South East Wales Corporate Joint Committee

Cyd-bwyllgor corfforaethol De-Dwyrain Cymru

SOUTH EAST WALES CORPORATE JOINT COMMITTEE

SUMMONS TO ATTEND A MEETING OF THE CORPORATE JOINT COMMITTEE	18 NOVEMBER 2024
GWŶS I FYNYCHU CYFARFOD CYD-BWYLLGOR CORFFORAETHOL	18 TACHWEDD 2024

You are summoned to attend a multi-location meeting of the **SOUTH EAST WALES CORPORATE JOINT COMMITTEE** which will be held via Microsoft Teams on Monday 18 November 2024 at 9:30am to transact the business set out in the agenda attached.

Jayne La Grua
Director Legal & Governance
Monitoring Officer

12 November 2024

TO: The Members of the South East Wales Corporate Joint Committee

Cllr Dimitri Batrouni
Cllr Mary Ann Brocklesby (Chair)
Cllr Lis Burnett
Cllr Brent Carter
Cllr Anthony Hunt (Deputy Chair)
Cllr Andrew Morgan
Cllr Sean Morgan
Cllr John Spanswick
Mr Julian Stedman
Cllr Huw Thomas (Deputy Chair)
Cllr Stephen Thomas

WEBCASTING

This meeting will be filmed for live and/or subsequent broadcast on the Corporate Joint Committee's website. The whole of the meeting will be filmed, except where there are confidential or exempt items, and the footage will be on the website for 6 months. A copy of it will also be retained in accordance with the Corporate Joint Committee's data retention policy.

If you make a representation to the meeting, you will be deemed to have consented to being filmed.

If you have any queries regarding the filming of this meeting, please contact Cardiff Capital Region:

Email: democraticservices@cardiffcapitalregion.gov.uk

South East Wales Corporate Joint Committee

Cyd-bwyllgor corfforaethol De-Dwyrain Cymru

South East Wales
Corporate Joint Committee

9:30am on Monday 18 November 2024
Microsoft Teams

Agenda

PART 1

1. **Apologies for Absence**
   To receive apologies for absence.

2. **Declarations of Interests**
   To receive declarations of interest (such declarations to be made in accordance with the Members Code of Conduct).

3. **Minutes of Meeting on 21 October 2024**
   To approve as a correct record the minutes of the Corporate Joint Committee meeting held on 21 October 2024.

4. **2024/25 Month 6 Budget Monitoring Position**
   Report of the Strategic Director of Resources

5. **2024/25 Treasury Management Quarter 1 & 2 Update**
   Report of the Strategic Director of Resources

6. **Admission of CCR Energy Staff to Local Government Pension Scheme**
   Report of the Strategic Director of Resources

PART 2

Exclusion of Press and Public
To resolve that the public and press be asked to leave the meeting during discussion of the remaining items of business because exempt information as defined in Part 4 of Schedule 12A of the Local Government Act 1972 is likely to be made known.

7. **Draft Staffing Budget**
   Report of the Strategic Director of Resources

Prifddinas Ranbarth Caerdydd | Cardiff Capital Region

DECLARING INTERESTS UNDER THE MEMBERS' CODE OF CONDUCT

All members are required by law to, within 28 days of their election or appointment to office, complete a declaration of interests form to register any personal interests they have in the categories of interests set out in the Members' Code of Conduct. Where any member becomes aware of any new personal interest, they are also required to, within 28 days of becoming aware of that new interest, update their register of interests by providing written notification to the Monitoring Officer.

DECLARING INTERESTS AT MEETINGS

In addition to completing a declaration of interests form, members are also required to declare any interests at the start of any meeting of the Corporate Joint Committee, or any of its sub-committees, where the particular interest conflicts with any of the business to be discussed at the meeting. When making a declaration of interest, members should state whether the interest is personal or prejudicial. It is a matter for the member whether or not they choose to declare an interest, and whether or not that interest is personal or prejudicial. Members should refer to the Code of Conduct and seek advice from the Monitoring Officer prior to the start of meeting. If members become aware of a potential interest during the course of the meeting, they should make a declaration at the earliest opportunity and seek advice from the legal representative if required.

In respect of personal interests, members may remain in the meeting and take part in any debate and vote on the item of business. In respect of prejudicial interests, then they must leave the meeting immediately and not take part in the discussion of or vote on those items in which they have declared a prejudicial interest.

The interest will be recorded in the minutes of the meeting.

For further advice contact:
Jayne La Grua, Monitoring Officer
Email: MonitoringOfficer@cardiffcapitalregion.gov.uk

South East Wales Corporate Joint Committee

Cyd-bwyllgor corfforaethol De-Dwyrain Cymru

South East Wales Corporate Joint Committee

10.00am on Monday 21 October 2024
via Microsoft Teams

Minutes

Members	Constituent Authority
Councillor Mary Ann Brocklesby (Chair)	Leader, Monmouthshire County Council
Councillor Bronwen Brooks	Deputy Leader and Cabinet Member for Sustainable Places, Vale of Glamorgan Council (Substitute Member) and Chair of the Board of CCR Energy Ltd
Councillor Joanne Gauden	Executive Member for Economy, Skills & Regeneration, Torfaen County Borough Council (Substitute Member)
Councillor Sean Morgan	Leader, Caerphilly County Borough Council
Councillor John Spanswick	Leader, Bridgend County Borough Council
Mr Julian Stedman	Chair of Planning Committee, Bannau Brycheiniog National Park Authority (for items 1 – 6)
Councillor Emma Stowell-Corten	Cabinet Member for Communications & Culture, Newport City Council (Substitute Member)
Councillor Huw Thomas (Deputy Chair)	Leader, Cardiff Council
Councillor Stephen Thomas	Leader, Blaenau Gwent County Borough Council
Cardiff Capital Region Officers (CCR) unless stated	
Kellie Beirne	Chief Executive
Rhys Thomas	Deputy Chief Executive
Jayne La Grua	Strategic Director of Legal and Governance and Monitoring Officer
Colan Mehaffey	Strategic Director of Policy, Impact and Partnerships
Liam Hull	Strategic Director of Resources and S151 Officer
Hrjinder Singh	Head of Finance, Risk and Assurance and Deputy S151 Officer
Christian Cadwallader	Managing Director, CCR Energy Ltd
Julie Rees	Audit Manager (Financial Audit), Audit Wales

1. Apologies for Absence

1.1 Apologies were received from Councillor Dimitri Batrouni (Leader, Newport City Council), Councillor Lis Burnett (Leader, Vale of Glamorgan Council), Councillor Brent Carter (Leader, Merthyr Tydfil County Borough Council), Councillor Anthony Hunt (Leader, Torfaen County Borough Council & Deputy Chair, CCR) and Councillor Andrew Morgan (Leader, Rhondda Cynon Taf County Borough Council). Councillor Batrouni was substituted at the meeting by Councillor Emma Stowell-Corten, Councillor Burnett was substituted by Councillor Bronwen Brooks and Councillor Hunt was substituted by Councillor Joanne Gauden.

2. Declarations of Interests

2.1 Declarations of Interests were received during the meeting from the following:

- Cllr Bronwen Brooks declared a personal interest in respect of Item 6 on the agenda that she is the Chair of the Board of CCR Energy Ltd.
- Cllr Joanne Gauden declared a personal interest in respect of Item 7 on the agenda that there was an investment request included from within the area of Torfaen CBC.
- Cllr John Spanswick declared a personal interest in respect of Item 8 on the agenda that the Development Control Committee at Bridgend CBC is due to consider an application in relation to this matter.
- Cllr Emma Stowell-Corten declared a personal interest in respect of Item 9 on the agenda that Newport CC is a co-investor in relation to the Full Business Case.

