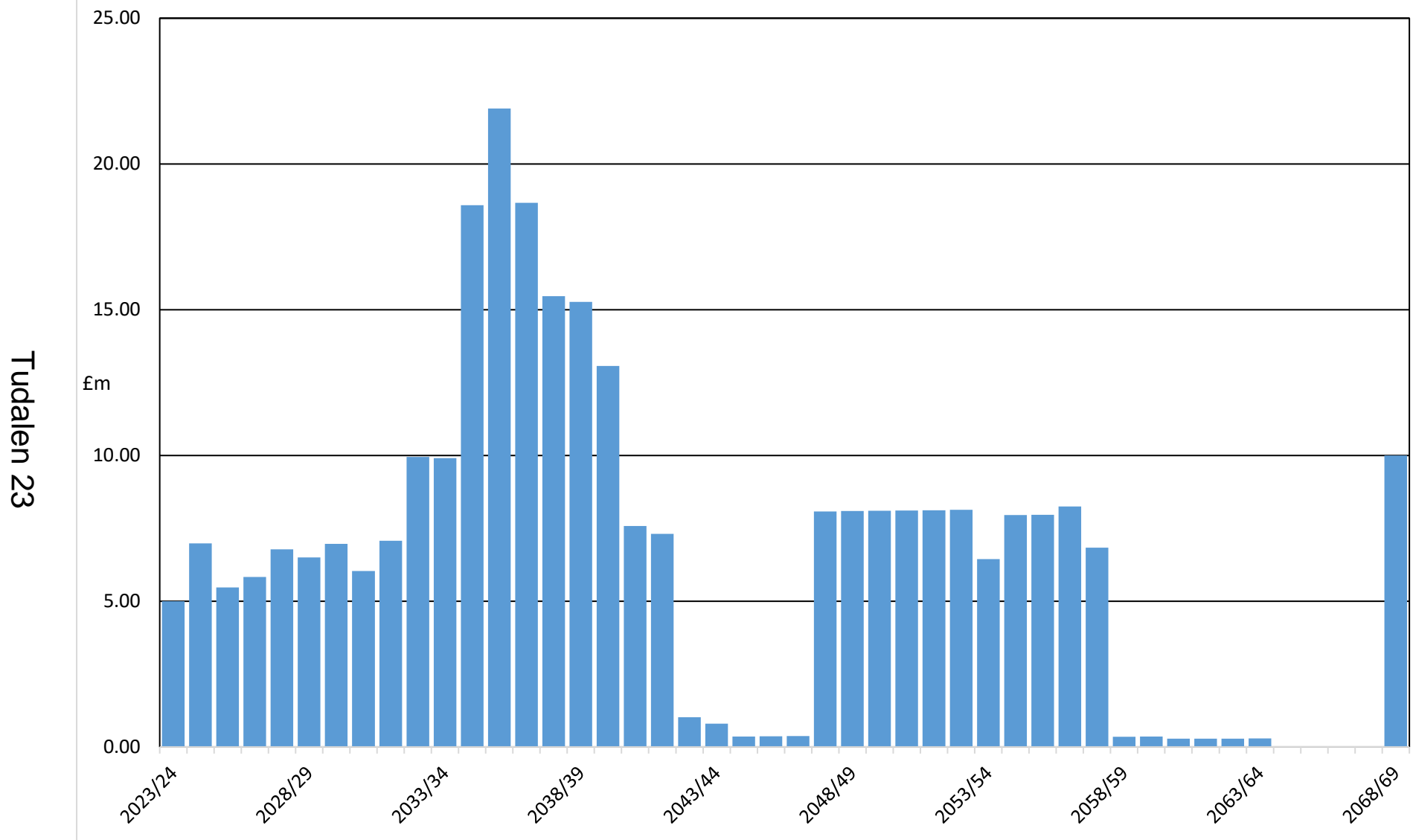
- Quarterly update reports were presented to the Governance and Audit Committee.
- The 2023/24 Investment Strategy Statement was approved by Council on 23rd February 2023.
- The Council's cash flow was managed on a daily basis. During the year the Council acted both as a borrower and as a lender and was a net borrower over the year in question. The maximum investments the Authority had on deposit at any one time were £74.2m and the maximum long-term borrowing at any one time was £296.5m.

7.00 CONCLUSION

The treasury management function has operated within the statutory and local limits detailed in the 2022/23 Treasury Management Strategy.

The Treasury Management Policy was implemented in a pro-active manner with security and liquidity as the primary focus.