3. Minutes

3.1 It was **RESOLVED** that the South East Wales Corporate Joint Committee (SEW CJC) **APPROVED** the minutes of the meeting of the Corporate Joint Committee held on 26 July 2024 as a true and accurate record.

4. 2022/23 Annual Report, Final Statement of Accounts & Annual Governance Statement

4.1 Liam Hull, presenting the report, thanked a number of colleagues for their hard work in progressing the accounts, Annual Governance Statement and Annual Report to the current stage. These included Cardiff Council representatives for acting in the capacity as the accountable body during the reporting periods and the Finance Team at CCR for preparing the accounts in a particularly challenging environment due to the complex and novel nature of some of the transactions in the accounts. This was alongside the work the Finance Team had been responsible for as the CJC had been established. He confirmed that the challenges had contributed to the extended period of time the process had taken and that there were plans in place now to bring the timescales back into line for the 2023/24 and 2024/25 accounts. Liam Hull also thanked Audit Wales colleagues for their work in providing CCR with the level of assurance required. He introduced Julie Rees, Audit Manager (Financial Audit), who was in attendance at the meeting.

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4.2 Members were advised by Liam Hull that it was positive that an unqualified audit opinion had been issued by Audit Wales with no uncorrected misstatements. He referred to the recommendation made by Audit Wales regarding the capacity and technical capability of the Finance Team and the Management Response to it. The Management Response set out that CCR had invested in significantly improving the Team in these areas. Robust quality assurance processes had also been put in place, led by the Executive Team, ahead of submission of the draft accounts to Audit Wales.

4.3 Mr Hull stated that the Audited CCR City Deal Joint Committee Annual Governance Statement 2022/23 in Appendix 2 of the report indicated strong governance arrangements with no specific concerns identified. Members were also requested to approve the Annual Report 2022/23 in Appendix 3 of the report.

4.4 Mr Hull also drew the CJC's attention to the fact that the Governance & Audit Sub-Committee had, at its meeting held on 27 September, recommended approval for the Statement of Accounts 2022/23 and the audited Annual Governance Statement 2022/23.

4.5 It was **RESOLVED** that the SEW CJC (including a motion for approval of recommendations 1 to 3 below from Councillor Sean Morgan, seconded by Councillor Stephen Thomas):

1) Approved the audited Statement of Accounts 2022/23 for Cardiff Capital Region City Deal in Appendix 1 of the report;
2) Approved the audited Annual Governance Statement 2022/23 in Appendix 2 of the report;
3) Approved the Annual Report 2022/23 in Appendix 3 of the report;
4) Noted the Audit reports of Audit Wales on the Statement of Accounts of Cardiff Capital Region City Deal for the year ending 31 March 2023 in Appendix 1a of the report;
5) Noted the final Letters of Representation for SEW CJC in Appendix 1b of the report; and,
6) Noted that the following documents would be formally signed at the conclusion of the meeting:
    - Statement of Accounts for Cardiff Capital Region City Deal – Chair of Joint Committee and S151 Officer;
    - Annual Governance Statement – Chair of Joint Committee and Chief Executive;
    - Audit Certificate for the Cardiff Capital Region City Deal – Appointed Auditor, Wales Audit Office. To be signed at a later date; and,
    - Letter of Representation for the Joint Committee – Chair of Joint Committee and Chief Executive.

5. 2024/25 Annual Business Plan Quarter 1 Performance Report

5.1 Members received a report providing the Quarter 1 reporting position against the 2024/25 CCR Business Plan, including the CCR City Deal and the transition to the SEW CJC. Approval was sought to formally submit the report, including supporting information, to both UK and Welsh Governments. Kellie Beirne, presenting the report, advised that she and senior CCR staff met with both governments on a quarterly basis to consider CCR's performance.

5.2 Kellie Beirne referred to the Q1 investment portfolio, including that CCR had spent £14.6m against a forecast of £15m. CCR had increased its forecasted spend for 2024/25 from £55m to £58.4m. She spoke about Innovation Investment Capital having announced investment in Transcend Packaging, an indigenous growth company based in Caerphilly. Members were advised that beyond the £5m investment, it was what was leveraged in terms of private investment, jobs and the benefits for the Northern Valleys area.

5.3 Ms Beirne mentioned the investments being made, including through the Strategic Sites & Premises Fund, the Northern Valleys Initiative and the completion of the Tŷ Newport Hotel. She also referred to the mobilisation of the full committee structure following the transition to the CJC. The non-investment CCR activity was also highlighted, including hosting and participating in events to influence and help shape opinion regionally and nationally.

5.4 In respect of the Risk Register section in the report, Ms Beirne stated that a high level risk area was the evolution of the investment strategy with matters to be resolved around targets being discussed with UK and Welsh Government and bringing together information required relating to performance and the investment dashboard which was being progressed with the Investment Board. She also emphasised the importance of return on investment in relation to the City Deal. Cumulatively, at 31 March 2024, these amounted to £11.089 million in principal returns and £0.848 million in interest charges. These amounts were held as usable reserves in CCR's Balance Sheet and would be available to fund expenditure in future years. A further £5.155 million in principal and £0.229 million in interest was due to be received during Financial Year 2024/25.

5.5 Members welcomed the achievements in Q1 and return on investment.

5.6 On a motion from Councillor John Spanswick, seconded by Councillor Stephen Thomas, it was **RESOLVED** that the SEW CJC approved the Quarter 1 2024-25 performance report in Appendix 1 of the report and authorised the SEW CJC Chief Executive to formally submit the report, including supporting information, to both UK and Welsh Governments, and other stakeholders as required.

6. CCR Energy Ltd Annual Report and Governance Update

6.1 Kellie Beirne presented the report. She commented that it was still early days for CCR Energy Ltd. The main thrust of activity at the moment was geared towards the demolition and remediation of the Aberthaw Power Station site. She made the point that the Western Gateway Conference the previous week had highlighted the recognition of the project from Government partners and other companies. Matters including progress with team development, the new iteration of the Masterplan, the commercial strategy including the potential opportunity around the Pulverised Fuel Ash and the health and safety aspects as well as the changes proposed to the CCR Energy Board and Strategic Steering Group in terms of governance and representation were set out in the report. Ms Beirne added that the Annual Report was required to be approved by the CCR Energy Board but as the subsidiary company it was important that the report was also noted by the CJC.

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6.2 Christian Cadwallader thanked the CJC for the support as CCR Energy Ltd's sole shareholder. Mr Cadwallader and Councillor Bronwen Brooks emphasised that the project was right at the start of an exciting journey and that whilst the report set out the first year of activity, it highlighted the big opportunities ahead.

6.3 Councillor Sean Morgan thanked the team for their good work and welcomed the potential for local energy and low carbon production. He asked that the project was communicated well throughout the region. Kellie Beirne advised that there would be a schedule of Member briefings for CCR Energy and the ongoing work at Aberthaw. It was currently intended that there would be three to four of these annually.

6.4 It was **RESOLVED** that the SEW CJC:

1) Noted the CCR Energy Limited Annual Report 2023/24; and,
2) Noted the changes to the CCR Energy Board and Strategic Steering Group.

Exclusion of Press and Public

The SEW CJC **RESOLVED** that the public and press be asked to leave the meeting during discussion of the remaining items of business because exempt information as defined in Part 4 of Schedule 12A to the Local Government Act 1972 is likely to be made known.

NOTE: In accordance to the Standing Orders in relation to the delivery of the Cardiff Capital Region City Deal, Bannau Brycheiniog National Park Authority was not represented during the Exempt Session.

EXEMPT SESSION

7. Investment & Intervention Framework Report

Rhys Thomas presented the report.

It was **RESOLVED** that the SEW CJC approved the recommendations in the report.

8. Hybont Full Business Case

The item was withdrawn from the agenda. It is due to be considered at a future SEW CJC meeting.

9. KLA Full Business Case

Rhys Thomas presented the report.

It was **RESOLVED** that the SEW CJC approved the recommendations in the report.

Meeting end: 11.04am

Date of Next Meeting: 18 November 2024

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South East Wales Corporate Joint Committee

Cyd-bwyllgor corfforaethol De-Dwyrain Cymru

Report for:	NOTE
Contains Confidential or Exempt Information	NO

For Consideration By	South-East Wales Corporate Joint Committee
Report Title	2024/25 Month 06 Revenue Budget Monitoring Update
Report of	Strategic Director of Resources
Contact Details	Liam.Hull@cardiffcapitalregion.gov.uk
Date to be Considered	18 November 2024
Implementation Date	18 November 2024
Affected Council Areas	All
Keywords / Index	Finance; Budget Monitoring

Report Summary

1. The report below sets out the South-East Wales Corporate Joint Committee Revenue Budget position and the projected Outturn as at the 30 September 2024 (Month 06).

Recommendations

2. The South-East Wales Corporate Joint Committee is asked to:

(1) Note the Revenue Budget position and the projected Outturn as at the 30 September 2024 (Month 06) as set out in the report;

(2) Note that regular budget updates will be provided to the Committee throughout the year.

Reasons for Recommendations and Options Considered

3. To provide the South-East Wales Corporate Joint Committee (CJC) with details of the 2024/25 Month 06 Revenue Budget Monitoring position.

Background

4. At its meeting of the 29 January 2024, the CJC approved its revenue and capital budgets for financial year 2024/25, which represented the first year where the budgets for CJC Statutory Duties and the CCR City Deal (CCRCD) were brought together as part of the same budget report. The budget set out the relevant regulatory frameworks that were applicable to the budget setting process and the need to ensure that budgets are presented in a way that allowed the necessary accounting and reporting arrangements to be met. For this reason, the budget report was set out in three key tables:

- Table 1 set out the 2024/25 CJC Statutory Duties Budget (revenue);
- Table 2 set out the 2024/25 CCRCD Budget, which has been updated to include budgets in respect of the MIPIM Event and Valleys Regional Park (revenue);
- Table 6 set out the 2024/25 CCRCD Wider Investment Fund Budget (revenue & capital).

5. At its meeting of the 27 September 2024, the Governance & Audit Sub-Committee considered and noted the Month 04 Position, in line with its responsibility to:

- review and scrutinise the CJC's financial affairs;
- review any financial statement prepared by the CJC.

6. This report provides an update on the budget monitoring position and projected outturn as at the 30 September 2024 (Month 06) in respect of the approved 2024/25 CJC Statutory Duties Budget and the approved 2024/25 CCRCD Budget. The budget monitoring position in respect of the Wider Investment Fund budgets are set out in the Quarterly Performance Reports. The CJC considered the Quarter 1 position at its meeting of the 21 October 2024 (Item 05), with the Quarter 2 position, scheduled to be considered at its December 2024 meeting.

Key Considerations

7. Table 1 sets out the Month 06 position in respect of the CJC Statutory Duties budget, which combines the budget position for both the 'General' and the 'Strategic Development Planning' budgets. This shows that actual expenditure incurred to the 30 September July 2024 amounted to £247k and represents 36.1% of the approved budget. At Month 06 there is a full year projected underspend of £35k based on the information and assumptions known at this time. Further details of the material variances to the budget are set out in paragraphs 8 to 11.

Table 1: CJC Statutory Duties – Month 06

Description	2024/25 Budget £	Month 6 Actual YTD £	Month 6 Commit' £	Month 6 Revised £	24/25 Projection £	24/25 Variance £
Direct Costs						
Regional Transport Plan (Employees)	41,000	53,088	0	53,088	100,000	59,000
Regional Transport Plan (Non-Employees)	200,500	-	-	-	62,000	(138,500)
Regional Transport Plan Sub-Committee	3,600	-	-	-	3,600	-
Strategic Development Plan	25,000	-	12,500	12,500	25,000	-
Strategic Development Plan Sub-Committee	3,600	-	-	-	3,600	-
Contingency	30,000	-	-	-	30,000	-
Direct Costs Sub-Total	**303,700**	**53,088**	**12,500**	**65,588**	**224,200**	**(79,500)**
Corporate Support & Overheads						
Corporate Duties	3,000	-	1,625	1,625	3,250	250
Governance Support (Incl. Sub-Committees)	7,050	-	3,025	3,025	10,159	3,109
Management, Support & Overheads	371,675	690	176,294	176,984	349,620	(22,055)
Corporate Support & Overheads Sub-total	**381,725**	**690**	**180,944**	**181,634**	**363,029**	**(18,696)**
Total Expenditure	**685,425**	**53,778**	**193,444**	**247,222**	**587,229**	**(98,196)**
Funding & Contributions						
Welsh Government Grant Funding (RTP)	(100,000)	-	(53,088)	(53,088)	(100,000)	-
SEW CJC Constituent LAs	(459,470)	(229,735)	-	(229,735)	(459,470)	-
Bannau Brycheiniog NPA	(955)	(398)	(80)	(478)	(955)	-
Specific Earmarked Reserves (RTP)	(125,000)	-	-	-	(62,000)	63,000
Total Funding & Contributions	**(685,425)**	**(230,133)**	**(53,168)**	**(283,301)**	**(622,425)**	**63,000**
Net Position	**-**	**(176,355)**	**140,276**	**(36,079)**	**(35,196)**	**(35,196)**

Direct Costs (RTP and SDP): £80k underspend

8. At Month 06, actual costs in respect of RTP activities amounted to £53k and full year costs are projected to be £100k in respect of the Employee related budget. The Non-Employee costs are projected to be £62k in 2024/25. This results in an overspend of £59k against the RTP Employee budget, and an underspend of £139k against the Non-Employee budget. These variances have arisen as a result of a reprofiling exercise between the two budget heads. All costs will be met from the approved Welsh Government RTP grant.

Funding and Contributions: £63k overspend

9. Welsh Government has approved grant funding of £100k to support eligible Regional Transport Plan costs incurred during 2024/25. The projection reflects the grant's terms and conditions; that is, the need for the grant to be fully drawn down and spent by the 31 March 2025.

10. A specific Earmarked Reserve of £125k has been set aside to meet the balance of the RTP costs in 2024/25. Based on the projected costs at Month 06, £62k of this reserve will be utilised to meet RTP costs. Any balance remaining on this reserve will be available to meet future RTP costs.