Debt Maturity Profile - Mar 2023



Mae'r dudalen hon yn wag yn bwrpasol

Eitem ar gyfer y Rhaglen 6



FLINTSHIRE COUNTY COUNCIL

Date of Meeting	Tuesday, 24 October 2023
Report Subject	New consultation: Senedd Cymru (Members and Elections) Bill
Report Author	Chief Officer (Governance)

EXECUTIVE SUMMARY

Welsh Parliament's Reform Bill Committee are currently scrutinising the [Senedd Cymru \(Members and Elections\) Bill](#).

As part of their work, they are undertaking a consultation that runs until 3 November 2023, to seek views on the changes the Bill proposes.

This report therefore draws attention to that consultation and provides details of how responses can be submitted to the Committee.

RECOMMENDATIONS

1	That Council considers the consultation on the Senedd Cymru (Members and Elections) (Wales) Bill and provides views which will be collated to form the council's response to the consultation.
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REPORT DETAILS

1.00	EXPLAINING THE NEW CONSULTATION: SENEDD CYMRU (MEMBERS AND ELECTIONS) BILL
1.01	On 18 September 2023, the Senedd Cymru (Members and Elections) Bill was introduced in the Senedd.
1.02	In summary, the Bill seeks to:

	<ul style="list-style-type: none"> • Increase the size of the Senedd to 96 Members. • Decrease the length of time between Senedd ordinary general elections from five to four years. • Increase the maximum number of Deputy Presiding Officers from one to two. • Increase the legislative limit on the size of the Welsh Government to 17 (plus the First Minister and Counsel General), with power to further increase the limit to 18 or 19. • Require candidates to, and Members of, the Senedd to be resident in Wales (by disqualifying candidates and Members who are not registered to vote in a Senedd constituency). • Provide a mechanism for the Seventh Senedd’s consideration of job-sharing of offices relating to the Senedd (by requiring the Llywydd in the Seventh Senedd to propose the establishment of a Senedd committee to review specified matters). • Change the Senedd’s electoral system so that all Members are elected via closed list proportional representation, with votes translated into seats via the D’Hondt formula. • Repurpose and rename the Local Democracy and Boundary Commission for Wales; provide the renamed Democracy and Boundary Commission Cymru (DBCC) with the functions needed to establish new Senedd constituencies and undertake ongoing reviews of Senedd constituency boundaries; and provide instructions for the DBCC to follow when undertaking boundary reviews. • Provide for review of the operation and effect of the new legislative provisions following the 2026 election (by requiring the Llywydd after the election to propose the establishment of a Senedd committee to review specified matters).
1.03	<p>Accompanying the Bill is the Explanatory Memorandum incorporating the Regulatory Impact Assessment and Explanatory Notes document.</p> <p>This document provides the background to the Bill, what it aims to achieve, impact assessments, and includes an assessment of the Bill’s financial Implications.</p>
1.04	<p>It is currently at Stage 1 (of 4) of the legislative process and will be scrutinised by the Welsh Parliament’s Reform Bill Committee.</p>
1.05	<p>The Committee will consider:</p> <ul style="list-style-type: none"> • The general principles of the Senedd Cymru (Members and Elections) (Wales) Bill and whether there is a need for legislation to deliver the Bill’s stated policy objectives. • Any potential barriers to the implementation of the Bill’s provisions, and whether the Bill and accompanying Explanatory Memorandum and Regulatory Impact Assessment take adequate account of them. • Whether there are any unintended consequences arising from the Bill. • The Welsh Government’s assessment of the financial and other impacts of the Bill.

	<ul style="list-style-type: none"> • The appropriateness of the powers in the Bill for Welsh Ministers to make subordinate legislation. • Matters relating to the competence of the Senedd including compatibility with the European Convention on Human Rights. • The balance between the information contained on the face of the Bill and what is left to subordinate legislation. • Any matter related to the quality of the legislation. • Any other matter related to the constitutional or other implications of the Bill.
1.06	As part of their considerations, the Committee is undertaking a consultation to seek views on the proposals. The consultation opened on 21 September 2023 and runs until 3 November 2023.
1.07	To provide views on the Bill, submissions can be emailed to SeneddReform@senedd.wales or by post to Reform Bill Committee, Welsh Parliament, Cardiff, CF99 1SN.
1.08	Members can make their own submission direct to the Reform Bill Committee, as can political groups from within council. Alternatively/in addition, the Democratic Services Manager will compile a response based on discussion at the Council meeting and submit it to the Senedd Committee.

2.00	RESOURCE IMPLICATIONS
2.01	<p>Contained within the Explanatory Document that accompanies the Bill, reference is made to a £60,000 'transitional cost' for Local Authorities (page 126).</p> <p>The same section (page 126) of the document also indicates that ongoing cost savings for Local Authorities amounting to £751,000 have been identified up to 2030.</p> <p>An explanation of the costs and savings for Local Authorities are provided from page 153 of the document.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	This report introduces the consultation being undertaken by the Welsh Parliament's Reform Bill Committee.