Cardiff Capital Region City Deal (CCRCD) updated to include MIPIM Event and Valleys Regional Park budget)

11. Table 2 below sets out the Month 06 position in respect of the 2024/25 CCRCD revenue budget. This shows that actual expenditure incurred to the 30 September 2024 amounted to £1,743k and represents 41.6% of the approved budget. At Month 06 there is projected overspend of £185k

12. Further details of the material variances are set out in paragraphs 14 to 25.

Table 2: Cardiff Capital Region City Deal – Month 06

Description	2024/25 Budget £	Month 6 Actual YTD £	Month 6 Commit' £	Month 6 Revised £	24/25 Projection £	24/25 Variance £
Employees (Gross)	3,006,564	1,262,029	-	1,262,029	3,085,309	78,745
Premises	65,000	33,752	11,657	45,409	58,638	(6,362)
Transport	61,755	1,918	690	2,608	49,255	(12,500)
Supplies & Services	704,502	210,112	34,510	244,622	760,808	56,306
Support Services (SLAs)	235,898	-	140,498	140,498	280,995	45,097
External Audit Fee	69,223	-	48,227	48,227	96,454	27,231
CJC Transition Costs	-	-	-	-	-	-
Contingency	47,499	-	-	-	50,000	2,501
Total Expenditure	**4,190,441**	**1,507,811**	**235,581**	**1,743,392**	**4,381,459**	**191,018**
Funding & Contributions						
LA Partner Contributions	(1,363,488)	(667,657)	-	(667,657)	(1,363,488)	-
WIF Top-Slice Contribution	(1,644,202)	(822,101)	-	(822,101)	(1,644,202)	-
Welsh Government Funding	(134,527)	-	(28,176)	(28,176)	(134,527)	-
CCR Reserves	-	-	-	-	(41,829)	(41,829)
Sponsorship	(200,000)	-	-	-	(203,500)	(3,500)
Internal Recharges	(848,224)	(379,787)	-	(379,787)	(809,304)	38,920
Total Funding & Contributions	**(4,190,441)**	**(1,869,544)**	**(28,176)**	**(1,897,720)**	**(4,196,850)**	**(6,409)**
Net Position	**-**	**(361,733)**	**207,406**	**(154,327)**	**184,608**	**184,608**

Employee Related Costs: £79k overspend

13. At Month 06 there is a projected overspend of £79k against the approved Employees budget of £3,007k. This net position reflects a number of factors which are summarised below:

- Following transition to CJC, it has become apparent that additional staffing resources are required to ensure that the CJC can meet all of the duties that come with being a public body;

- Whilst longer-term requirements are being considered, this has resulted in the need to recruit to a number of additional short-term roles, which has added pressure to the staffing budget. Furthermore, a number of these roles have been filled using contractor / agency staff, which has resulted in higher costs;

- A 10% vacancy factor amounting to £329,900 has been introduced as part of the 2024/25 budget. Given the resource pressures above, it has not been possible to manage vacancies in the way that was envisaged when the budget was set.

14. The increased resource, particularly in finance and legal services, presents the CJC with an opportunity to support capital projects through utilising internal resource. This will reduce the reliance on external advisor support, which can be costly and should result in organisational savings that will positively impact the costs outlined above.

15. An initial assessment of capitalising support costs has been undertaken at Month 06, and on this basis £78,500 of revenue costs have been identified as being appropriate to recharge to Wider Investment Fund Capital Budgets. Further work will be carried over the coming months to test the robustness of this assessment and to refine the value of costs that may be capitalised for the full year. This will potentially reduce the value of the projected overspend against the Employee budget reported at Month 06.

Transport Related Costs: £13k underspend

16. The total budget for Transport related costs amounts to £61,755 and is made up of £41,755 in relation to events and £20,000 in relation to staff travelling and subsistence. At Month 06, the events budget is projected to be on target, whilst staff travelling and subsistence is projecting an underspend of £12,500, based on the level of claims submitted and reimbursed to date.

Supplies & Services: £57k overspend

17. The Supplies & Services budget totals £705k and covers a range of expenditure heads in relation to CCR, MIPIM Event and Valleys Regional Park. In summary, the material variances projected at Month 06 all relate to CCR budgets and consist of:

- an overspend on Consultants' Fees of £80k (£38k financial consultancy support, which was not included in the 2024/25 budget and £42k relating to Gateway Review costs being reprofiled from 2025/26);

- an overspend of £11k relating to a number of Subscriptions now required in the name of the CJC, which includes legal services case management, making tax digital and the real living wage;

- an overspend of £3k on the CCRCD's 50% share of Governance & Audit Sub-Committee costs;

- an underspend of £34k on the CCRCD share of the insurance premium and a net underspend of £4k on other Supplies & Services budget heads.

Support Services: £45k overspend

18. The CJC has agreed Service Level Agreements with Rhondda Cynon Taf County Borough Council (RCT) for the provision of transactional support across a range of support services. 2024/25 represents the first year of these arrangements and budget values were based on the assumptions and information known at the time when the budget was prepared.

19. As the CJC's operations are bedding down, additional support requirements have been identified, which at Month 06 indicates a potential overspend of £45k for the year. In summary, the increases relate to additional Internal Audit days (£25k), ICT support increase in demand (£8k), Accounts Payable (£10k), netted-off by a (£2k) reduction to the Procurement SLA. These increases are being discussed with RCT officers with a view to assessing options for potentially reducing the overall level of the overspend.

20. The projection also includes SLA costs with Cardiff Council of £4k for licences and ICT support to enable the CJC to access its legacy accounting systems. This is necessary to enable the CJC to prepare its 2023/24 Statement of Accounts and complete the audit.

External Audit Fee: £27k overspend

21. CCRCD's accounts are increasing in complexity, which was reflected in the 2024/25 budget being increased to £69,223. Audit Wales' fee proposals received in respect of the Financial Audit and the Performance Audit indicate that the actual costs for the year will amount to £96,454, resulting in an overspend of £27,231 against the approved budget.

Funding and Contributions: £6k underspend

22. The increase (£41,829) in Gateway Review costs referred to earlier in this report will be met from a Specific Earmarked Reserve held for this purpose. The adequacy of the balance remaining in the reserve at the year-end will be assessed as part of the annual closure of accounts process.

23. In 2024/25 the budget for internal staff recharges was increased significantly from £274,791 to £848,224 to reflect the increased level of core staff time being spent on projects and externally funded (grant) initiatives, such as the Shared Prosperity Fund (SPF) etc.

24. Staff time analysis carried out at Month 06 indicates that the projected level of recharges for the year will amount to £809,304, resulting in a shortfall of £38,920 against the budgeted level of income. The actual level of time spent

by staff on projects and externally funded initiatives will continue to be monitored on a monthly basis and the full projection updated accordingly.

Comments of the s.151 Officer

25. The detailed financial implications are set out in the body of this report. In summary, Table 1 sets out the CJC Statutory Duties budget is projected to be underspent by £35k in 2024/25. The position will be updated as part of future reports to the CJC during the year to ensure that accurate and up to date financial information is provided to the CJC to aid its decision making.

26. In the event the CJC Statutory Duties budget is underspent at the year end, then options will be provided to the CJC for managing such an underspend. However, it should be noted that, in-line with the CJC regulations, funding contributions raised to meet the cost of CJC Statutory Duties must be ringfenced and applied to expenditure incurred for those purposes.

27. Conversely, Table 2 is projecting an overspend of £185k at Month 06. The report provides details of the areas where overspends are being projected and actions being taken to reduce or eliminate these overspends. An update on progress being made in this regard will be reported as part of future reports along with the options available to the CJC to fund any residual overspend, should this crystallise at the year end.

Comments of the Monitoring Officer

28. This is a revenue budget monitoring report for noting and, based on the information contained in this report, does not raise any direct legal issues.

Staffing Implications

29. There are no direct staffing implications arising from this report.

Equality, Human Rights and Community Cohesion

30. No adverse equalities implications have been identified.

Well-being of Future Generations

31. Regard has been had to the well-being duty arising under the Well-Being of Future Generations (Wales) Act 2015.

Welsh Language Implications

32. None.

Background Papers

- SEW CJC Meeting 29 January 2024 – Item 05: 2024/25 Annual Budget
- Governance and Audit Sub-Committee Meeting 27 September 2024 – Item 11: 2024/25 Month 4 Revenue Budget Monitoring Update

Appendices: None

Report Author: **Liam Hull – Strategic Director of Resources**
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Meeting Date: **18 November 2024**

South East Wales Corporate Joint Committee

Cyd-bwyllgor corfforaethol De-Dwyrain Cymru

Report for:	NOTING
Contains Confidential or Exempt Information	NO

For Consideration By	South-East Wales Corporate Joint Committee
Report Title	Quarters 1 and 2: 2024/25 Treasury Management Performance Report
Report of	Strategic Director of Resources
Contact Details	Liam.Hull@cardiffcapitalregion.gov.uk
Date to be Considered	18th November 2024
Implementation Date	Immediate
Affected Council Areas	All
Keywords / Index	Finance; Treasury Management

Report Summary

1. This report sets out the South-East Wales Corporate Joint Committee's performance against its Treasury Management Strategy. The report complies with the requirement of both the 2021 Treasury Management Code and the CIPFA Prudential Code 2021. The Codes state that regular monitoring of the approved indicators should be undertaken and reported at least quarterly in-year.

Recommendations

2. The Committee is asked to:

(1) Consider the 2024/25 Quarter 1 & 2 Treasury Management Report (Appendix 1) and Prudential Indicators (Appendix 2);

(2) Note the issue of non-compliance relating to counterparty limits in Quarter 1 & 2;

(3) Note that regular updates will be provided throughout the year.

Reasons for Recommendations and Options Considered

3. To ensure the CJC is kept up to date with performance against its Treasury Management Strategy.

Background

4. The South-East Wales Corporate Joint Committee (CJC) enacted its Treasury Management Policy on the 1 April 2024. This brought the treasury management arrangements from Cardiff Council (CC), which was the Accountable Body for the Cardiff Capital Region City Deal previously, to the CJC. From 1st April 2024 the CJC entered into a Service Level Agreement with Rhondda Cynon Taff CBC to provide transactional support to our Treasury Management function.

5. The CIPFA Prudential Code 2021 states that regular monitoring of the approved indicators should be undertaken and reported at least quarterly.

6. Reports are initially considered by the Governance & Audit Sub-Committee and the Quarter 1 report was considered by them at their meeting on 27th September 2024.

7. Given that the Governance & Audit Sub-Committee are not due to meet again until January, this report to the CJC combines the Quarter 1 and Quarter 2 Performance for CJC consideration.

8. Much of the CIPFA Prudential Code 2021 and associated Prudential Indicators focus on borrowing and has limited application to the CJC due to it not undertaking any borrowing to date.

Key Considerations

9. The Full Quarter 1 & 2 Report is included at **Appendix 1** with Prudential Indicators included as **Appendix 2**.

10. The CJC has undertaken investments in line with the Treasury Management Strategy, investing surplus funds with the UK Government Debt Management Office (DMO) for a 7-day maturity period, along with maintaining a working balance with Barclays Bank to fund weekly cashflow requirements. A summary of the activity during Quarters 1 & 2 is set out in the table below:

Table 1: Treasury Investment Position

	31.3.24 Balance £m	**Net Movement £m**	**30.9.24 Balance £m**	**30.9.24 Income Return %**	**30.9.24 Weighted Average Maturity Days**
Banks & building societies (unsecured)	0.21	1.15	1.36	1.60%	1 day
Government	67.88	(23.48)	44.40	5.04%	7 days
Total investments	**68.09**	**(22.33)**	**45.76**	**4.94%**	**7 days**

11. Whilst this approach has a low risk-appetite, it has resulted in the CJC achieving interest returns in the sum of £1.506m cumulatively in Quarters 1 & 2.

12. This income has not been factored into income projections within the annual revenue budget and will therefore strengthen our balance sheet position.

Compliance

13. The Section 151 Officer needs to draw to the attention of the Committee two instances of non-compliance in Quarters 1 & 2.

14. This relates to breaches of a counterparty limit due to having to retain funds in our current account on a short-term basis in order to make a substantial payment later in the week.

15. The Counterparty Limit of £5m was breached by retaining balances of £6.7m and £6.1m in our bank account on a short-term basis for operational purposes.

16. The current SLA with RCT only provides for weekly lending to the DMO with no facility for overnight lending, meaning that the CJC has to retain funds in its account for planned payments later in the week.

17. Whilst this means that a breach of this nature could not be avoided, we have since worked with RCT to allow for some flexibility in our processes to mitigate the risk of this happening again. Whilst this flexibility is welcomed and appreciated, we are also urgently looking at additional ways that we can further increase flexibility of our cash flow management.

18. All other principles in the Treasury Management Code and the CJC's approved Treasury Management Strategy were fully complied with and compliance with specific investment limits is demonstrated in the table below:

Table 2 Investment Limits

Sector	2024/25 Maximum	30/09/24 Actual	2024/25 Limit	Complied? Yes/No
The UK Government	66m	44.4m	Unlimited	Yes
Local authorities & other government entities	0m	0m	5m	Yes
Secured investments *	0m	0m	5m	Yes
Banks (unsecured) *	***6.7m***	***1.4m***	***5m***	***No***
Building societies (unsecured) *	0m	0m	5m	Yes
Registered providers (unsecured) *	0m	0m	5m	Yes
Money market funds *	0m	0m	5m	Yes
Strategic pooled funds	0m	0m	5m	Yes
Real estate investment trusts	0m	0m	5m	Yes
Other investments *	0m	0m	3m	Yes

19. The Treasury Management Strategy sets out counter party organisations that we can invest in with a minimum credit rating target of A. The table below demonstrates full compliance with that target with an actual rating of AA-

	2024/25 Target	30.6.24 Actual	Complied?
Portfolio average credit rating	A	AA-	Yes

Comments of the s.151 Officer

20. This report sets out the CJC's performance against its Treasury Management Strategy for Quarters 1 & 2 of 2024/25 in line with reporting requirements.

21. Investments at low-risk yielded £1.506m in interest during the quarter.

22. Members are asked to note two instances of non-compliance in relation to the CJC's approved Counterparty Limits for a short period in Quarters 1 & 2 and note that we have worked with RCT to provide additional flexibility within the SLA to mitigate against the risk of this happening in the future. Whilst this flexibility is welcomed and appreciated, we are also urgently looking at additional ways that we can further increase flexibility of our cash flow management.

Comments of the Monitoring Officer

23. The Local Government Act 2003 provides a framework for the capital finance of local authorities, for which purposes include corporate joint committees. It provides a power to borrow and imposes a duty to determine an affordable borrowing limit. It provides a power to invest. Fundamental to the operation of the scheme is an understanding that authorities will have regard to proper accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in carrying out capital finance functions.

24. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 require the CJC to have regard to the CIPFA publications "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("the Treasury Management Code") and "The Prudential Code for Capital Finance in Local Authorities" ("the Prudential Code") in carrying out capital finance functions under the Local Government Act 2003.