4.00	RISK MANAGEMENT
4.01	Not required as this is a consultation from Welsh Parliament.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Senedd Cymru (Members and Elections) Bill Explanatory Memorandum</p> <p>Contact Officer: Steven Goodrum, Democratic Services Manager Telephone: 01352 702320 E-mail: Steven.Goodrum@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Welsh Parliament: The Welsh Parliament is the democratically elected body that represents the interests of Wales and its people. Commonly known as the Senedd, it makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.</p> <p>Reform Bill Committee: The Committee's role is to consider Bills referred to it by the Senedd's Business Committee. The Committee comprises four members from different political groups represented in the Senedd.</p>

Eitem ar gyfer y Rhaglen 7



FLINTSHIRE COUNTY COUNCIL

Date of Meeting	Tuesday, 24 October 2023
Report Subject	Update regarding urgent item discussed at Cabinet 19 September 2023
Report Author	Chief Officer (Governance)

EXECUTIVE SUMMARY

An urgent item was included on the agenda for the Cabinet meeting on 19 September 2023.

Items marked as urgent are not subject to the call-in process, but do need to be reported to the next meeting of Council.

The report was marked as urgent as it would have prejudiced the Council's interests.

RECOMMENDATIONS

1	That Council notes the reason for the Urgent item considered at Cabinet on 19 September 2023.
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REPORT DETAILS

1.00	EXPLAINING THE URGENT ITEM DISCUSSED AT CABINET 19 SEPTEMBER 2023
1.01	<p>The Cabinet agenda for the meeting on 19 September 2023 was published on 13 September.</p> <p>On 18 September an item: <i>Procurement of Fleet Contract Extension</i> was added to the agenda which was then circulated to all Members. It was marked as 'Urgent'.</p>
1.02	<p>Within 2 working days of the Cabinet meetings, a 'decision sheet' is published. Decisions come into force on the expiry of 5 working days after the first publication of the decision, unless subject to the 'call-in' process.</p> <p>Any decision 'called in' would – provided it adheres to the process as set out in the Council's Constitution – be considered by the relevant Overview and Scrutiny Committee. The exception to this is where an item is marked as urgent as in the case of the <i>Procurement of Fleet Contract Extension</i>.</p> <p>In such cases, the call-in process states</p> <p>"Decisions taken as a matter of urgency must be reported to the next available meeting of the Council, together with the reasons for urgency."</p>
1.03	<p>A decision can be classed as urgent if any delay likely to be caused by the call-in process would prejudice the Council's or the public's interests.</p> <p>Flintshire County Council entered into a contract with Essential Fleet Services (which has since changed its name to Go Plant Fleet Services "GPFS") under the YPO framework. The contract commenced on 3 October 2016 for a duration of seven years with an initial term that expired on 2 October 2023. It included an option to extend for a further 7-year term. The Council's preferred option is to take this option and extend the contract.</p> <p>Council officers have been in discussion with GPFS for some time about extending the contract. Due to the length of the contract, there are number of terms that need to be updated. Those discussions to extend the contract have not been fully resolved due to the complexity of the extension and significant inflationary pressures influencing the market.</p> <p>Due to the challenges experienced in relation to complexities included within the new agreement – specifically the uncertainty around inflationary pressures – it was not possible to meet the deadline by which to agree a contract extension.</p> <p>With the initial contract end date approaching it was necessary to ensure continuity of services from the contractor beyond the renewal date. To do this a Deed of Variation needed to be signed and sealed by the Authority</p>

	and then a contractual payment for the period of the extension made. Due to the monetary value, this required approval at Cabinet for the extension to be in place – hence the urgency. Any delay to this would have left the authority without a contract, and frontline services would therefore have been compromised.
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2.00	RESOURCE IMPLICATIONS
2.01	Not applicable.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Not applicable.

4.00	RISK MANAGEMENT
4.01	Not applicable.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Call-in Process from the Council's Constitution</p> <p>Contact Officer: Steven Goodrum, Democratic Services Manager Telephone: 01352 702320 E-mail: Steven.Goodrum@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	None.

Mae'r dudalen hon yn wag yn bwrpasol

Eitem ar gyfer y Rhaglen 9

Question from Councillor Andrew Parkhurst:

“Can the Cabinet Member for Finance please advise what progress has been made in producing the compelling business case to be submitted to the Welsh Government for fair funding for Flintshire as agreed in the substantive motion relating to the Council Plan 2023 – 28 moved by Councillor Roberts at the meeting of Full Council on 20th June 2023?”

Mae'r dudalen hon yn wag yn bwrpasol