Staffing Implications

25. There are no direct staffing implications arising from this report.

Equality, Human Rights and Community Cohesion

26. No adverse equalities implications have been identified.

Well-being of Future Generations

27. Regard has been had to the well-being duty arising under the Well-Being of Future Generations (Wales) Act 2015.

Welsh Language Implications

28. There are no Welsh Language implications arising from this report.

Background Papers

- SEW CJC Meeting 18 March 2024 – Item 07: CJC 2024 2025 Treasury Management Strategy

- Governance & Audit Committee 27 September 2024 – Item 07: 2024/25 Treasury Management Quarter 1 Reporting

Report Authors: **Liam Hull – Strategic Director of Resources**
(Liam.Hull@cardiffcapitalregion.gov.uk)

Meeting Date: **18th November 2024**

Appendices

Appendix 1 Q1 & 2 2024-25 Treasury Management Report
Appendix 2 Q1 & 2 2024-25 Prudential Indicators

South East Wales Corporate Joint Committee Treasury Management Report Q1 & 2 2024/25

Introduction

In April 24 the Corporate Joint Committee (CJC) adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the CJC to approve, as a minimum, treasury management semi-annual and annual outturn reports.

This half yearly report provides an additional update and includes the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the CJC's normal quarterly revenue and capital monitoring report.

The CJC's Treasury Management Strategy for 2024/25 was approved at a meeting on 18th March 2024. The CJC has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the CJC's Treasury Management Strategy.

External Context

Economic background: UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.

The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to July showed the unemployment rate fell to 4.1% (3mth/year) from 4.4% in the previous three-month period while the employment rate rose to 74.8% from 74.3%.

Over the same period average regular earnings (excluding bonuses) was 5.1%, down from 5.4% in the earlier period, and total earnings (including bonuses) was 4.0% (this figure was impacted by one-off payments made to NHS staff and civil servants in June and July 2023). Adjusting for inflation, real regular pay rose by 2.2% in May to July and total pay by 1.1%.

With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.

The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

The US Federal Reserve (the Fed) also cut interest rates during the period, reducing the Federal Funds Rate by 0.50% to a range of 4.75%-5.00% at its policy meeting in September. The forecasts released at the same time by the central bank suggested a further 1.00% of easing is expected by the end of the calendar year, followed by the same amount in 2025 and then a final 0.50% of cuts during 2026.

Having first reduced interest rates in June, the European Central Bank (ECB) held steady in July before cutting again in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. Unlike the Fed, the ECB has not outlined a likely future path of rates, but inflation projections remain in line with the central bank's previous forecasts where it will remain above its 2% target until 2026 on an annual basis.

Financial markets: Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. The general upward trend in yields in the early part of the period was reversed in the later part, and yields ended the half-year not too far from where they started. However, the volatility in response to economic, financial and geopolitical issues meant it was a bumpy ride for bond investors during that time.

Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% but hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.

Credit review: Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

Having had its outlook increased by Fitch and ratings by S&P earlier in the period, Moody's upgraded Transport for London's rating to A2 from A3 in July.

Moody's also placed National Bank of Canada on Rating Watch for a possible upgrade, revising the outlook on Standard Chartered to Positive, the outlook to Negative on Toronto Dominion Bank, and downgrading the rating on Close Brothers to A1 from Aa3.

S&P upgraded the rating on National Bank of Canada to A+ from A, and together with Fitch, the two rating agencies assigned Lancashire County Council with a rating of AA- and A+ respectively.

Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

Local Context

On 31st March 2024, the CJC had net investments of £67.88m arising from its revenue and capital income and expenditure. 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. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.24 Estimate £m	31.3.25 Forecast £m
General Fund CFR	0	0
Less: *Other debt liabilities	0	0
Borrowing CFR	**0**	**0**
External borrowing**	0	0
Internal borrowing	0	0
Less: Balance sheet resources	68m	71m
Net Investments	**68m**	**71m**

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

The treasury management position at 30th September and the change over the quarter is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.24 Balance £m	Movement £m	30.9.24 Balance £m	30.9.24 Rate %
Long-term borrowing				
- PWLB	0	0	0	0
- LOBOs	0	0	0	0
- Other	0	0	0	0
Short-term borrowing	0	0	0	0
Total borrowing	**0**	**0**	**0**	**0**
Long-term investments				
Short-term investments	67.88	(23.48)	44.40	5.04%
Cash and cash equivalents	0.21	1.15	1.36	1.60%
Total investments	**68.09**	**(22.33)**	**45.76**	**4.91%**
Net investments	**68.09**	**(22.33)**	**45.76**	**4.91%**

Borrowing Strategy and Activity

Whilst the CJC's Treasury Management Strategy sets out a clear process for borrowing, to date the CJC has not undertaken any borrowing.

Treasury Investment Activity

The CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (revised in 2021) defines treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The CJC holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the CJC's investment balances ranged between £44 and £67 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.24 Balance £m	Net Movement £m	30.9.24 Balance £m	30.9.24 Income Return %	30.9.24 Weighted Average Maturity days
Banks & building societies(unsecured)	0.21	1.15	1.36	1.60%	1 day
Government	67.88	(23.48)	44.40	5.04%	7 days
Total investments	**68.09**	**(23.48)**	**45.76**	**4.94%**	**7 days**

**Weighted average maturity will apply to the first five categories above and to cash plus and bond funds.*

Both the CIPFA Code and government guidance require the CJC to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Corporate Joint Committee 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.

As demonstrated by the liability benchmark in this report, the CJC expects to be a long-term investor and the Treasury Management Strategy treasury investments therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for contributing to the CJC's wider objectives.

Bank Rate reduced from 5.25% to 5.00% in August 2024 through the quarter with short term interest rates largely being around this level. The rates on DMO deposits was 5.04% market rates between [4.8% and 5.3%]. The CJC currently invests all of it's surplus funds with the DMO on a short-term basis.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
30.09.2024	3.77	AA-	3.00%	7 days	4.94%
Other LAs Average	**4.60**	**A+**	**61%**	**11 days**	**4.90%**

*Weighted average maturity

Treasury Performance

The CJC measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual (30.09.24) £m	Actual %	Benchmark %	Over/ under
	0	**0**	**0**	**0**
Total borrowing	**0**	**0**	**0**	**0**
PFI and Finance leases	0	0	0	0
Total debt	0	0	0	0
DMO	44.4	4.94%	4.90%	0.04%
Total treasury investments	**44.4**	**4.94%**	**4.90%**	**0.04%**
Total investments	**44.4**	4.94%	4.90%	0.04%

Compliance

The Section 151 Officer needs to draw to the attention of the Committee two instances of non-compliance in Quarters 1 & 2.

Both relate to a breach of a counterparty limit due to having to retain funds in our current account on a short-term basis in order to make a substantial payment later in the week.

The current SLA with RCT only provides for weekly lending to the DMO with no facility for overnight lending, meaning that the CJC has to retain funds in its account for planned payments later in the week.

Whilst this means that a breach of this nature could not be avoided, we have since worked with RCT to allow for some flexibility in our processes to mitigate the risk of this happening again. Whilst this flexibility is welcomed and appreciated, we are also urgently looking at additional ways that we can further increase our flexibility of our cash flow management.

All other principles in the Treasury Management Code and the CJC's approved Treasury Management Strategy were fully complied with and compliance with specific investment limits is demonstrated in Table 7 below.

Table 7: Investment Limits

Sector	2024/25 Maximum £	30/09/24 Actual £	2024/25 Limit £	Complied? Yes/No
The UK Government	66.m	55.1m	Unlimited	Yes
Local authorities & other government entities	0m	0m	5m	Yes
Secured investments *	0m	0m	5m	Yes
Banks (unsecured) *	6.7m	0.9m	5m	No
Building societies (unsecured) *	0m	0m	5m	Yes
Registered providers (unsecured) *	0m	0m	5m	Yes
Money market funds *	0m	0m	5m	Yes
Strategic pooled funds	0m	0m	5m	Yes
Real estate investment trusts	0m	0m	5m	Yes
Other investments *	0m	0m	3m	Yes

Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the CJC monitors and measures the following treasury management prudential indicators.

1. Liability Benchmark**:**
This indicator compares the CJC's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. As the CJC currently has no borrowing and is not forecasted to borrow in the medium-term, this indicator is not applicable.

3. Long-term Treasury Management Investments**:** The purpose of this indicator is to control the CJC's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2024/25	2025/26	2026/27	No fixed date
Limit on principal invested beyond year end	£0m	£0m	£0m	£0m
Actual principal invested beyond year end	£0m	£0m	£0m	£0m
Complied?	n/a	n/a	n/a	n/a

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Additional indicators

Security: The CJC has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	2024/25 Target	30.9.24 Actual	Complied?
Portfolio average credit rating	A	AA-	Yes

Liquidity: The CJC has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	30.6.24 Actual	2024/25 Target	Complied?
Total cash available within 3 months	£55m	£5m	Yes

Interest Rate Exposures: This indicator is set to control the CJC's exposure to interest rate risk.

Interest rate risk indicator	2024/25 Target	30.9.24 Actual	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0.5m	£0m	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	£0.5m	£0m	Yes

For context, the changes in interest rates during the quarter were:

	01/04/24	30/06/24	30/09/24
Bank Rate	5.25%	5.25%	5.00%
1-year PWLB certainty rate, maturity loans	5.39%	5.37%	4.95%
5-year PWLB certainty rate, maturity loans	4.72%	4.89%	4.55%
10-year PWLB certainty rate, maturity loans	4.80%	4.96%	4.79%
20-year PWLB certainty rate, maturity loans	5.24%	5.37%	5.27%
50-year PWLB certainty rate, maturity loans	5.07%	5.18%	5.13%

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

Appendix 2

Prudential Indicators Q1& 2 2024/25

The Corporate Joint Committee measures and manages its capital expenditure, borrowing and commercial and service investments (where applicable) with references to the following indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

The non-treasury prudential indicators are incorporated in the CJC's normal quarterly revenue and capital monitoring report.

Capital Expenditure: The CJC has undertaken and is planning capital expenditure as summarised below

	2023/24 actual	2024/25 forecast *	2025/26 budget	2026/27 budget
General Fund services	0	0	0	0
Council housing (HRA)	0	0	0	0
Capital investments	40.71m	48.65m	55.36m	61.44m

* £0 of capital expenditure in [2024/25 *(or other date of adopting IFRS 16)*] arises from a change in the accounting for leases and does not represent cash expenditure.

The liability benchmark is an important tool to help establish whether the CJC is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the CJC 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. However, as the CJC is expected to be a long-term investor, it is more appropriate to use an asset benchmark.

Prudential Indicator: Asset benchmark

	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Loans CFR	**0**	**0**	**0**	**0**	**0**
Plus: Balance sheet resources	68.0	**71.0**	71.0	71.0	80.0
Plus: Equity Sales	0	**0**	0	0	10
Net investments	57.0	**61.0**	61.0	61.0	70.0
Less: Liquidity allowance	0	**0**	0	0	0
Asset benchmark	**57.0**	**61.0**	61.0	61.0	70.0

Capital Financing Requirement

	31.3.2024 actual	30.9.2024 actual	31.3.2025 forecast *	31.3.2026 budget	31.3.2027 budget
General Fund services	0	0	0	0	0
Council housing (HRA)	0	0	0	0	0
Capital investments	40.71m	23.76m	55.36m	61.43m	60.38m
TOTAL CFR	**0**	**0**	**0**	**0**	**0**

Gross Debt and the Capital Financing Requirement: Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The CJC has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	31.3.2024 actual	31.3.2025 forecast	31.3.2026 budget	31.3.2027 budget	Debt at 30.6.2024
Debt (incl. PFI & leases)	0	0	0	0	0
Capital Financing Requirement	0	0	0	0	0

Debt and the Authorised Limit and Operational Boundary: The CJC is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	Maximum debt Q1&2 2024/25	Debt at 30.9.24	2024/25 Authorised Limit	2024/25 Operational Boundary	Complied? Yes/No
Borrowing	0	0	0	0	Yes
PFI and Finance Leases	**0**	**0**	**0**	**0**	Yes
Total debt	**0**	**0**	**0**	**0**	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Treasury Management Indicators: These indicators (Liability Benchmark, Maturity Structure of Borrowing, Long-Term Treasury Management Investments are within the [Treasury Management Report Q1 2024/25].

South East Wales Corporate Joint Committee

Cyd-bwyllgor corfforaethol De-Dwyrain Cymru

Report for:	ACTION
Contains Confidential or Exempt Information	NO

For Consideration By	South-East Wales Corporate Joint Committee
Report Title	Admission of CCR Energy Staff into Local Government Pension Scheme
Report of	Liam Hull, Strategic Director of Resources
Contact Details	Liam.Hull@cardiffcapitalregion.gov.uk
Date to be Considered	18 November 2024
Implementation Date	22 November 2024
Affected Council Areas	All
Keywords / Index	Pensions, CCR Energy

Report Summary

1. The report seeks approval from members for the CJC to enter into an admissions agreement with Rhondda Cynon Taf Pension Fund that will allow CCR Energy employees to join the LGPS scheme from 1st December 2024.

Recommendations

2. The South-East Wales Corporate Joint Committee is asked to:

2.1 Approve the CJC entering into an admissions agreement with Rhondda Cynon Taf Pension Fund that will allow CCR Energy employees to join the LGPS scheme from 1st December 2024;

2.2 Note the independent assessment of wider Terms & Conditions of CCR Energy employees contained within the report.

Reasons for Report

3. To seek approval from members for the CJC to enter into an admissions agreement with Rhondda Cynon Taf Pension Fund, as the Pension Fund provider for the SEW Corporate Joint Committee (CJC), that will allow CCR Energy employees to join the LGPS scheme from 1st December 2024.

Reasons for Recommendations & Options Considered

Background

4. CCR Energy Limited "CCR Energy" purchased Aberthaw Power Station on 17 March 2023 and has a small staff team of 10 FTE employees. CCR Energy has non-contracting status and sits within the CCR Group as a wholly owned subsidiary.

5. CCR Energy staff currently have access to a National Employment Savings Trust (NEST) Pension Scheme with employer's contributions based on the statutory minimum rates.

6. In order to operate effectively and meet their objectives, it is important that CCR Energy is able to attract talent and be competitive in the market. Staff terms and conditions are a key aspect to this.

7. CCR Energy Board resolved at their Board meeting on 4th September 2024 to enhance staff terms and conditions by allowing access to a Local Government Pension Scheme, subject to approval by the CJC to enter into an admissions agreement with Rhondda Cynon Taf Pension Fund.

8. Other staff terms and conditions are currently in the process of being reviewed by the CCR Energy Board.

Key Implications/Matters

9. Ordinarily, wholly owned subsidiaries of Local Authorities are permitted automatic, direct access to the relevant Local Government Pension Scheme.

10. Due to an omission in the legislation establishing CJCs, this is not the case for wholly owned subsidiaries of CJCs and, as such, CCR Energy employees can only be entered into the Rhondda Cynon Taf Pension Fund LGPS scheme through an admissions agreement with the CJC.

11. CCR Energy currently has a staffing complement of 10 FTE at a salary cost of £447k with plans to grow the size of the team in the future. Proposals for this will be set out in the next CCRE Annual Business Plan.

12. All associated costs with entering the LGPS, including the increased employers' pensions contributions, will be borne by CCR Energy and have

been budgeted for and considered as part of the CCR Energy Board's decision.

13. The admissions agreement requires the CJC to act as a guarantor, effectively underwriting the pension liability of CCR Energy in case the company defaults on its obligations.

14. The admissions agreement with Rhondda Cynon Taf Pension Fund would be an open agreement, meaning that future employees of CCR Energy would be able to gain access to the LGPS scheme.

15. This guards against the risk of creating a two-tier workforce and shows our commitment to social partnership, as well as supporting CCR Energy to remain competitive.

16. Whilst the financial risk to the CJC is unquantifiable, it is equivalent to CCR Energy staff being employed directly by CCR.

17. An analysis of other CCR Energy staff terms and conditions, commissioned by the CCR Energy Board indicates that they are broadly less favourable than those on offer at CCR, or those offered by the 10 Local Authorities within the region.

18. Full alignment of CCR Energy staff terms and conditions is not considered optimal due to the nature of the organisation and their non-contracting status.

19. A report detailing the decision of the Corporate Joint Committee regarding LGPS and wider set of independently informed Terms and Conditions will be taken to the next meeting of the CCR Energy Board in December – presented and led by the Chair of the Board.

Comments of the Strategic Director of Resources and Section 151 Officer

20. The recommendations within this report will have a nil effect on CCR budget.

21. Whilst there is a longer-term financial risk due to the requirement of the CJC to act as a guarantor through the admissions agreement, this risk is the same as CCR Energy staff being directly employed by CCR.

22. The admissions agreement will be an open agreement, which will allow future employees to enter the scheme. Whilst this will increase the quantum of financial risk through the pensions liability guarantee, any growth in staff numbers will be driven by the success of CCR Energy, which would ultimately reduce the likelihood of any liability default.

Comments of the Monitoring Officer

23. The Local Government and Elections (Wales) Act 2021 (Corporate Joint Committees) (Consequential Amendments) Order 2023 amended the Local

Government Pension Scheme Regulations 2013 to add the South East Wales CJC to the list of Scheme Employers (Sch.2, Part 1, para. 27), meaning that (subject to certain restrictions) a person working in the CJC's employment is automatically eligible to be an active member of the Local Government Pension Scheme.

24. However, no corresponding amendment was made to Part 2 of Schedule 2 to the 2013 Regulations, meaning that a person working in a company under the control of the CJC is not automatically eligible for admission to the LGPS in the same way that an employee of council wholly owned company would be (Sch.2, Part 2, para. 6).

25. In order to address this disparity, CCR Energy Ltd are seeking the CJC's approval to invite Rhondda Cynon Taf CBC to make a determination under S.25(5) of the Public Services Act 2013 that the pension scheme administered by RCT is to relate to persons employed by CCR Energy Ltd, which would allow CCR Energy to seek to enter into a scheme admission agreement with RCT pursuant to Reg. 3(1)(b) of the Local Government Pension Scheme Regulations 2013.

Equality, Diversity, and Inclusion

26. The Equality Act 2010 (Public Authorities subject to the Public Sector Equality Duty) (Wales) Order 2021 amended Part 2 of Schedule 19 to the Equality Act 2010 to provide that Corporate Joint Committees are subject to the Public Sector Equality duty set out in Section 149 of the Equality Act 2010.

27. The Equality Act 2010 (Authorities subject to a duty regarding Socio-economic Inequalities) (No. 2) (Wales) Regulations 2021 amended section 1 of the Equality Act 2010 in order to add Corporate Joint Committees to the list of relevant authorities subject to the Socio-Economic Duty.

28. The Committee must, in the exercise of its functions, have due regard to the need to: (1) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited under the Act; (2) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not; and (3) foster good relations between persons who share a relevant protected characteristic and persons who do not.

29. The characteristics protected under the Act are:
    - age;
    - disability;
    - gender reassignment;
    - marriage and civil partnership;
    - pregnancy and maternity;
    - race;

- religion or belief;
- sex; and
- sexual orientation.

30. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

    (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;

    (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;

    (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

31. The socio-economic duty requires public bodies to, when making decisions of a strategic nature about how to exercise its functions, have due regard to the desirability of exercising them in a way that is designed to reduce the inequalities of outcome which result from socio-economic disadvantage.

32. Officers are of the view that the decisions recommended in this report will have a positive equalities impact by reducing the inequalities of socio-economic disadvantage.

Well-being of Future Generations

33. The Corporate Joint Committees (Amendment of the Well-being of Future Generations (Wales) Act 2015) Regulations 2021 bring CJCs within the scope of Parts 2 and 3 of the Well-being of Future Generations (Wales) Act 2015.

34. The Well-being of Future Generations (Wales) Act 2015 places a duty on public bodies to carry out sustainable development, meaning the process of improving the social, economic, environmental and cultural well-being of Wales by taking action aimed at achieving the well-being goals of:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh language
- A globally responsible Wales

and by acting in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

35. In order to act in accordance with the sustainable development principle, when exercising its functions, the Committee must take account of the following things:

- the importance of balancing short term needs with the need to safeguard the ability to meet long term needs;
- the need to take an integrated approach to achieving the well-being goals;
- the importance of involving others with an interest in achieving the well-being goals and of ensuring those persons reflect the diversity of the population of the region;
- how acting in collaboration with others could assist to meet the region's well-being objectives;
- how deploying resources to prevent problems occurring or getting worse may contribute to meeting the region's well-being objectives.

36. In developing the Recommendations of this report, regard has been had to the well-being duty arising under the Well-Being of Future Generations (Wales) Act 2015 ('the Act').

Welsh Language Implications

37. The Welsh Language Standards (No.1) Regulations 2015 (Amendment) Regulations 2021 bring Corporate Joint Committees within the scope of the standards specified by the No.1 Regulations.

38. In accordance with the Welsh Language Standards (No.1) Regulations 2015, consideration has been given to the impact the recommendations made in this report may have on opportunities for people to use and promote the Welsh Language, whether the proposals treat the Welsh Language more or less favourably than the English Language, and opportunities for increasing the positive effects, or decreasing the negative effects, of the proposals on the Welsh Language.

39. No negative impacts were identified which would prevent approval being sought to implement the recommendations of this report.

Climate Change Considerations

40. CCR Energy and the Aberthaw Power Station Redevelopment is a strategic priority investment and supports the transition to low-carbon energy and industry.

Links to CCR Priorities

41. The purchase of Aberthaw Power Station, and the establishment of CCR Energy Limited in order to deliver the redevelopment of Aberthaw Power Station site is a is report relates to the following outcome(s) set out in CCR's Regional Economic and Industrial Plan for 2023- 2028:

- COMPETITIVE - Enable businesses within our priority sectors and public services to achieve higher levels of productivity through innovation-led growth.
- CONNECTED - Invest in cutting-edge digital and physical infrastructure and grow the green economy through investing in and promoting companies, technologies and community initiatives that are embracing the de-carbonisation agenda.
- RESILIENT - Maximise 'good growth' by ensuring prosperity is shared and spread across the Region and take direct steps to reduce the economic and social disparities between our places.

Staffing/Workforce Implications

42. There are no direct staffing implications for CCR employees as a result of this report.

43. If the recommendation is approved, it would allow CCR Energy staff to join the Local Government Pension Scheme.

Background Papers

None

Liam Hull, Strategic Director of Resources

18 November 2024